

Press release

Deposit Protection Scheme (Amendment) Bill 2010 gazetted today

Friday, April 9, 2010

The Deposit Protection Scheme (Amendment) Bill 2010, which seeks to implement the enhancements emerging from the review of the Deposit Protection Scheme (DPS), was gazetted today (April 9).

In the light of developments in international and local financial markets since the outbreak of the global financial crisis in 2007, and experience gained from operating the DPS since 2006, the Hong Kong Deposit Protection Board completed a review of the DPS and conducted extensive public consultations on the findings of the review in 2009.

The review concluded that the existing design features of the DPS in Hong Kong were already in substantial compliance with international best practices.

Nevertheless, areas for improvement to the DPS were identified for addressing the latest market developments, in particular, for meeting heightened public expectations for better deposit protection. The proposed enhancements received broad support during the public consultations.

The Bill seeks to amend mainly the Deposit Protection Scheme Ordinance to provide for the implementation of the enhancements identified in the DPS review in 2009. The major enhancements include -

- * raising the DPS protection limit from the current HK\$100,000 to HK\$500,000;

- * improving the clarity of the DPS coverage by protecting secured deposits;

and

- * introducing cost mitigating measures to prevent the additional costs required from being transferred to depositors.

The Secretary for Financial Services and the Treasury, Professor K C Chan, said: "Raising the DPS protection limit to HK\$500,000 will bring the percentage of depositors fully covered to about 90%, which is on a par with the higher end of international standards, and the level of deposit protection in Hong Kong closer to those in other major markets in absolute terms.

"We look forward to early enactment of the Bill so that the relevant enhancements would be implemented at the start of 2011, upon the expiry of the full deposit guarantee by the end of this year," he added.

The Bill also contains proposals to enhance the operating efficiency of the DPS and provides for the making of additional rules by the Board on the representation, disclosure and acknowledgement requirements in relation to deposits and other financial products. The detailed rules will be made in consultation with the relevant parties including the banking industry under the new powers to be introduced under the Bill. The rules will then be tabled for negative vetting by the Legislative Council upon the passage of the Bill in due course.

The Chairman of the Board, Professor Andrew Chan Chi-fai, said, "We are truly thankful to the public and other interested parties for their comments on the review and relevant proposals in the Bill, which have greatly facilitated us in finalising the Bill. The Board will make necessary preparations to get the public and banking industry ready for the transition to the enhanced DPS."

The Bill will be introduced into the Legislative Council on April 21. Subject to the passage of the Bill by the Legislative Council, the Government's tentative target is to implement the relevant enhancements covered in the Bill on January 1, 2011.

Ends