About the Hong Kong Deposit Protection Scheme

INTRODUCTION

Enacted in May 2004, the Deposit Protection Scheme Ordinance ("the Ordinance") provides for the establishment of a deposit protection scheme ("DPS") in Hong Kong. To oversee the establishment of the DPS, the Hong Kong Deposit Protection Board ("the Board") was formed in July 2004.

COMPOSITION OF THE BOARD

The Board is a body corporate established under section 3 of the Ordinance. Members of the Board are appointed by the Financial Secretary with powers delegated to him by the Chief Executive. As of 1 July 2006, the Board has nine members including two ex officio members, namely the Deputy Chief Executive (Banking) of the Hong Kong Monetary Authority (being the Monetary Authority ("MA")'s representative) and the Permanent Secretary for Financial Services and the Treasury (Financial Services) (being the representative of the Secretary for Financial Services and the Treasury).

FUNCTIONS OF THE BOARD

Under section 5 of the Ordinance, the Board's functions are confined to assessing and collecting contributions payable by Scheme members, managing the DPS Fund, making payments to depositors in the event of a failure of a Scheme member and recovering payments from the assets of the failed Scheme member.

INVESTMENT COMMITTEE

In accordance with section 7 of Schedule 2 to the Ordinance, the Board established an investment committee on 1 July 2006 to recommend investment policy and strategy for the DPS Fund, monitor the investment performance of the DPS Fund, and establish proper risk management controls for the investment activities of the Board. The members of the Committee are:

Mr Nam Lee-yick, Chairman
Ms Elisabeth Charlotte Scott, Member
Mr Yeung Yuet-bor, Member
Mr Francis Chu Siu-chuen, Member

PERFORMANCE OF FUNCTIONS

Pursuant to section 6 of the Ordinance, the Board shall perform its functions through the MA unless indicated otherwise by the Financial Secretary. This means that the MA will act as an executive arm of the Board in administering the DPS and will, in this respect, be subject to the oversight of the Board.

The Hong Kong Monetary Authority ("HKMA") has assigned a team of staff to assist the Board in discharging its functions. The team is headed by an Executive Director of the HKMA, who is designated as the Chief Executive Officer ("CEO") of the Board. The CEO is assisted by two Deputy CEOs in charge of operational matters and legal services respectively, and a Payout Consultant responsible for developing payout procedures and systems. The HKMA also supports the Board on aspects such as accounting, administration, human resources, and information technology.

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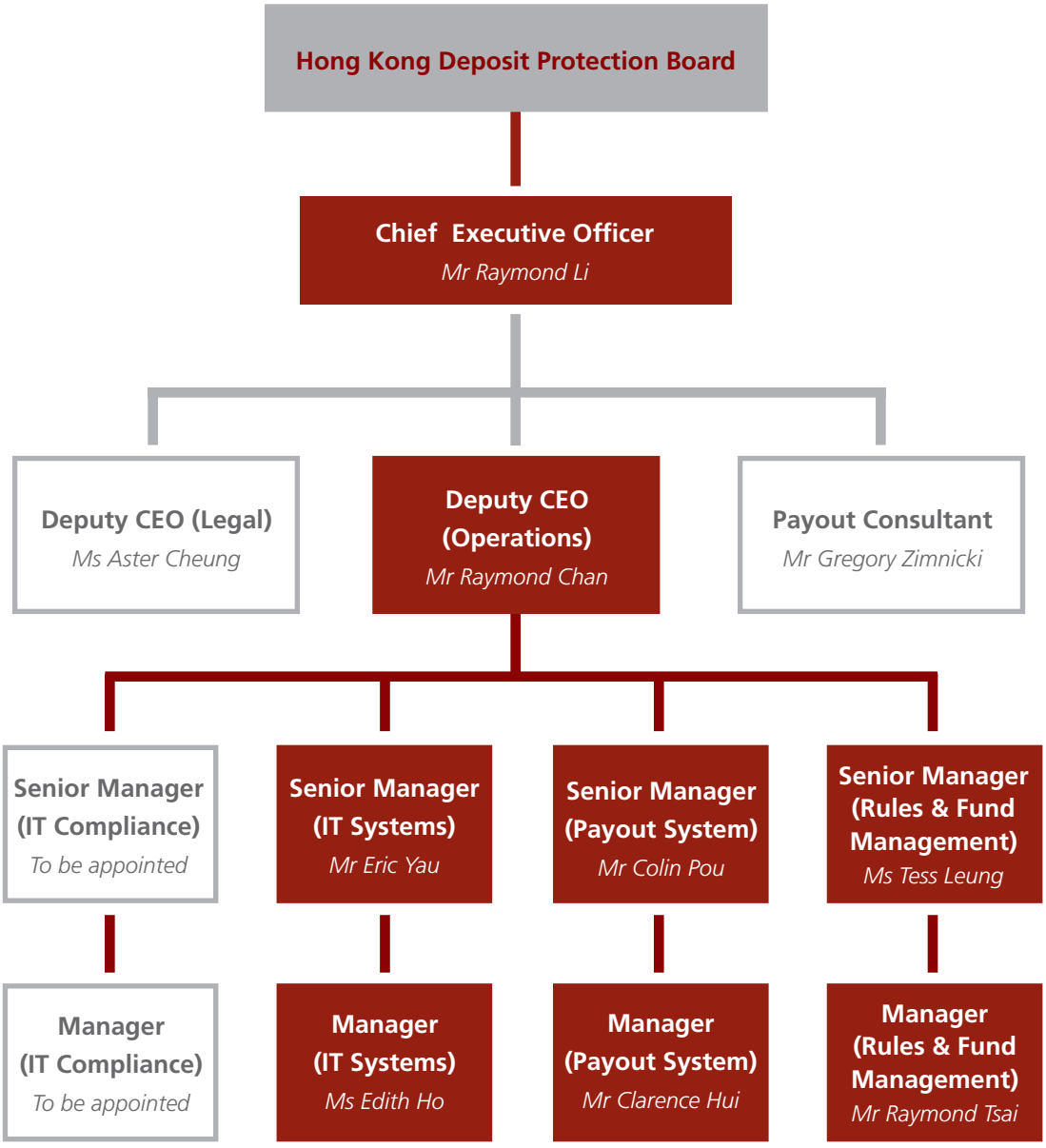
Organisation Structure of the Board



HKMA staff seconded to assist the Board. The emoluments of these staff are borne by the HKMA until the DPS starts to collect contributions from Scheme members.

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Front row, from left to right:
Mr Gregory Zimnicki, Ms Aster Cheung, Mr Raymond Li, Mr Raymond Chan

Back row, from left to right:
Mr Clarence Hui, Mr Eric Yau, Mr Colin Pou, Mr Raymond Tsai, Ms Tess Leung, Ms Edith Ho

MAIN FEATURES OF THE DEPOSIT PROTECTION SCHEME

The DPS in Hong Kong has the following key features:

(a) all licensed banks, unless otherwise exempted by the Board, are required to participate in the DPS as Scheme members;

(b) the compensation limit is set at HK$100,000 per depositor per Scheme member;

(c) both Hong Kong dollar and foreign currency deposits are protected;

(d) a DPS Fund with a target fund size of 0.3% of the total amount of relevant deposits (translating into a fund size of approximately HK$1.3 billion) will be built up through collecting contributions from Scheme members; and

(e) differential contributions will be assessed based on the supervisory ratings of individual Scheme members.

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CONSULTATIVE COMMITTEE ON DEPOSIT PROTECTION SCHEME

To keep the industry informed of the development of the DPS, the Board established a Consultative Committee on DPS ("the Committee") comprising 13 representatives of the banking industry. The Committee serves as a useful forum for the Board and the banking industry to exchange views on issues of common interest. The members of the Committee are:

Mr Fung Tin-yiu, Bank of China (Hong Kong) Limited

Mr Tong Hon-shing, The Bank of East Asia Limited

Mr Gilbert Lee, BNP Paribas, Hong Kong Branch

Mr C Y Ling, CITIC Ka Wah Bank Limited

Ms Francesca So, Dah Sing Bank Limited

Ms Sinna Ho, DBS Bank (Hong Kong) Limited

Mr S C Lau, Hang Seng Bank Limited

Ms Diana Cesar, The Hong Kong and Shanghai Banking Corporation Limited

Mr George Kwan, Industrial and Commercial Bank of China (Asia) Limited

Mr Andrew Lau, JPMorgan Chase Bank, Hong Kong Branch

Ms Maggie Cheung, Mizuho Corporate Bank Limited, Hong Kong Branch

Ms Tai Kwai Heung, Nanyang Commercial Bank Limited

Ms Ann Kung, Standard Chartered Bank (Hong Kong) Limited

About the Hong Kong Deposit Protection Scheme

DEPOSIT PROTECTION APPEALS TRIBUNAL

Under the Ordinance, certain decisions of the Board and the MA can be the subject of an appeal to the Deposit Protection Appeals Tribunal ("the Tribunal"). These include the Board's decisions regarding whether a foreign bank branch can be exempted from participation in the DPS, the amount of contribution payable by a Scheme member, and the amount of compensation payable to a depositor, as well as the MA's decision to impose an asset maintenance requirement on a Scheme member.

The Tribunal was established in January 2005. Mr Simon Herbert Mayo, a former Vice-President of the Court of Appeal of the High Court, was appointed by the Chief Executive as Chairman of the Tribunal. Members of the Tribunal are appointed by the Financial Secretary from a panel of six persons. The panel members are listed below. Sittings of the Tribunal will be convened on an as needed basis.

Mr Charles David Booth

Professor Simon Ho Shun-man

Miss Winnie Lun Pong-hing

Ms Melissa Kaye Pang

Mr Rupert James Purser

Mr James Wardell