

## **Chairman's remarks at launch cocktail of the DPS**

Mr Tang, distinguished guests, colleagues and friends. Good evening.

It is my pleasure to celebrate with you the launch of the Deposit Protection Scheme. The successful launch of the Scheme today owes a lot to the co-operation and effort of the banking industry, the government, the HKMA, and all those who have provided valuable input to the Board over the past two years. On behalf of the Board, I thank you all from the bottom of my heart.

I think all of you will agree that we have a strong and stable banking system in Hong Kong. It stood the tests of the Asian financial crisis and there had been no incidents of bank failure in Hong Kong over the past decade. While the young people in Hong Kong may never think of a bank failure, for those of us who witnessed the collapse of BCCHK in 1991, we know that, if a bank does fail, the impact on the financial sector can be tremendous and the entire society will be affected. I can still recall scenes of furious and desperate depositors who trusted their life-long savings to BCCHK blocking main roads in Central, as well as the ensuing rumour driven runs on a number of banks.

Though the BCCHK incident did not immediately bring about the introduction of a deposit protection scheme in Hong Kong, the seeds were sowed. It saw the beginning of a process to find an effective way to protect depositors. That process is bearing fruit today as the Deposit Protection Scheme that offers explicit protection to depositors starts providing deposit protection.

The introduction of the Scheme will not eliminate the risk of bank failure. However, with protection available to depositors clearly spelt out and a compensation mechanism in place, depositors are assured that their savings would be protected should their bank fail. This will enhance public confidence in our banking system and reduce the chance of rumor-driven runs. And, should indeed a bank fail, the Scheme will provide an orderly mechanism for compensating depositors, which will help minimize any fallout effect of the incident on other banks.

Charged with the important responsibility for protecting depositors in Hong Kong, I and my colleagues in the Deposit Protection Board will do our best to ensure the Scheme functions smoothly and effectively.

Thank you.