

## **Press release**

### **LegCo passes Deposit Protection Scheme (Amendment) Bill 2010**

Wednesday, June 30, 2010

The Secretary for Financial Services and the Treasury, Professor K C Chan, welcomed the passage of the Deposit Protection Scheme (Amendment) Bill 2010 by the Legislative Council today (June 30).

With the passage of the Bill, depositors in Hong Kong can benefit from an enhanced Deposit Protection Scheme (DPS) upon the expiry of the full deposit guarantee by the end of this year.

Speaking at the resumption of the second reading debate of the Bill, Professor Chan said that the bill sought to provide for the implementation of the enhancement proposals concluded from a review of the DPS by the Hong Kong Deposit Protection Board (the Board) with a view to enhancing the DPS as part of the financial infrastructure of Hong Kong, thereby allowing depositors to enjoy better deposit protection.

The Board completed a review of the DPS in 2009 in the light of developments in international and local financial markets, and experience gained from operating the DPS.

The review concluded that the existing DPS in Hong Kong was already in substantial compliance with international best practices. Nevertheless, the review identified some enhancements to the scheme for addressing the latest market developments, in particular, for meeting heightened public expectations for better deposit protection.

Professor Chan said: "The enhancements identified in the review include raising the DPS protection limit from HK\$100,000 to HK\$500,000, and expanding the scheme's coverage to include secured deposits.

"Raising the DPS protection limit to HK\$500,000 will bring the level of deposit protection in Hong Kong closer to those in other major markets in absolute terms, and fully cover about 90% of depositors, which is on a par with the higher end of international standards in terms of percentage of depositors fully covered."

"On the other hand, protecting secured deposits will help remove the uncertainties surrounding the protection status of a deposit being taken as a security by banks, or subject to any forms of encumbrance, for supporting the other banking and financial services provided by banks, most commonly under an integrated account. This enhancement proposal will improve the clarity of the coverage of the DPS, thereby fostering stronger confidence of the public in the scheme," Professor Chan added.

Professor Chan said that the Government also proposed the introduction of cost mitigating measures to avoid additional cost being transferred to depositors. The measures mainly include cutting the annual contribution rates of banks to the DPS Fund by 65% so as to keep the annual contribution payable by the industry at its current level.

The Board will launch a publicity campaign to highlight the features of the enhanced DPS so as to help the public to know more about the scheme.

Ends