



香港存款保障委員會  
HONG KONG DEPOSIT  
PROTECTION BOARD

18 August 2009

Panel on Financial Affairs  
Legislative Council Building  
8 Jackson Road, Central

Dear Members,

**Report on the public consultation on the first phase of the review of the Deposit Protection Scheme and the consultation paper on the second phase of the review**

The Hong Kong Deposit Protection Board (the Board) today published the report on the public consultation on the first phase of the review of the Deposit Protection Scheme (DPS) and the consultation paper on the second phase of the review. I hereby enclosed a copy of the report and the consultation paper for your reference.

Report on the public consultation on the first phase of the review of the DPS

In the light of the experience gained from operating the DPS since its inception, and developments in international and local financial markets since the outbreak of the global financial crisis, the Board commenced a review of the DPS in the fourth quarter of 2008. The first phase of the review, focusing on enhancing protection to depositors, was completed in the first quarter of 2009. Public consultation on the recommendations from the review commenced in late April and ended in late June.

During the two-month consultation period, the Board received more than 800 responses from the general public. Comments were also received from major stakeholder groups, including the legislature, academics, consumer interest groups, industry associations and professional bodies. Towards the end of the consultation, the Board conducted a territory-wide opinion survey to obtain a comprehensive view of the public sentiment towards the recommendations. In general, the consultation concluded that there was broad public support for the Board's recommendations. The report provides a summary of the major comments received by the Board, the findings of the opinion survey, and the Board's responses and conclusions.

Consultation paper on the second phase of the review of the DPS

In parallel to the public consultation on the first phase of the review, the Board started the second and final phase of the review in the second quarter of 2009. The review was completed in July 2009 and covered mainly technical amendments for improving payout efficiency and transparency of the coverage of the DPS. The key recommendations identified from the review include:

- simplifying the processes for calculating accrued interests on deposits and liabilities, and value of annuities or future or contingent liabilities with a complex calculation methodology to speed up the determination and payment of compensation; and
- strengthening the disclosure requirements for non-protected deposits, introducing positive disclosures and making disclosures more legible, prominent, and easily identifiable by depositors.

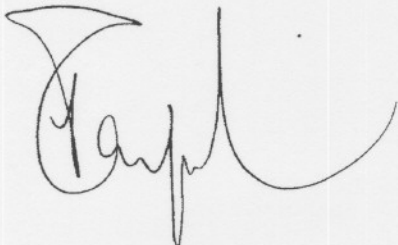
The Board welcomes your/your institution's comments on the recommendations in the consultation paper before 17 October 2009. Should you like to discuss the issues regarding the DPS review, please feel free to contact Mr Raymond Tsai at 2878 1060 or Ms Teresa Lai at 2878 1305 or send an email to [dps\\_enquiry@dps.org.hk](mailto:dps_enquiry@dps.org.hk) for arrangements.

Alternatively, your comments can be made to the Board via the following channels:

- by mail to the Board's office at 78/F, Two IFC, 8 Finance Street, Central, Hong Kong marked with reference to DPS Review – 2nd Phase
- by fax to 2290 5050
- by email to [dps\\_review@dps.org.hk](mailto:dps_review@dps.org.hk)
- by visiting the Board's website, [www.dps.org.hk](http://www.dps.org.hk)

Thank you for your attention.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Raymond Li', with a stylized flourish at the end.

Raymond Li  
Chief Executive Officer