



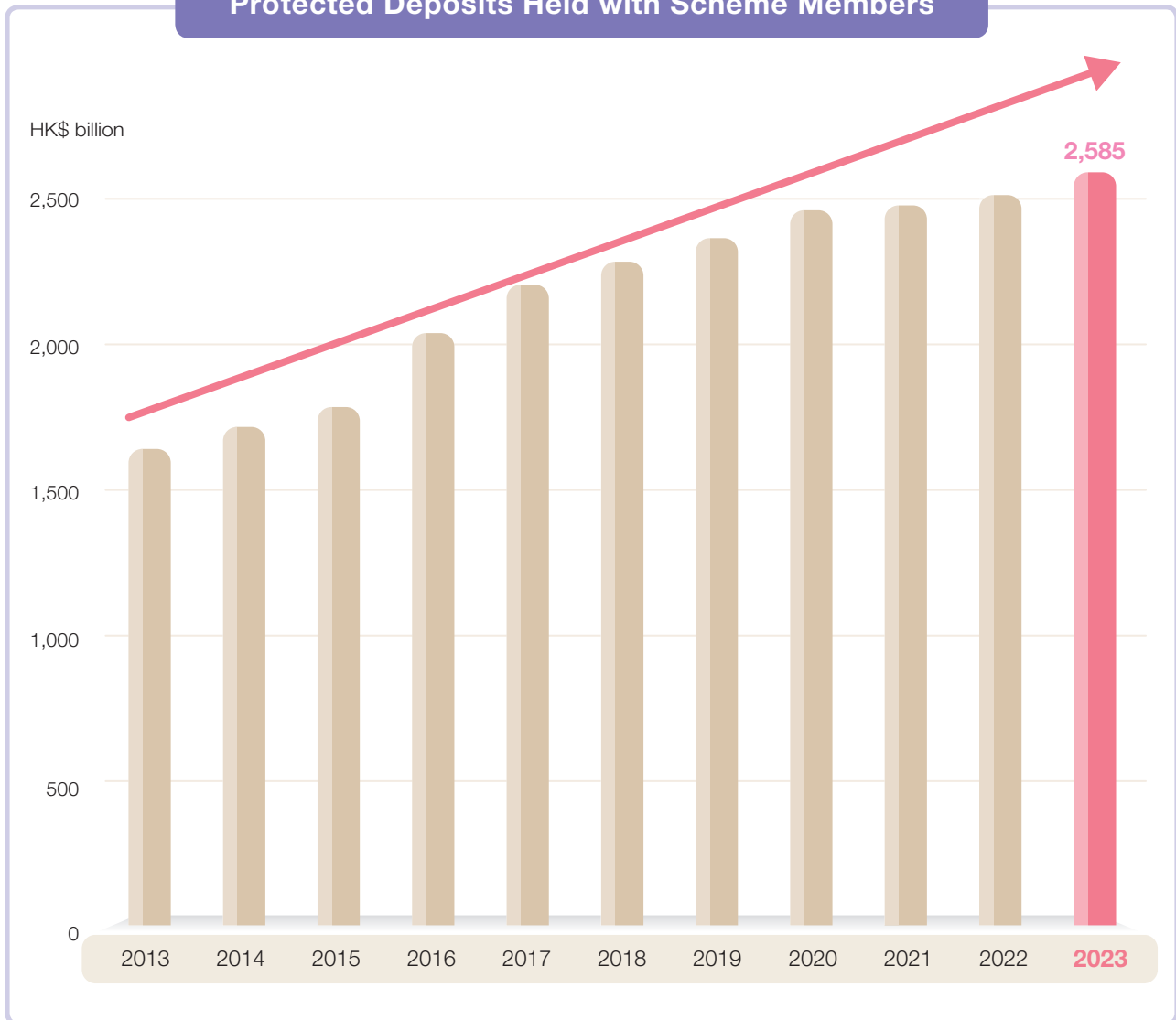
Scheme Operations

SCHEME MEMBERS' PROFILE AND RELEVANT DEPOSITS

At the end of March 2024, the Scheme had 148 members, with 31 incorporated locally and 117 incorporated outside Hong Kong. This is largely in line with the number of retail and wholesale banks in Hong Kong.

Based on returns submitted by Scheme members, the aggregate amount of their deposits under DPS protection edged up to HK\$2,585 billion in 2023, compared with HK\$2,505 billion in 2022.

Protected Deposits Held with Scheme Members



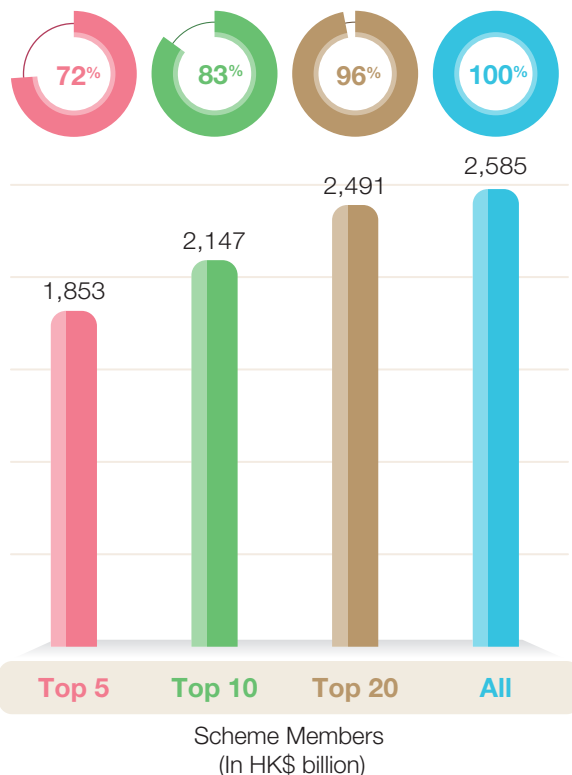
Scheme Operations



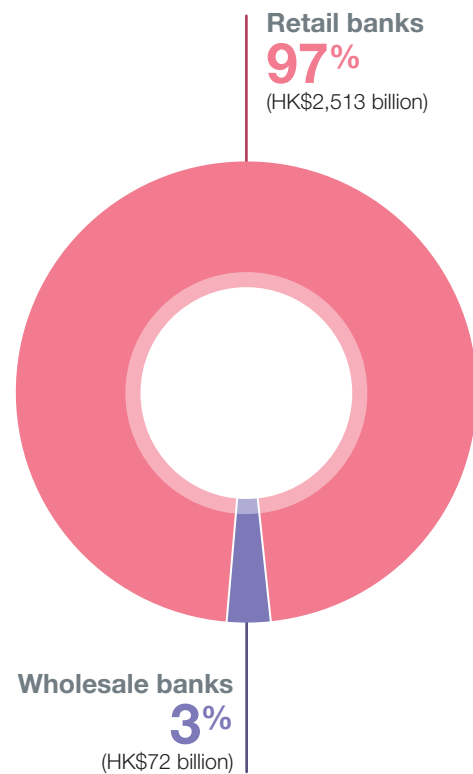
The distribution of protected deposits among Scheme members in 2023 was similar to that of 2022. The top 20 Scheme members, most of which were retail banks, held 96% of the industry's

aggregate protected deposits. According to statistics provided by Scheme members, 89% of depositors are fully protected by the DPS.

Distribution of Protected Deposits in 2023



Protected Deposits Held by Retail Banks and Wholesale Banks in 2023



ENHANCEMENTS TO THE DPS

Overview

The Board reviews the DPS regularly to ensure that it remains effective in contributing to banking stability and keeps up with international best practice and the latest developments in Hong Kong. After the completion of the latest review, it was found that certain aspects of the DPS had room

for improvement. The Board therefore conducted a three-month public consultation in 2023 on a set of policy recommendations aimed at enhancing the DPS. The overall response to the consultation was positive and supportive of the proposed enhancements. Subject to the legislative process, the enhancement measures are targeted to come into effect in phases by early 2025.



Scheme Operations

Public Consultation on DPS Enhancements

The Board initiated a comprehensive review of the DPS in 2021, which included a self-assessment against Core Principles issued by the International Association of Deposit Insurers (IADI) and an external consultant's examination of the key design features of the DPS. The review confirmed that the DPS was substantially in compliance with international standards. However, there was room for enhancing certain aspects of the Scheme.

Against this background, the Board issued a consultation paper in July 2023, setting out a number of policy recommendations that included raising the protection limit, refining the levy system, enhancing deposit protection arrangements in the event of a bank merger or acquisition, extending a requirement on the display of the DPS membership sign to digital channels, and streamlining negative disclosure requirements on non-protected deposits for private banking customers.



A press conference of the Board to announce the start of the public consultation in July 2023



Summary of major proposed DPS enhancements (published on Board website and in free Chinese-language Dailies)

13 July 2023

Your Thoughts on Proposed Enhancements to DPS ?

Public Consultation on Deposit Protection Scheme (DPS) Enhancements

Regular DPS review aims at:

- maintaining banking stability
- meeting international standards

DPS review outcome:

- **Three recommendations**

1 Raise Deposit Protection Limit

Reason 1: Keep up with inflation with real value up by **21%**

Reason 2: More depositors fully covered (92%)

Reason 3: Meet international standards

Reason 4: Increased costs manageable

Balance a host of factors

Levy rates remain unchanged

Current protection limit: HK\$500,000

2 Enhanced coverage to affected depositors for 6 months upon a bank merger

Max. HK\$800,000 protection limit Max. HK\$800,000 protection limit Max. HK\$1,600,000 protection limit

3 Display

DPS membership sign on digital channel

Streamline disclosure requirements on non-protected deposits for private banking customers

Please share your comments on or before 12 October 2023 via channels below

Hong Kong Deposit Protection Board
Room 1802-1810, 18/F., Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong
(Please indicate: DPS Enhancements)

dps_enhancements@dps.org.hk

2290 5168

The Consultation Paper is available on the DPB's website or Scan this QR Code

www.dps.org.hk

Hotline: 1831 831 (Mon-Fri: 9am-6pm)



Scheme Operations

By the end of the three-month consultation period on 12 October 2023, the HKDPB had received 33 written submissions from the public and other relevant stakeholders, including a consumer protection organisation, the banking industry and professional bodies. To solicit more public views, the Board also commissioned the Hong Kong Institute of Asia-Pacific Studies at the Chinese University of Hong Kong to conduct a public opinion

survey on the proposed enhancements during the consultation. Around 1,000 Hong Kong residents aged 18 years old or above and having bank accounts were selected at random and interviewed. Based on the written submissions received during the consultation and the findings of the survey, the respondents generally welcomed and supported the proposed DPS enhancements, including raising the protection limit to HK\$800,000 from HK\$500,000.

Summary of consultation feedback



The public and other relevant stakeholders generally supported the proposal to raise the protection limit to HK\$800,000



~80% of public opinion survey respondents



Majority of individual submissions



Consumer protection organisation



Relevant industry and professional bodies



LegCo Panel on Financial Affairs



A press conference of the Board to announce the consultation conclusions in February 2024

Having regard to all the comments received and the relevant factors, the Board announced conclusions of the public consultation in February 2024, summarising the major comments received and the Board's response to those comments. Given the broad support for the proposed DPS enhancements, the Board proceeded to prepare legislative amendments together with the Government based on the proposals in the consultation paper.



The Way Forward

With the passage of the DPS (Amendment) Bill 2024 by the Legislative Council on 3 July 2024, the enhancement measures will be implemented in two phases. The first phase, covering the enhanced deposit protection limit of HK\$800,000, the refined levy system and the streamlined negative disclosure arrangements for private banking customers, will take effect on 1 October 2024. Other enhancement measures, including enhanced deposit protection in the event of a bank merger or acquisition and the new requirement to display the DPS Membership Sign on electronic banking platforms, will be effective on 1 January 2025.

As the global deposit insurance landscape is expected to remain uncertain in the coming years, the Board will keep a close eye on the latest developments and expedite the timeline for the next round of DPS review. Our plans are to begin the next review three years after the implementation of the new protection limit, that is, in 2027, and to complete the review exercise the following year.

PAYOUT READINESS

Overview

The Board remains committed to ensuring readiness to pay compensation to depositors promptly in the event of a bank failure. During the year, the Board conducted training for Scheme members to ensure their compliance with Information System (IS) requirements, and

drill exercises for payout agents to make sure of their prompt response under a payout scenario. A payout rehearsal was also carried out in 2023 to test the capability of the Board and its network of payout agents for adopting different payment channels, and to pursue improvements in the efficiency of the payout process.

Payout Readiness Activities

Payout Rehearsal

A payout rehearsal took place in the fourth quarter of 2023, focusing on testing payout operations under business contingency arrangements. The results affirmed that, with business contingency plans activated, it was still possible to make compensation payments to most eligible depositors within the Board's payout target of seven days. Moreover, the use of electronic payment channels could expedite payments by one to two days compared with traditional paper cheques.



A simulated meeting in the payout rehearsal



Scheme Operations

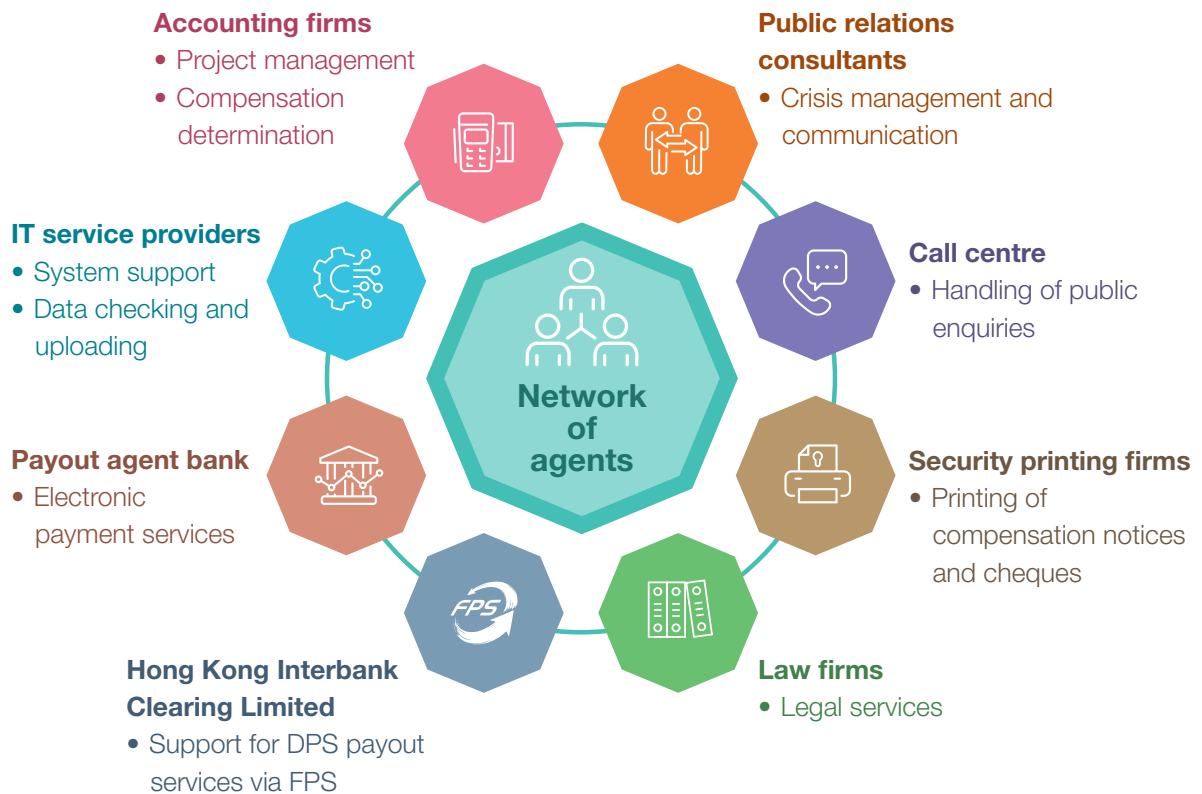


Simulated payout operation

Regular Drills

In addition to the rehearsal, regular drills covering a range of services relevant to payout operations were carried out with payout agents to ensure their preparedness. The payout agents' performance during these drills was satisfactory. These drills helped enhance the overall resilience of the operations and inform the ongoing improvements in related operations.

Roles of payout agents and their coordination in case of a payout





Information System Requirements and Compliance

Scheme members should submit quality deposit records promptly as this is critical to calculating compensation in an accurate and timely manner. The Board regularly monitors Scheme members' compliance with the IS Guideline using various measures under its Compliance Review Programme that included carrying out regular and comprehensive reviews of selected Scheme members, requiring Scheme members to commission an independent auditor to assess their systems and processes every three years, and requiring each Scheme member to make a self-declaration of its compliance status every year. According to the results of compliance monitoring activities held throughout 2023-2024, the overall compliance status of the industry is satisfactory.

Regular training is organised to refresh Scheme members' understanding of the IS requirements. The Board held four webinars in 2023-2024 with more than 950 participants from Scheme members and audit firms which conducted independent assessments for them.

Monitoring of Scheme members' compliance with IS Guideline



Conducted 6 comprehensive compliance reviews of controls and correctness of deposit records submitted by selected Scheme members



Commissioned 40 Scheme members to submit independent assessment reports under the Compliance Review Programme



Reviewed all Scheme members' annual self-declaration on their compliance with the IS requirements



Scheme Operations

DEPOSIT PROTECTION SCHEME FUND

Composition of the DPS Fund

The DPS Fund is built up from two main sources: annual contributions paid to the Board by Scheme members, and returns generated by the DPS Fund's investments. The amount of deposits under DPS protection reported by Scheme members, together with the supervisory rating of each Scheme member as decided by the HKMA, serves as the basis for determining Scheme members' contributions for the coming year.

Assessment and Collection of Contributions

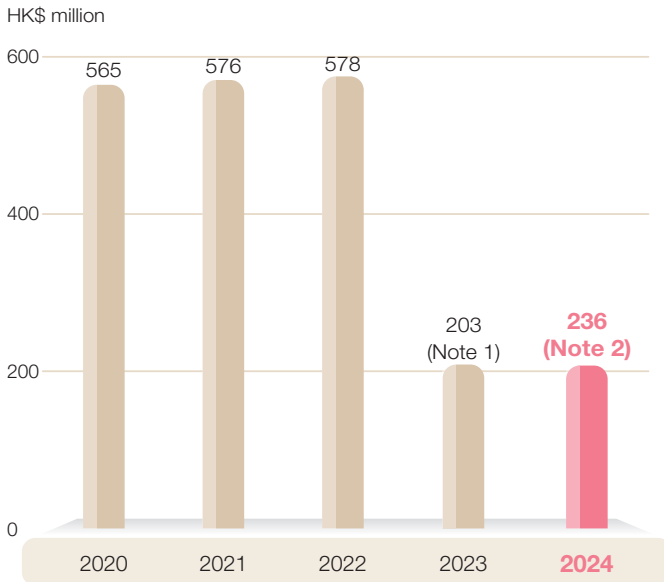
Contributions collected from Scheme members in 2024 amounted to HK\$236 million, a rise of 16% from 2023. According to section 4(1) of Schedule 4 to the DPSO, an expected loss levy is payable by a Scheme member after the year in which the target fund size has been reached for the first time. Since the target fund size was reached in 2023 for the first time, an expected loss levy is payable by Scheme members for 2024. Similar to the distribution of protected deposits, contributions collected from the top 20 Scheme members accounted for about 94% of the total. To validate the accuracy of reporting made by Scheme members on their protected deposits, the Board requests Scheme members to conduct regular audit reviews of their total deposits that are under DPS protection and report to the Board in accordance with the Board's return review policy. The Board selected 22 Scheme members to submit an audit report on the accuracy of their returns in 2024. The audit results were generally satisfactory.

Policy and Performance of DPS Fund Investment

In view of the extremely uncertain investment environment, the Board continued to adopt a prudent approach in managing the investment of the DPS Fund. Investments were made in strict compliance with the DPSO and the DPS Fund's investment-related policies. The policies set out clear guidelines on risk assessment and control measures, and the segregation of duties required for investment activities. As at the end of March 2024, the DPS Fund amounted to HK\$6.8 billion, of which around 65% and 11% were invested in Exchange Fund papers and US Treasuries respectively, while the remaining sum was predominantly in the form of Hong Kong dollar deposits. The DPS Fund achieved an investment return of 2.7% for the year.



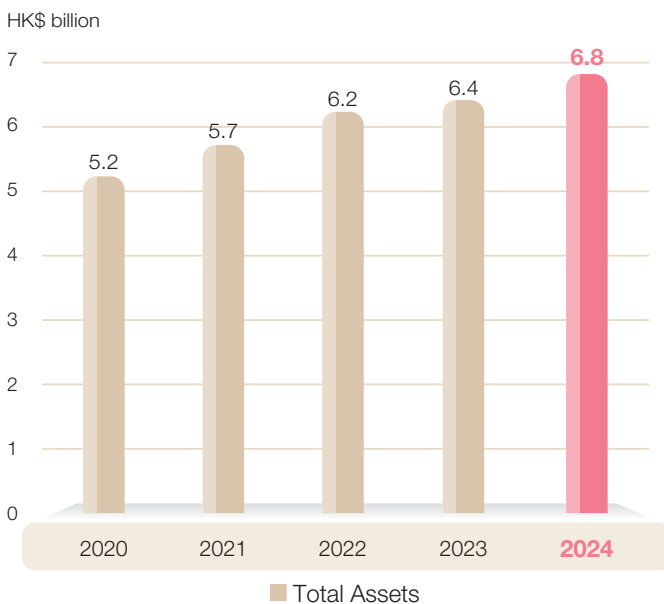
Contributions Paid by Scheme Members



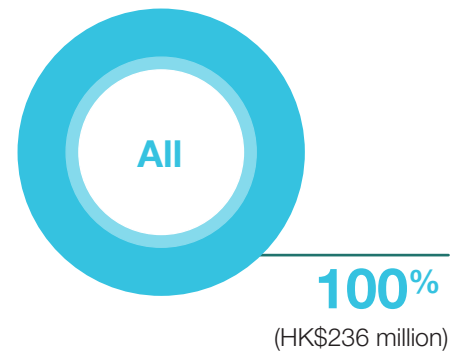
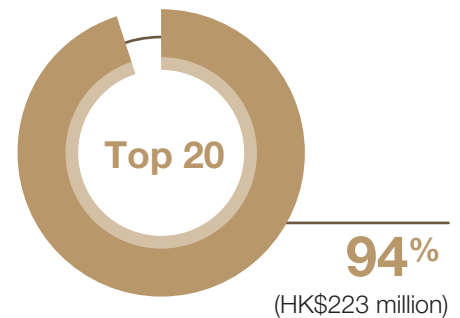
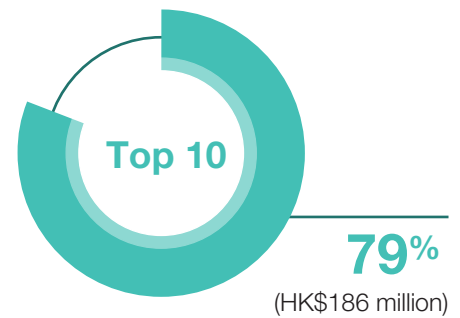
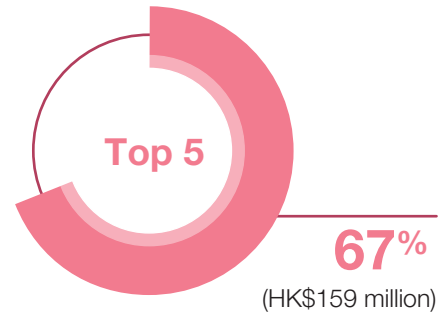
Note 1: Since the balance of the DPS Fund in 2022 was very close to the target fund size for 2023, according to section 3(6) of Schedule 4 to the DPSO, the total contributions payable by Scheme members for 2023 were reduced to the extent that the balance of the DPS Fund after including the contributions would not exceed the target fund size.

Note 2: According to section 4(1) of Schedule 4 to the DPSO, an expected loss levy is payable by a Scheme member after the year in which the target fund size has been reached for the first time. Since the target fund size was reached in 2023 for the first time, an expected loss levy is payable by Scheme members for 2024.

DPS Fund's Assets



Distribution of Contributions Collected from Scheme Members





Scheme Operations

REINFORCING PUBLIC AWARENESS AND UNDERSTANDING OF DPS

Overview

The period 2023-2024 was the final year of execution of the Board’s three-year communications plan, which aimed to reassure the public that their bank deposits would always be safe. The Board continued to build public trust in the DPS by reinforcing its image as the “Guardian of Deposits” through a series of publicity initiatives, and by allocating resources to digital channels so as to extend its reach to the younger generation.

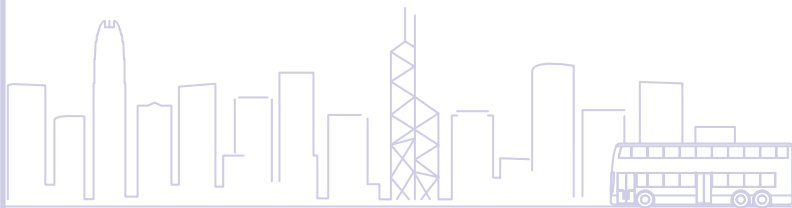
An Instagram (IG) fan page was launched in September 2023. Multifaceted educational

outreach activities were also conducted, such as talks, board game workshops and participation in high-traffic consumer shows, to target specific audiences and deepen the public’s understanding of the Scheme.

Mass Publicity

Multimedia Publicity Campaigns

The commercial “Keep Calm and Deposit Safely On”, featuring the two iconic DPS characters Ah Chuen and Ah Po, returned to the small screen as part of a three-round advertising campaign that made strategic deployments on different media to target the respective audiences. The commercial ran on digital and outdoor platforms to reach a wide viewership.



Advertising placements on TV, digital and outdoor media

Scheme Operations



Promotional Video Campaigns

A campaign, “Money-Saving Challenge for Athletes”, produced three series of promotional videos in which well-known local athletes Ms Grace Lau, Ms Vivian Ma and Mr Tsang Tsz-wah shared

their savings habits and perseverance in achieving savings goals. It was effective in promoting to the younger generation the importance of savings and the value of the DPS in safeguarding deposits.



“Money-Saving Challenge for Athletes” Episode one, featuring Ms Grace Lau



“Money-Saving Challenge for Athletes” Episode two, with Ms Vivian Ma



“Money-Saving Challenge for Athletes” Episode three, helmed by Mr Tsang Tsz-wah

Two rounds of “Family Interviews” were produced to explore the savings habits and behaviours of families across generations. Through interviews with family members, accompanied by interactive mini-games,

the videos showed how family members could support one another in achieving their savings goals. DPS features were incorporated in the videos to help viewers know more about the Scheme.



The two videos of “Family Interviews”



Scheme Operations

Social Media Campaigns

The Board has been devoting more resources to promoting the DPS on digital and social media to align with the trend of digital adoption in the community. Initiatives during the year included the following:

- Launched a new social media platform, DPS IG fan page “Ah Chuen & Ah Po”, in September 2023 to increase presence on social media and extend the reach of the Scheme to young people.
- Implemented “IG Story – My Piggy Bank” in partnership with five key opinion leaders who were popular among the younger generation.
- Developed a series of engagement games around money-saving and DPS protection in the IG Story, which received many public responses on the DPS IG fan page.
- Rolled out a “DPS Post Box” to promote money-saving habits and financial management in an interactive way.
- Invited the public to submit creative views on specific money-saving topics via the DPS IG fan page.



IG post announcing the new DPS fan page



The “DPS Post Box” campaign



The “IG Story – My Piggy Bank” campaign





Consumer and Public Relations Campaigns

A public relations campaign, “DPS Art Lab”, was conducted in March 2024. The campaign set up a promotional booth at the Central Market, hiring popular and skilled illustrators to create cartoon portraits on DPS tote bags that attracted passers-by and were handed out to them. At the same time, educational giveaways were distributed to spread the message, “DPS protection is for people from all walks of life”.



The “DPS Art Lab” campaign



Scheme Operations

Survey about “Hongkongers’ Sense of Security on Savings”

In 2023, the Board conducted the sixth multiyear survey to keep track of the savings behaviours of the public and to study changes in the savings habits and abilities of a subgroup, comprising full-time female homemakers, over the years.

Coupled with the return to normalcy after the pandemic, the survey findings indicated significant growth of 17% in average monthly savings, rising from HK\$7,700 last year to HK\$9,000 this year. The growth was a record high since the study began. Hongkongers’ sense of security regarding savings also improved notably compared with the previous year, with the overall average of

51.4 marks in 2022 rising to 53.7 marks in 2023, reversing the declining trend of the preceding three years that started in 2019. Moreover, the survey found that 84% of those aged 18-29 had a habit of saving up, 24 percentage points higher than last year. This result reflected the Board’s effective continuous education in promoting savings habits to young people. The survey also showed that bank deposits remained the most common form of savings, which again reinforced the importance of the Board’s role as the “Guardian of Deposits” in Hong Kong.

A media briefing was organised to announce the survey results, generating the publication of more than 130 articles.



The media briefing of the “Hongkongers’ Sense of Security on Savings” Survey



Interesting Findings from the “Hongkongers’ Sense of Security on Savings” Survey

2023



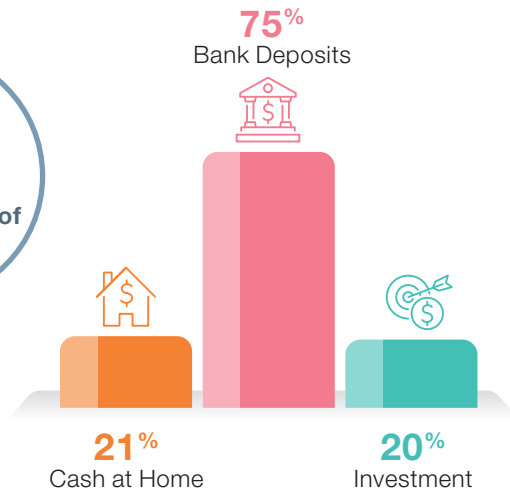
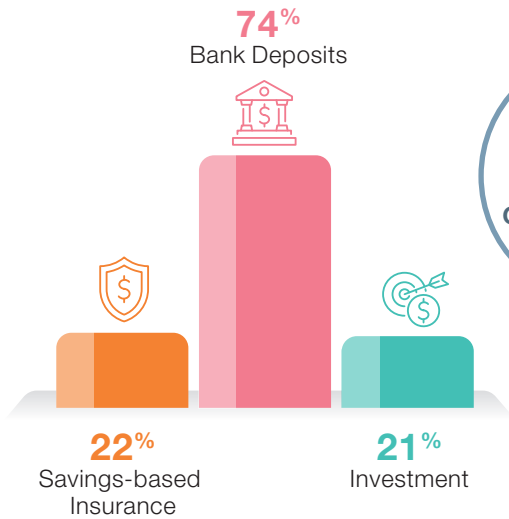
Public
(Aged 18 or above)
67%
of the respondents had a habit of saving



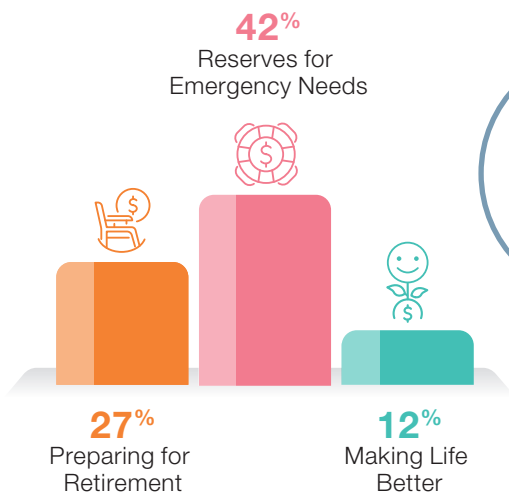
Full-time Female Homemakers
53%
of the respondents had a habit of saving



Top 3 Common Ways of Saving Up



Top 3 Reasons for Saving Up





Scheme Operations

Community Education and Outreach

As life in society returned to normal after the protracted pandemic, the Board has resumed all in-person community outreach activities for different target groups.

DPS Talks, Board Game Workshops and Student Engagement

To maintain community education during the year, DPS talks were conducted for the elderly and students in collaboration with non-governmental organisations (NGOs), elderly centres and schools,

while financial education talks were held at secondary schools. To bridge the DPS knowledge gap of ethnic minorities, the Board also organised talks for them.

In addition, introductory workshops on DPS Board Games were conducted for both secondary and primary school students. The Board also offered an academic project that invited business students of Lingnan University to come up with proposals on how to promote the Scheme to vulnerable groups, namely, the elderly, low-income families and ethnic minorities.



DPS talks for students, elderly people and ethnic minorities



A workshop on DPS Board Games



A student engagement project with Lingnan University



Participation in High-traffic Consumer Shows

The Board repeated its participation in two high-traffic consumer shows, Hong Kong Book Fair 2023 and the 57th Hong Kong Brands and Products Expo. At these popular events, the public was engaged with interactive educational games which, coupled with the distribution of DPS leaflets and promotional giveaway items, served to deepen awareness and understanding of the Scheme.



Hong Kong Book Fair 2023



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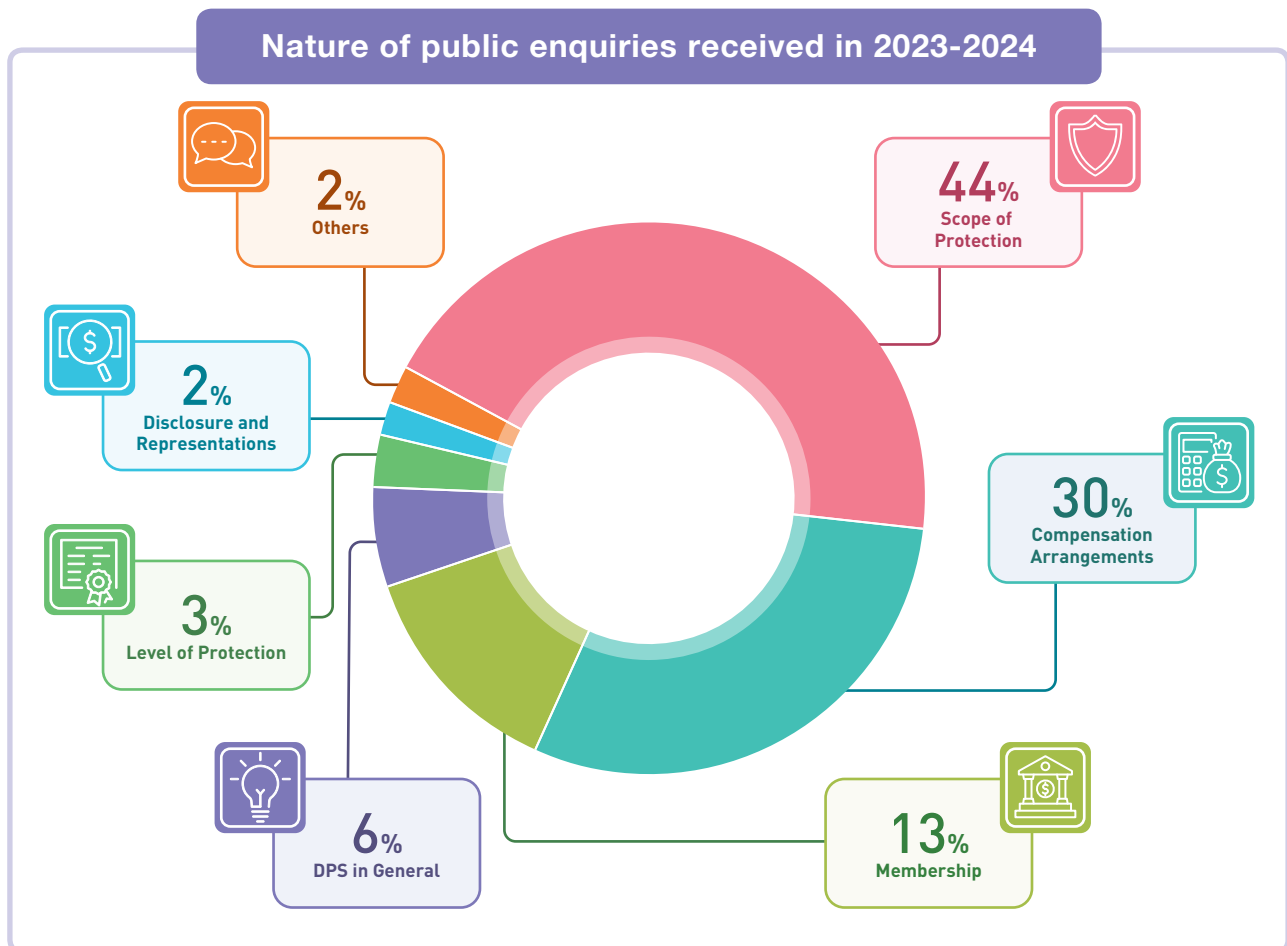
Public Awareness and Enquiries

Public Opinion Survey 2023

In 2023, the Board commissioned its annual independent public opinion survey. Given the DPS public consultation exercise during the year, which generated wide media coverage, the results showed that awareness of the DPS had reached 80.5%, a historic high since the survey began. Of these respondents, 82.4% knew about the HK\$500,000 protection limit and 85.2% were aware that the protection provided by the DPS was statutory. The survey findings also indicated significant growth of awareness among targeted segments of the community, including young people, the elderly, homemakers and low-income families. The outcome of the survey showed clearly that the Board's diligent publicity and community outreach efforts had paid off.

DPS Public Enquiry Service

The Board operates the DPS Public Enquiry Service on the hotline 1831 831 and the webpage <https://www.dps.org.hk/en/contact.php>. These are convenient and effective channels for members of the public to reach the Board for questions about the Scheme and the functions of the Board. About 74% of the enquiries received in 2023-2024 were related to the DPS scope of protection, including the types of financial products covered by the Scheme, and the compensation arrangements, including the payout entitlements of joint accounts and the arrangement for determining payout amounts due to depositors.





COMPLIANCE WITH THE REPRESENTATION RULES

The DPS (Representation on Scheme Membership and Protection of Financial Products under Scheme) Rules (Representation Rules) govern representations made by Scheme members about their DPS membership and the protection status of financial products offered by them. To monitor Scheme members' compliance with the representation requirements, the Board requested Scheme members to conduct a self-assessment review covering the period from 1 July 2022 to 30 June 2023. In addition, the HKMA continued to conduct on-site examinations to further assess selected Scheme members' compliance with the Representation Rules. The Board reviewed the self-assessment reports and findings of the on-site examinations and took appropriate follow-up action. The assessment and examination results indicated that the overall compliance level of Scheme members was generally satisfactory.

RELATIONSHIPS WITH OTHER SAFETY NET PLAYERS

Co-operation with the HKMA

The Board and the HKMA share the common objective of promoting the stability of the banking system. To accomplish this objective, the two parties have signed an MoU to set out the mode of co-operation on the operation of the DPS. In line with the DPSO requirement that the Board perform its functions through the HKMA, the two parties have also agreed on the extent of the support provided by the HKMA to the Board on a day-to-day basis. In addition, the Board and the HKMA have a co-operative agreement to establish an early warning system of a potential bank failure so as to enable a fast DPS payout. In the event of an actual bank failure, the Board has a standby facility from the Exchange Fund to obtain the liquidity required to pay the compensation.



Scheme Operations

Relationship with the Securities and Futures Commission and the Investor Compensation Company

In the event of a bank failure, the funds of a depositor or a portion of those funds may, in certain circumstances, be covered by both the DPS and the Investor Compensation Fund (ICF) established under the Securities and Futures Ordinance to compensate securities or futures investors. To ensure that no person receives double compensation, the Board and the Securities and Futures Commission (SFC) have agreed on a set of arrangements to co-ordinate and exchange information with each other. These arrangements are documented in an MoU between the Board, the SFC and the Investor Compensation Company, which was established by the SFC to administer the ICF. The MoU, which was first signed in 2008 and subsequently updated in 2022, recognises that in the event of a bank failure, the DPS will normally be the one to pay depositors first, and that the parties involved will avoid double compensation by exchanging relevant information.

International Co-operation

As a member of the IADI, the Board participates in IADI conferences and seminars and other events organised by the Association's members and international organisations, and shares relevant experiences on deposit protection issues. Such international co-operation is important in enabling the Board to keep up with overseas developments, which may provide the Board with insights into possible enhancements of the DPS. Representatives from the Board took part in a number of international meetings in 2023-2024, either in person or virtually, that included the following:

- 21st IADI Asia-Pacific Regional Committee (APRC) Annual Meeting and International Conference;
- 2023 IADI Annual Conference and Annual General Meeting in Boston; and
- IADI APRC Ad-hoc Meeting.