

My direct fax: 2918 9191  
Your Ref.: CB1/BC/10/02

19 August, 2003

**BY FAX (2869 6794) & MAIL**

Clerk to Bills Committee  
(Attn: Miss Mandy Poon)  
Legislative Council Secretariat  
3<sup>rd</sup> Floor, Citibank Tower  
3 Garden Road, Central  
HONG KONG

Dear Miss Poon,

**Deposit Taking Companies Association Position  
- Deposit Protection Schemes**

We are providing this submission in response to your request for our position with respect to the Deposit Protection Scheme ("DPS") proposed by the Government.

As it presently stands, the members of our Association are to be excluded from the DPS. Our members are either deposit taking companies or restricted licence banks and they do engage in deposit taking as a source of funding for their operations.

It has been argued by the Monetary Authority that the share of personal customer deposits held by our members is such a low proportion of the total market that there is no need for our participation for the DPS to achieve the Government's objectives. That may be true, in isolation, but the broader impact of the Scheme on our members needs to be considered. Some of our members are worried that their businesses will be badly affected if they are excluded. This would not be in the public interest.

It has long been our view that if the DPS has efficacy for the larger institutions then it would surely be of benefit to the public to let those smaller institutions which are also supervised by the Hong Kong Monetary Authority, have the option of participating. It may otherwise be necessary for our members to seek a private scheme providing similar or improved levels of protection.

Yours sincerely,

CLIFF FORSTER  
Chairman

c.c. Geoff Mansfield (2877 0952)  
P.C. Lund (pls send to all Committee Members)