

# Report on Activities

With the assistance of the HKMA, the Board is making the necessary preparations for launching the DPS. The Board held six meetings during the first financial year covering the period from 1 July 2004 to 31 March 2005. It has developed a detailed project plan for establishing the DPS and has commenced work on a number of key preparatory tasks:–

## **(a) System for assessment of contributions**

Every Scheme member is required to make an annual contribution to the DPS Fund. The amount of contribution payable by a Scheme member will be assessed by the Board with reference to the amount of relevant deposits held with that Scheme member and its supervisory rating assigned by the MA. In relation to the former, the Board has developed an annual return for Scheme members to report their amount of relevant deposits. Scheme members are required to submit the first return in December 2005, reporting the amount of relevant deposits as of 20 October 2005. The supervisory ratings of individual Scheme members will be provided to the Board by the HKMA under a mechanism that they have jointly developed.

## **(b) Development of payout procedures and systems**

One of the key preparatory tasks is the development of a set of procedures and the associated information systems for assessing and paying compensation to depositors in the event of a bank failure. To ensure the smooth completion of this task, the Board has appointed a consultant with practical experience in deposit insurance operations to advise on this area. In addition, the Board has engaged an information technology company to develop the requisite information systems.

## **(c) Preparation of rules**

The Board and the MA are empowered under the Ordinance to make rules governing the operation of the DPS. These rules will be issued in the form of subsidiary legislation and therefore will be subject to negative vetting by the Legislative Council.

There are altogether five sets of rules that will be made by the Board and the MA, namely:–

### *Rules to be made by the Board*

- (i) Rules governing the representations that should be made by Scheme members regarding their membership as well as the coverage of the DPS;
- (ii) Rules concerning the manner in which Scheme members should pay contributions to the DPS Fund;
- (iii) Rules on the information systems and records to be maintained by Scheme members to facilitate the Board in making compensation payments to depositors expeditiously;
- (iv) Rules concerning the forms in which compensation will be paid to eligible depositors; and

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## *Rules to be made by the MA*

- (v) Rules governing the maintenance of assets in Hong Kong by Scheme members.

The banking industry and other relevant parties have been consulted on the main principles to be incorporated into these rules. The Board will take into account their comments in drafting the rules.

## CONSULTATIVE COMMITTEE ON DEPOSIT PROTECTION SCHEME

The Board has kept the industry informed of the progress of the DPS project. It has 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. For instance, members of the Committee have provided many useful comments to the Board in preparing the rules governing the operation of the DPS. The members of the Committee are:–

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

Mr Tong Hon-shing, *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*

Mr Dennis Chan Kwok-keung, *DBS Bank (Hong Kong) Limited*

Mr Joseph TC Cho, *Hang Seng Bank Limited*

Mr Lawrence Law, *The Hong Kong and Shanghai Banking Corporation Ltd.*

Mr George Kwan, *Industrial and Commercial Bank of China (Asia) Ltd.*

Mr Kevan Albrighton, *JPMorgan Chase Bank, Hong Kong Branch*

Ms Maggie Cheung, *Mizuho Corporate Bank Ltd, Hong Kong Branch*

Ms Tai Kwai Heung, *Nanyang Commercial Bank Limited*

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

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## 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 the 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

## PLAN FOR 2005-2006

In the year ahead, the Board will continue to develop its payout procedures and systems as well as the rules governing the operation of the DPS. It will also formulate a strategy to educate the public about the protection available under the DPS before the Scheme is launched. It is expected that the DPS will be ready to start providing deposit protection and collecting contributions from Scheme members in the second half of 2006.