

MESSAGE FROM  
THE CHAIRMAN



香港存款保障委員會  
HONG KONG DEPOSIT  
PROTECTION BOARD

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

“The successful launch of the Deposit Protection Scheme truly marked an important milestone in development of the financial safety net in Hong Kong.”

I am very pleased to report the launch of the Deposit Protection Scheme (DPS) and other activities and accomplishments of the Hong Kong Deposit Protection Board in 2006-07.

The successful launch of the DPS on 25 September 2006 truly marked an important milestone in development of the financial safety net in Hong Kong. The Scheme provides for the protection of deposits of up to HK\$100,000 per depositor per bank. At this level of protection, the Scheme already covers the vast majority of depositors in Hong Kong, and will be particularly meaningful to those small depositors who put their hard-earned savings in our banks.

The operation of the DPS is governed by the DPS Ordinance. The Board is responsible for its management and administration. Through the provision of deposit protection in this transparent and accountable manner, depositors can be assured that their savings are protected. More importantly, by strengthening the confidence of depositors in our banking sector, the Scheme will contribute to the stability of Hong Kong's financial system.

Our top priority last year was to ensure the successful launch of the Scheme. The Board convened no less than seven meetings in the 12 months prior to its launch to consider various businesses in earnest. These included the promulgation of rules and guidelines to govern the Scheme's operation, the design and development of a payout system that can quickly and efficiently facilitate payment of compensation to depositors, the engagement of payout agents, an agreement on a standby credit facility from the Exchange Fund, and the Board's budget and business plan.

The Board also carefully considered how best to promote the Scheme to the public. Indeed, its effectiveness depends on public awareness of the Scheme's existence and the extent of protection it provides. Both during and after the Scheme's launch, and on the advice of a professional firm, we arranged several educational and mass media campaigns to promote the DPS. I am delighted to say that the publicity activities undertaken by the Board have been effective in raising public awareness and understanding of the Scheme.

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Chairman of the Board, Professor Andrew Chan (left), and Chief Executive Officer, Mr Raymond Li (right), announcing the launch of the DPS

Depositors are not required to pay for protection under the DPS as it is funded entirely by contributions paid by member banks. Last year the DPS Fund collected contributions from members amounting to almost HK\$390 million. The Fund has been managed in accordance with the DPS Ordinance and subject to the oversight of the Investment Committee of the Board.

During the past year, we worked closely with the Hong Kong Monetary Authority (HKMA), members of the Scheme and service providers to the Board to ensure everything was in readiness for the launch on the due date. The Board also received support from the Legislative Council, Consumer Council, various government departments, public and professional bodies. And, I would like to sincerely thank my fellow Board members, the management team, the HKMA and Scheme members for their support, hard work and dedication throughout.

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Many tasks remain to be accomplished in the coming year. The Board has considered and approved its business plan for 2007-08, paying particular attention to the continued monitoring of the Scheme's effectiveness, improving the readiness of our system and service providers for payout, and promoting public awareness and understanding of the Scheme.

Finally, I am honoured to have overseen the birth of the Deposit Protection Scheme. I believe the Board, with the assistance of the HKMA, has already established a strong foundation for deposit protection in Hong Kong. However there is no room for complacency. In the coming months, we will continue to refine and improve the functioning of the Scheme, thereby contributing further towards the well-being of the people and the financial system of Hong Kong.

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

*Chairman*