Press Release

Coverage of the Deposit Protection Scheme

(Hong Kong, 5 February 2009) The Hong Kong Deposit Protection Board (the "Board") noted the emergence of some public concern about the coverage of the Deposit Protection Scheme (the "Scheme") in the past few weeks, especially on the possibility of deposits held and pledged under integrated accounts offered by banks falling outside the scope of deposit protection.

The Board understands that it is natural for the public to pay greater attention to the coverage of the Scheme given the unlimited protection offered by the full deposit guarantee (the "Guarantee") introduced by the Hong Kong SAR Government in October 2008, which adopts the principles of the Scheme in protecting depositors. Since the Scheme commenced operation in September 2006, the Board has been undertaking on-going publicity activities to promote awareness and understanding of the Scheme. Following the introduction of the Guarantee, the Board and the Hong Kong Monetary Authority (the "HKMA") have taken a series of measures to reinforce public understanding of the coverage of the Scheme. For example, the HKMA has issued two guidelines to request authorized institutions to inform their customers of deposits not protected. New publicity initiatives focusing on the coverage of the Scheme have been launched by the Board.

Taking this opportunity, the Board would like to reiterate the coverage of the Scheme, which has also been communicated in the publicity materials issued by the Board in the past. According to principles set out in the Deposit Protection Scheme Ordinance, the Scheme and, hence, the Guarantee, protect all deposits maintained with authorized institutions consistent with the definition of deposit in the Banking Ordinance, except for a few types of deposits. This means that all commonly seen deposits, either denominated in Hong Kong dollar or a foreign currency, are protected. Non-protected deposits include secured deposits (such as deposits used as collateral to secure a loan and other credit facilities), structured deposits (such as foreign currency-linked and equity-linked deposits), bearer instruments (such as bearer certificates of deposit) and offshore deposits and a few types of deposits specified in the Deposit Protection Scheme Ordinance. Another key feature of the Scheme is that compensation is paid on a net basis. For example, the protected deposits of a borrower to a bank will be applied to repay the loan that he owes the bank in the first

instance. The deposit balance remaining, if any, will be paid as compensation to the borrower.

In accordance with a statutory guideline issued by the HKMA in December 2008, all authorized institutions are required to send a notice to holders of non-protected deposits before the end of May 2009 to notify them of deposits not protected. The Board understands that the HKMA has made a request to all authorized institutions today (5 February 2009) to send a letter or e-mail to holders of integrated accounts on whether the deposits in their accounts can become pledged as soon as possible.

Members of the public are advised to check with their banks on whether their deposits are protected in case of doubt.

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Hong Kong Deposit Protection Board
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