



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

Our Ref: D1/1C

24 November 2015

The Chief Executive
All Scheme Members

Dear Sir/Madam,

Implications of Stored Value Facilities on the Reporting of Relevant Deposits and Compliance with Representation Requirements

The regulatory regime for stored value facilities (SVF) and retail payment systems under the Payment Systems and Stored Value Facilities Ordinance (the Ordinance) commenced operation on 13 November 2015. This letter draws your attention to the implication of SVF on the reporting of relevant deposits and compliance with the Deposit Protection Scheme (Representation on Scheme Membership and Protection of Financial Products under Scheme) Rules (the Representation Rules).

Pursuant to Section 1 of Schedule 1 to the Deposit Protection Scheme Ordinance as amended by the Clearing and Settlement Systems (Amendment) Ordinance 2015, any SVF deposit¹ or float² (collectively referred to as “SVF monies”) held by a depositor with a member of the Deposit Protection Scheme (Scheme member) is not protected by the Deposit Protection Scheme (DPS). In this connection, some guidance on the treatment of SVF is provided below to facilitate Scheme members’ preparation for completing the Return of Relevant Deposits (the Return) and compliance with the Representation Rules:

(i) The Return

Since SVF monies are not protected by the DPS, they are not to be included as “relevant deposits” in the Return. This applies to SVF monies of facilities issued or distributed by Scheme members.

¹ Under the Ordinance, “SVF deposit”, in relation to a stored value facility issued, or the issue of which is facilitated, under a licence, means a deposit placed with the licensee, or another person on behalf of the licensee, for enabling the facility to be used.

² Under the Ordinance, “float”, in relation to a stored value facility issued, or the issue of which is facilitated, under a licence, means the stored value remaining on the facility; but does not include any SVF deposit.

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There may be circumstances where a non-bank SVF issuer places its SVF monies with a Scheme member to earn interest (e.g. time deposits), possibly in a trust or a client account. For the purpose of completing the Return, such amounts are not required to be excluded from the calculation of amount of relevant deposits. That is, Scheme members are not required to trawl through their deposits so as to identify such SVF monies and exclude the amount from “relevant deposits” in the Return. This is to avoid possible increase in the reporting burden of Scheme members, having regard to the size of SVF monies relative to relevant deposits.

(ii) Representation Requirements

A Scheme member should not refer the SVF or SVF monies as a “deposit”. If not, there is a possibility that the Scheme member concerned would have breached section 6A(3) of the Representation Rules which requires a Scheme member to make negative disclosure of the non-protection status of the SVF or SVF monies and obtain acknowledgement from the customer on the negative disclosure before each transaction.

Furthermore, in order to avoid any confusion among the public that SVF monies are protected by the DPS, a Scheme member which issues or distributes a SVF should take steps to inform its customers that SVF monies are not protected by the DPS, e.g. by incorporating the disclosure in the relevant documentation of the SVF.

The completion instructions of the Return and the guidance on Representation Rules have been updated at the Hong Kong Deposit Protection Board’s website (http://www.dps.org.hk/en/guidelines_c.html). Should you have any questions on this circular, please contact Ms Holly Tang at 2878 1145 or Ms Kennis Hui at 2878 1320.

Yours faithfully,

(Meena Datwani)
Chief Executive Officer