Press Release

Commencement of the Enhanced Deposit Protection Scheme

The enhanced Deposit Protection Scheme (the Scheme) providing a higher protection limit of HK$500,000 will come into operation on 1 January. The Scheme will ensure that bank deposits will continue to be well protected after the expiry of the Government's Full Deposit Guarantee on 31 December 2010.

In addition to the increase in the protection limit to HK$500,000 per depositor per bank, the Scheme will also expand the coverage to include deposits pledged as security for banking services. However, as restricted licence banks and deposit-taking companies are not members of the DPS, deposits placed with these institutions are not covered by the DPS.

The Full Deposit Guarantee provided by the Government was introduced on 14 October 2008, which guarantees all deposits held with authorized institutions (i.e. all licensed banks, restricted licence banks and deposit-taking companies) until the end of 2010. This special guarantee is a contingency measure introduced at the onset of the global financial crisis in late 2008 to reinforce confidence in Hong Kong's banking system.

The Financial Secretary, Mr John Tsang, said, "The Full Deposit Guarantee has functioned effectively to shore up public confidence in Hong Kong's banking system during the global financial crisis. As the global economy has become more stable, the provision of this special guarantee by the Government should come to an end as originally planned."

The Chief Executive of the Hong Kong Monetary Authority, Mr Norman Chan, said, "Our banking system remains healthy and robust, with capitalisation well above international standards. Public confidence in the banking system has also

remained strong. The expiry of the Full Deposit Guarantee is not expected to have any impact on the banking system."

The Hong Kong Deposit Protection Board (the "Board") has undertaken extensive publicity campaigns since the second half of 2010 to raise public awareness on the impending changes including their understanding on the coverage under the enhanced Scheme. Close collaboration with banks has been maintained to ensure that they make timely adjustments to their systems and business flows. Furthermore, the Board has worked closely with the HKMA as the banking regulator to remind Authorized Institutions to make proper representation on the expiry of the full deposit guarantee and its potential impact on their customers.

Mrs Chan Wong Shui, Chairperson of the Board, said, "The enhanced Deposit Protection Scheme stands ready to provide a means of protection to depositors. The new protection limit of $500,000 will be able to fully cover about 90% of the bank depositors. The Board has taken the necessary measures to prepare for a smooth transition to the new Scheme."

After the implementation of the enhanced DPS, the Board will continue to maintain an effective and efficient DPS in line with international practice.

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