

For information  
on 26 February 2002

## **LegCo Panel on Financial Affairs**

### **Progress on the Deposit Insurance Scheme (DIS)**

#### **I. Background**

The question of whether to introduce a DIS in Hong Kong was the subject of an extensive public consultation in late 2000. On 13 December 2000, the Legislative Council passed a motion by a wide margin urging the Government “expeditiously to implement a DIS which is cost effective and easy for depositors to understand, for effectively protecting small depositors, and formulate appropriate complementary measures aiming at reducing the risk of moral hazard”. Having considered the broad public support for introducing a DIS, the Chief Executive in Council approved in principle, in April 2001, the establishment of a DIS in Hong Kong and asked the HKMA to work out the detailed design features of the scheme.

#### **II. Progress of the detailed design work**

2. The HKMA has substantially completed consideration of the detailed design features of the DIS. During 2001, it issued two discussion papers on technical issues relating to the netting arrangements in the event of reimbursing depositors and the funding approach of the DIS. The proposals on these and other aspects of the scheme are presently being incorporated into a final consultation paper. The key design features to be set out in the paper will include, among other things, the proposed structure, membership, coverage of the scheme, as well as details on the proposed funding and premium assessment mechanism.

#### **III. Legislation and implementation**

3. The final consultation paper will be issued for public consultation during this quarter to seek the views of the public. The intention is to prepare a draft bill by the last quarter of 2002.