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財經事務及庫務局
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來函檔號 YOUR REF.:

12 January 2016

Mr Derek Lo
Chief Council Secretary
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Lo,

Deposit Protection Scheme (Amendment) Bill 2015

Thank you for your letter of 6 January 2016 relaying the submissions received by the Bills Committee on the Bill.

We are pleased to note the support expressed by relevant respondents. In respect of the comments made by the Consumer Council, the Government's responses, as covered in the consultation conclusions on enhancements to the Deposit Protection Scheme published in May 2015, are set out at **Annex**.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Jackie Liu'.

(Jackie Liu)

for Secretary for Financial Services and the Treasury

c.c.
Chief Executive, Hong Kong Monetary Authority
(Attn: Ms Meena Datwani)

Deposit Protection Scheme (Amendment) Bill 2015
Government's Responses to the Submission of the Consumer Council

| Views | Government's Response |
|---|---|
| <p><u>Gross Payout Approach</u></p> <ul style="list-style-type: none">• Welcomed and supported the gross payout approach. The Hong Kong Deposit Protection Board (“HKDPB”) should ensure the accuracy of payment to each depositor under a shortened timeframe. | <ul style="list-style-type: none">• Noted. The accuracy of compensation determination is a major focus of the HKDPB’s operations. Substantial efforts will continue to be made to ensure accuracy through rehearsal, simulation exercises and system upgrade. |
| <p><u>Electronic Notices</u></p> <ul style="list-style-type: none">• The HKDPB should use both electronic and conventional paper communications, instead of either one, when delivering payment details to depositors. The information delivered via electronic means should be thorough and same as the written notices to be sent to depositors. | <ul style="list-style-type: none">• The proposed electronic notices are intended to be issued to those depositors who are used to receiving electronic communication from the bank concerned. For depositors who are not identified by the HKDPB for notification by electronic means (including those affected depositors who do not use electronic banking services), the HKDPB will maintain the existing established practice to send them paper-form notices. Also, the HKDPB will provide a paper notice to depositors who have received an electronic notice after the disbursement of compensation for record purposes. When deciding the most appropriate type of means for notifying relevant depositors, |

| Views | Government's Response |
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| | <p>the HKDPB will take into account a number of factors, including reliability, information security, message content and cost-effectiveness.</p> |
| <p><u>Other Matters</u></p> <ul style="list-style-type: none"> • There should be a periodic review on the Deposit Protection Scheme (“DPS”) protection limit to ensure its effectiveness in safeguarding the interests of depositors in Hong Kong. • Proposed an extension of DPS coverage to deposits placed with restricted licence banks (“RLBs”) and deposit-taking companies (“DTCs”). | <ul style="list-style-type: none"> • The protection limit under the DPS is kept under review from time to time to ensure the on-going efficiency and effectiveness of the DPS. As a result of the last review, the DPS protection limit was raised from HK\$100,000 to HK\$500,000 with effect from 2011. Currently, about 90% of depositors are fully protected by the DPS, in line with the policy objective based on current international best practices that the vast majority of depositors should be fully covered. • As most RLBs and DTCs are not engaged in the retail business and their aggregate deposit base is less than 1% of the market total, the extension of the DPS to their depositors would not contribute materially to increasing the percentage of depositors protected. The HKDPB will continue to educate the public about the scope of the protection offered by the DPS. |