



Ms Meena Datwani
Chief Executive Officer

“Getting ready for the transition”

The Board met the key business objective set for 2009-2010, that is, completing the review of the DPS. Under the guidance of the Board, good progress was also made in other areas aimed at maintaining an efficient and effective DPS. Highlights of our achievements during the year include:

ADMINISTRATION OF THE DPS

The collection of contributions from Scheme members was completed on schedule. The Board collected a total of HK\$377 million in contributions for 2010, which brought the total assets of the DPS Fund to HK\$1,284 million by the end of March 2010. As global interest rates continued to remain low due to abundant liquidity in the market, the Fund achieved an investment return of 0.6% for the year.

The Board continued to monitor the accuracy of the returns filed by Scheme members for contribution assessment purposes by reviewing auditors' reports submitted by the members. The results were satisfactory and no reporting error with a significant impact on the total contributions receivable was noted.

ENSURING ADEQUACY OF THE COVERAGE OF THE DPS

The Board completed the review of the DPS and the consultation exercise on the findings of the review in two phases. The first and second phases of the review were concluded in August and November 2009, respectively, as marked by the publication of the respective consultation reports. The enhancement proposals concluded in the review, including raising the protection limit of the DPS and expanding its coverage, received broad public support during consultation. The Board assisted in making legislative changes to effect the enhancement proposals.

The Board conducted a survey on the popularity of structured deposits in late 2009. The findings of the survey confirmed that the popularity of structured deposits remained below the threshold set by the Board for triggering a review of their protection status.

MAINTAINING AND IMPROVING THE READINESS OF THE DPS TO PAYOUT

The Board refined the guideline on the maintenance of information systems and customer records of Scheme members to facilitate a payout, in order to enhance its effectiveness and clarity, and promote compliance. Six compliance reviews were conducted to monitor selected Scheme members' compliance with the guideline. Concurrently, the Board performed six simulation tests to maintain the readiness of Board personnel and payout agents.

In the fourth quarter of 2009, the Board conducted a payout rehearsal to maintain and enhance the readiness of its payout infrastructure. Based on the experience gained from the simulation tests and payout rehearsal, the Board identified and initiated refinements to its payout system and processes.

ENHANCING PUBLIC AWARENESS, UNDERSTANDING AND CONFIDENCE IN THE DPS

The Board undertook on-going educational and promotional activities to maintain and enhance public awareness and understanding of the deposit protection arrangements in Hong Kong. In addition, a focused publicity drive was conducted to promote public participation in the consultation on the DPS review. The year-end opinion survey conducted by the Board suggested that public awareness of the DPS had continued to stand at a reasonably high level of 70%.

The Board continued to review self-assessment reports compiled by Scheme members on their compliance with the requirements of statutory rules on disclosure of their membership status and the protection status of their financial products to customers. The reports indicated the compliance status of Scheme members was satisfactory.

PLANS FOR 2010-2011

The Board is fully aware that the enhanced deposit protection to be provided in the coming year will naturally need to be realised by enhanced administration and communication to depositors. In parallel with assisting in the completion of the legislative process for implementing the enhancement proposals concluded in the DPS review, preparations will need to be made by the Board on all fronts to get itself, the banking industry and the public ready for the transition.

I would like to take this opportunity to thank members of the Board for their support and advice over the past year, as well as my colleagues for their outstanding performance in assisting the Board in discharging its duties. Lastly, I would also like to thank my predecessor, Mr Raymond Li, for his leadership in steering the DPS through the turbulent market conditions of the past couple of years, and for his contribution to the significant progress made by the Board in enhancing the DPS.



Meena Datwani

Chief Executive Officer