

Chairman's Statement

I am pleased to report that, after two years of intensive preparation, the Hong Kong Deposit Protection Board ("the Board") is ready to launch the deposit protection scheme ("DPS" or "the Scheme"). The Scheme will start to provide deposit protection and collect contributions from Scheme members in the second half of 2006 as planned.

The Board made impressive progress in the past year. In May, we introduced an Amendment Notice to clarify the protection status of structured products and streamline certain areas of operation of the DPS Ordinance. At the same time, the Board promulgated two sets of rules, namely the Representation Rules and Contribution Rules. The former governs how Scheme members should make representations about their DPS membership and the protection status of their financial products. The latter lays down the manner in which Scheme members should pay contributions to the Board. The Amendment Notice and the Rules were tabled for negative vetting before the Legislative Council on 24 May 2006, and the vetting process ended smoothly in July. On the payout infrastructure, we completed the development of the Payout System and subjected it to rigorous user acceptance tests. We have also identified a network of service providers to assist the Board in assessing and disbursing compensation to depositors in the event that a payout is deemed necessary. Based on the current work schedule, we are confident that the DPS can commence full operation shortly, and have selected 25 September 2006 as the target launch date of the DPS.

The DPS will not be effective if members of the public are not aware of it and the protection it provides. With that in mind, we will soon embark on an extensive publicity campaign to promote public understanding of the Scheme.

Taking this opportunity, I would like to express my gratitude to my fellow members for their continued contribution and guidance to the Board since its inception. I would also like to extend my warmest welcome to Ms Elisabeth Scott and Mr Yeung Yuet-bor, who joined the Board in July. Last but not least, I would like to congratulate all staff of the Board for their dedication to seeing the Scheme to fruition.

Going forward, we will constantly review our systems and processes with the aim of ensuring efficient handling of payout. As stated in our mission statement, we will strive to maintain an effective and efficient deposit protection scheme in accordance with the DPS Ordinance and in line with international practices.



**Professor
Andrew Chan Chi-fai, JP**
Chairman

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Chairman, Hong Kong Deposit Protection Board