

# About the Hong Kong Deposit Protection Scheme

## INTRODUCTION

The Deposit Protection Scheme Ordinance (the Ordinance) which provides for the establishment of a deposit protection scheme (DPS) in Hong Kong was enacted in May 2004. Following this, the Hong Kong Deposit Protection Board (the Board) was formed in July 2004 to oversee the project of establishing the DPS.

## 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 Chief Executive. At present, the Board consists of seven 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 the assessment and collection of contributions, 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.

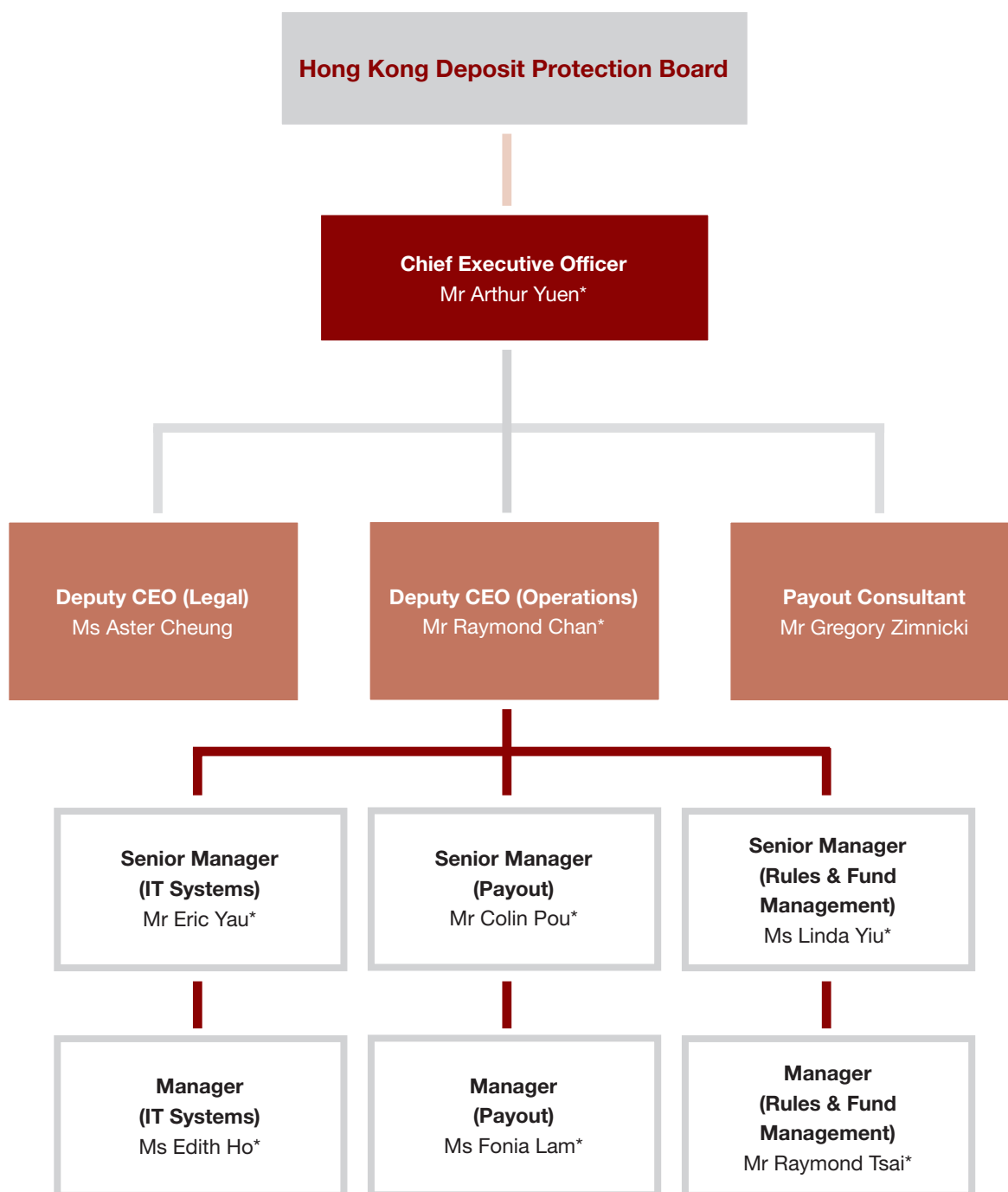
## PERFORMANCE OF FUNCTIONS

Pursuant to section 6 of the Ordinance, the Board shall perform its functions through the MA unless otherwise approved 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 provided a team of staff to assist the Board in establishing the DPS. 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 the payout procedures and systems. The HKMA has also provided the Board with support services such as accounting, administration, human resources, and information technology throughout the period.

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## Organisation Structure of the Board



\* HKMA staff seconded to assist the Board in establishing the DPS. The emoluments of these staff are borne by the HKMA until the DPS starts collecting contributions from Scheme members.

*Note: On 1 June 2005, Mr Arthur Yuen resigned as the CEO of the Board to take up a new assignment with the HKMA. His position was taken up by Mr Raymond Li on the same day.*

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Front row, from left to right: Mr Gregory Zimnicki, Mr Arthur Yuen, Mr Raymond Li, Mr Raymond Chan, Ms Aster Cheung  
Back row, from left to right: Mr Eric Yau, Mr Colin Pou, Mr Raymond Tsai, Ms Edith Ho, Ms Linda Yiu, Ms Fonia Lam

### MAIN FEATURES OF THE DEPOSIT PROTECTION SCHEME

The DPS to be introduced in Hong Kong will have the following main 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\$1.6 billion) will be built up through the collection of contributions from Scheme members; and
- (e) differential contributions will be assessed based on the supervisory ratings of individual Scheme members.