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Banking

HK bank deposits fully guaranteed: FS

The Exchange Fund will be used to guarantee the repayment of customer deposits held with all authorised institutions in Hong Kong, Financial Secretary John Tsang says.



Confidence booster: Joseph Yam and John Tsang brief reporters on measures to further strengthen confidence in the local banking system.

Meanwhile, a contingent bank capital facility will be established to make additional capital available to locally incorporated licensed banks on request and subject to supervisory scrutiny.

Making the announcement at a press conference this afternoon Mr Tsang said the precautionary measures will safeguard banking stability in Hong Kong.

"They take immediate effect and will remain in force until the end of 2010 when a decision will be taken on whether they should be extended or not, based on an assessment of prevailing circumstances at the time," he said.

Full protection

The use of the Exchange Fund to guarantee the repayment of customer deposits will follow the principles of the existing Deposit Protection Scheme, but including restricted-licence banks and deposit-taking companies as well as licensed banks.

The guarantee applies to both Hong Kong-dollar and foreign-currency deposits with authorised institutions in Hong Kong, including those held with Hong Kong branches of overseas institutions. It will cover the amount of deposits in excess of that protected under the Deposit Protection Scheme.

Mr Tsang said he did not expect the new arrangements will need to be triggered, since Hong Kong's banking sector is fundamentally sound.

"The two measures are precautionary and pre-emptive in

nature. I must stress that there are no serious issues in the banking sector," Mr Tsang said.

"The decision that I have made today is to shore up people's faith in our system and to ensure that our banks continue to operate normally."

Robust system

Monetary Authority Chief Executive Joseph Yam said these are precautionary and pre-emptive measures designed to further strengthen confidence in the local banking system.

"The banking sector in Hong Kong continues to be healthy and robust with local banks' capital adequacy ratio exceeding 14%, well above the Basal minimum prescribed in law of 8%. Their liquidity ratio is nearly 40%, compared to the minimum requirement of 25% specified in the Banking Ordinance, while their bad-loan ratio is less than 1%."

However, events around the world in recent weeks make it prudent for the Government to introduce arrangements to bolster confidence and safeguard banking stability, Mr Yam added.

He said the review on the Deposit Protection Scheme will continue and a decision will be made by the end of 2010.