

**立法會**  
**Legislative Council**

LC Paper No. CB(1) 202/03-04  
(These minutes have been seen  
by the Administration)

Ref: CB1/BC/10/02/2

**Bills Committee on Deposit Protection Scheme Bill**

**Minutes of the fifth meeting**  
**held on Tuesday, 21 October 2003, at 4:30 pm**  
**in Conference Room A of the Legislative Council Building**

- Members present** : Hon Albert HO Chun-yan (Chairman)  
Dr Hon Eric LI Ka-cheung, GBS, JP  
Hon Fred LI Wah-ming, JP  
Hon NG Leung-sing, JP  
Hon Margaret NG  
Hon CHAN Kam-lam, JP  
Hon SIN Chung-kai  
Hon Jasper TSANG Yok-sing, GBS, JP  
Hon Abraham SHEK Lai-him, JP  
Hon Audrey EU Yuet-mee, SC, JP
- Members absent** : Dr Hon David LI Kwok-po, GBS, JP  
Hon Bernard CHAN, JP  
Hon Ambrose LAU Hon-chuen, GBS, JP
- Public officers attending** : Hong Kong Monetary Authority  
  
Mr Raymond LI  
Executive Director (Banking Development)  
  
Mr Raymond CHAN  
Acting Division Head (Banking Development)

Financial Services and the Treasury Bureau

Mr Edmond LAU  
Principal Assistant Secretary (Financial Services)

Department of Justice

Mr Lawrence PENG  
Senior Assistant Law Draftsman

Ms Grace LEUNG  
Government Counsel

**Clerk in attendance** : Miss Becky YU  
Chief Assistant Secretary (1)1

**Staff in attendance** : Mr KAU Kin-wah  
Assistant Legal Adviser 6

Mrs Mary TANG  
Senior Assistant Secretary (1)2

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**I. Confirmation of minutes**

- (LC Paper No. CB(1) 2542/02-03 -- Minutes of the meeting held on  
25 September 2003  
LC Paper No. CB(1) 70/03-04 -- Minutes of the meeting held on  
3 October 2003)

The minutes of the meetings held on 25 September and 3 October 2003 were confirmed.

**II. Meeting with the Administration**

- (LC Paper No. CB(1) 2440/02-03(07) -- Administration's paper on "Coverage  
Limit" and "Comparison with  
Overseas Schemes"  
LC Paper No. CB(1) 92/03-04(01) -- List of follow-up actions arising from  
previous meetings (as at  
17 October 2003)  
LC Paper No. CB(1) 92/03-04(02) -- Administration's paper on "Board  
Structure and Administration Costs"

LC Paper No. CB(1) 92/03-04(03) -- Administration's paper on  
"Simulation Model for Determining  
the Target Fund Size"

LC Paper No. CB(1) 92/03-04(04) -- Summary of concerns (as at  
17 October 2003))

2. The Committee deliberated (Index of proceedings attached at **Annex A**).
3. The Administration was requested to -
  - (a) consider the need for arranging internal auditing in respect of investment of the Deposit Protection Scheme Fund; and
  - (b) provide the basis, including the underlying assumptions and standards, upon which the estimated annual administration cost of \$7 to \$8 million in normal times for the Hong Kong Deposit Protection Board was arrived at. To also provide the estimated cost to be incurred in the event of failure of a medium-size bank.
4. There being no other business, the meeting ended at 6:10 pm.

**Proceedings of the meeting of the  
Bills Committee on Deposit Protection Scheme Bill  
Meeting on Tuesday, 21 October 2003, at 4:30 pm  
in Conference Room A of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
000000 - 000208	Chairman	Introductory remarks and confirmation of minutes of meeting held on 25 September and 3 October 2003 (LC Paper Nos. CB(1) 2542/02-03 and 70/03-04 respectively)	
000209 - 000638	Administration Chairman	Paper on "Board Structure and Administrative Costs" (LC Paper No. CB(1) 92/03-04(02))	
000639 - 000829	Miss Margaret NG	Support for appointment of an independent legal counsel by the Deposit Protection Scheme (DPS) Board (the Board); but need to ensure that the Board would be able to discharge its responsibilities given that its staff were not expected to work full time and might be overburdened with the work of the Hong Kong Monetary Authority (HKMA)	
000830 - 001408	Administration Chairman Miss Margaret NG	Development of a "virtual organization" to be supplemented by a network of service suppliers as recommended by the Canada Deposit Insurance Corporation (Annex B of LC Paper No. CB(1) 92/03-04(02)); Provisions under clauses 7(f) and (h) to enable the Board to employ persons and appointment of persons as advisers to assist the Board in the performance of its functions	

Time marker	Speaker	Subject(s)	Action required
001409 - 001728	Miss Margaret NG Chairman	Concern over staff of the Board (except for the legal counsel) not working full time; and the need for employment of a full-time executive secretary to handle administrative work for the Board	
001729 - 001841	Administration Miss Margaret NG Chairman	Employment of additional staff and coordination of service providers in the event of bank failure as part of contingency planning; and regular review and testing of the payout strategy and systems by the Board	
001842 - 002026	Mr SIN Chung-kai	Concern about the high administration costs of the Board; possibility of outsourcing business process which might be more cost-effective; and query on the need for the Board to be stationed at Two International Finance Centre	
002027 - 002510	Administration Chairman Mr SIN Chung-kai	Support from Consumer Council and the Hong Kong Association of Banks for DPS to be administered by HKMA; cost effectiveness of outsourcing; and administration costs of the Board in normal times	
002511 - 002736	Administration Mr SIN Chung-kai Chairman	Clause 6(1) provided that the Board should perform its functions under the proposed DPS Ordinance through HKMA unless otherwise directed by the Financial Secretary	

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
002737 - 003213	Mr NG Leung-sing Administration	Internal auditing arrangement for investment of money under clause 20	The Administration to consider the need for arranging internal auditing in respect of investment of the DPS Fund
003214 - 003410	Mr Abraham SHEK	Need to work out contract arrangement between the Board and HKMA and to set out breakdown on administration costs of the Board	
003411 - 004040	Administration Chairman Mr Abraham SHEK Mr SIN Chung-kai	Basis of estimates for administration costs of the Board; and the need for a separate office premises for the Board	The Administration to provide the basis, including the underlying assumptions and standards, upon which the estimated annual administration cost of \$7 to \$8 million in normal times for the DPS Board was arrived at
004041 - 004145	Mr SIN Chung-kai Administration Chairman	Administrative support for the Board; and need to set up a hotline for enquiries and complaints on DPS	
004146 - 004349	Ms Audrey EU Administration	Administration costs of the Board should be based on the functional rather than organizational structure	
004350 - 004739	Mr CHAN Kam-lam	Support for DPS to be administered by HKMA as this would be more cost effective; and need for the Board to decide its own organizational structure and administrative practices upon establishment	
004740 - 005114	Administration Mr Jasper TSANG Chairman Mr Abraham SHEK Mr SIN Chung-kai	Administration costs of the Board; contingency planning and the need for a contract to be signed between the Board and HKMA	The Administration to provide the estimated cost to be incurred in the event of failure of a medium-size bank

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
005115 - 010356	Chairman Administration	Paper on "Simulation Model for Determining the Target Fund Size" (LC Paper No. CB(1) 92/03-04(03))	
010357- 010600	Mr CHAN Kam-lam Chairman	Rebate and surcharge mechanism; as well as restrictions on investments of the DPS Fund in local banks which the Scheme sought to protect	
010601 - 011111	Administration Chairman	Need to confine investment of DPS Fund to those under clause 20 to ensure capital preservation and liquidity of fund to cover losses as they arose	
011112 - 012105	Chairman Administration Mr Jasper TSANG Mr CHAN Kam-lam	The Monte Carlo simulation model	
012106 - 013403	Chairman Administration	Brief examination of clauses 13 to 19 and Schedule 4	
013404 - 013738	ALA6 Administration Chairman Mr Eric LI	Non-availability of legal channels for banks to appeal against their supervisory ratings	
013739 - 013751	Chairman	Date of next meeting	