

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

# DEPOSIT PROTECTION FOR A SECURE FUTURE

Annual Report | **2023-2024**

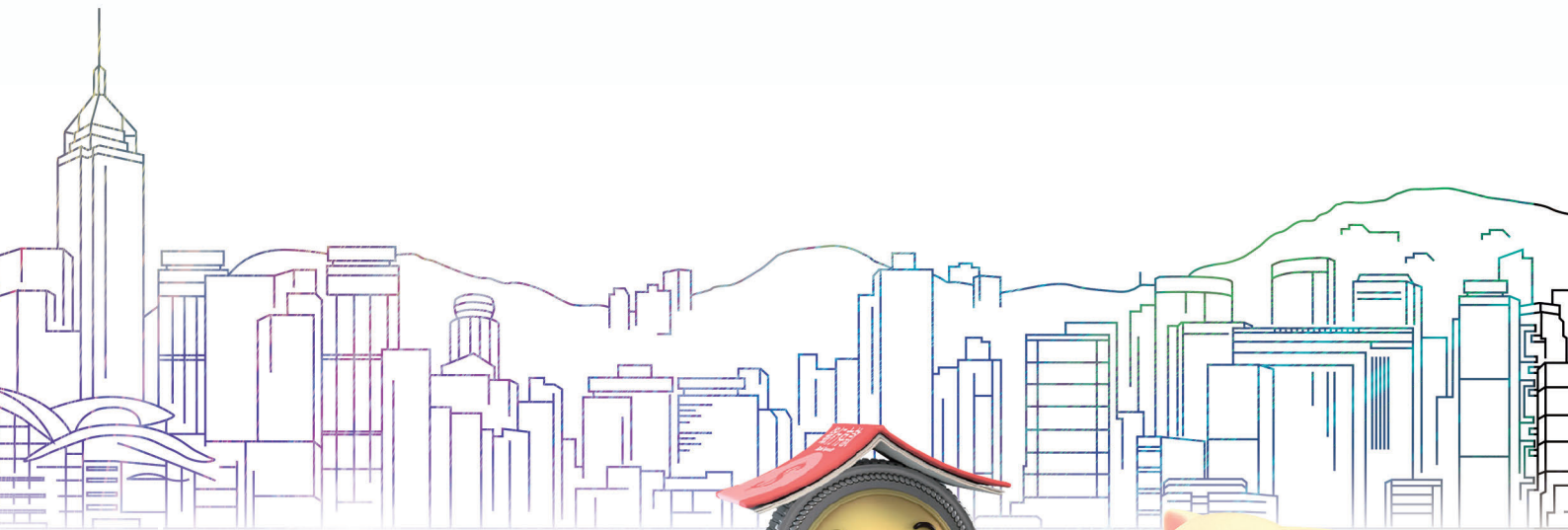


## HONG KONG DEPOSIT PROTECTION BOARD

The Hong Kong Deposit Protection Board is a statutory body established under the Deposit Protection Scheme Ordinance to oversee the operations of the Deposit Protection Scheme.

The objectives of the Scheme are to protect depositors and to help maintain the stability of Hong Kong's banking system.

The Board's mission is to ensure that an efficient and effective Deposit Protection Scheme is in place in accordance with the Ordinance and in line with international best practice.



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## Message from the Chairman

I am delighted to report that 2023 has been an exceptionally fruitful year for the Hong Kong Deposit Protection Board (the Board), as we completed the public consultation on a package of proposals to enhance the Deposit Protection Scheme (DPS) arising from a comprehensive review of the DPS. These enhancements, which include, among others, raising the protection limit from the current level of HK\$500,000 to HK\$800,000, are set to bring significant benefits to depositors in Hong Kong.

The proposal of raising the protection limit drew wide attention from the public during our three-month public consultation exercise from July to October 2023, and we received broad support for raising the protection limit to HK\$800,000. In particular, a public opinion survey commissioned by the Board during the consultation period revealed that around 80% of respondents supported this proposal. This positive response recognised the fact that the proposed increase to the existing limit will translate into around 20% growth in the real value of deposit protection after taking into account inflation, and will provide full deposit coverage for over 92% of depositors, in alignment with international standards.

Putting the enhancement proposals into effect requires amendments to the DPS legislation. Having been working closely with the Government on the relevant legislative exercise, we are much gratified to report that 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. The rest of the 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. The changes will be accompanied by updates to industry guidance as well as to the payout system and procedures, along with a series of advertising campaigns to publicise the enhancements to the DPS and explain their significance to depositors.

Parallel to our work on enhancing the DPS in 2023, we undertook our usual promotional activities to raise general awareness and understanding of the Scheme amongst the public, another key pillar of our mission. Our multimedia advertising



## Message from the Chairman



campaign “Keep Calm and Deposit Safely On”, which emphasises the Board’s vital role as Hong Kong’s “Guardian of Deposits”, continued to reach wide audiences. Light-hearted promotional videos were produced under the themes “Money-Saving Challenge for Athletes”, and “Family Interviews”, attracting many viewers. We also launched a DPS Instagram fanpage featuring our popular DPS publicity ambassadors Ah Chuen and Ah Po. This new platform hosted lively and entertaining campaigns such as “IG Story – My Piggy Bank” and “DPS Post Box”, designed to foster money management skills and good saving habits among young people.

As always, we made special efforts to reach target audiences who may be less familiar with the DPS, including DPS talks for the elderly and ethnic minorities, as well as board game workshops and financial education talks for students. Our PR campaign “DPS ArtLab” held at the Central Market proved popular with young people, and we also promoted the DPS at several popular high-traffic consumer events, such as the Hong Kong Book Fair.

Over the years, these and other multimedia advertising campaigns, social media promotions and community educational activities have proved highly effective in building and maintaining a high level of public awareness of the DPS. The DPS public consultation in 2023 also generated widespread media coverage. As a result, our most recent annual opinion survey indicated that public awareness of the DPS reached 80.5% in 2023, a historic high since the survey began in 2006. The survey also revealed that overall public understanding of and confidence in the DPS remained strong.

Entering its sixth year, the “Hongkongers’ Sense of Security on Savings” survey continued to attract wide media coverage. The survey revealed that the average monthly savings of Hong Kong people in 2023 rose by 17% over the year, from HK\$7,700 in 2022 to HK\$9,000, a record high. At the same

time, survey respondents reported a notable improvement in their “sense of security” in savings.

As part of our regular work, the Board conducted another payout rehearsal in November 2023 to ensure that the payout target of seven days could be met should a payout-triggering event occur. The rehearsal ran smoothly, and confirmed that electronic payment methods can further shorten the payout timeframe. In 2024, we will continue to conduct regular training exercises and drills to keep payout agents well-prepared for any potential payout situation.

The global landscape of deposit insurance is evolving very quickly. This is why the Board intends to expedite the timeline for conducting the next review of the DPS, which will be launched just three years after the new protection limit is implemented. We believe this is a prudent step to ensure that the interests of depositors in Hong Kong continue to be safeguarded effectively in a fast-changing world.

I would like to conclude by thanking all Board Members for their valuable advice and support in the course of developing and finalising the proposals for enhancements to the DPS. Special thanks are due to Ms Helen Zee, who retired from the Board during the year, for her hard work and contributions throughout her tenure. It has indeed been a fruitful year for the Board, and I look forward to the smooth implementation of the DPS enhancement measures in the year ahead. These measures represent a major milestone in the development of the Scheme, and will strengthen banking stability in Hong Kong.

**Ms Connie Lau Yin-hing, SBS, JP**

Chairman

Hong Kong Deposit Protection Board



## Deposit Protection Scheme at a Glance

- The Deposit Protection Scheme (DPS) is a statutory scheme established to protect bank depositors. All licensed banks, including virtual banks, are required to participate in the DPS as a Scheme member unless otherwise exempted by the Hong Kong Deposit Protection Board (the Board). It is a statutory requirement for all Scheme members to display a membership sign at their places of business, where applicable.
- Each depositor's aggregate deposits in a Scheme member are protected up to a limit of HK\$500,000. In the event of a bank failure, the compensation payable to a depositor is determined on a gross basis without deducting any liabilities owed by the depositor to the bank concerned, and the target time frame for making full compensation payments to depositors is within seven days in most cases.
- The DPS covers deposits denominated in Hong Kong dollars, renminbi or any other currencies.
- Eligible deposits held with Scheme members are legally protected by the DPS without the need for registration or application. Depositors are not required to pay for the protection.
- Deposits such as term deposits with a maturity longer than five years, structured deposits, bearer instruments, offshore deposits, and non-deposit products such as bonds, stocks, warrants, mutual funds, unit trusts, insurance policies and virtual assets, fall outside the scope of DPS protection.
- All Scheme members make contributions to the Deposit Protection Scheme Fund (DPS Fund). The target fund size is 0.25% of the total amount of protected deposits held with all Scheme members, which is equivalent to about HK\$6.5 billion in 2024.
- Scheme members' contributions are assessed annually using a differential levy system with reference to the supervisory rating of each Scheme member as determined by the Hong Kong Monetary Authority (HKMA).



# About the Hong Kong Deposit Protection Board



## OVERVIEW

### Introduction

The Board is a statutory body established under section 3 of the Deposit Protection Scheme Ordinance (DPSO) to oversee the operations of the DPS. The DPS has been a key building block in Hong Kong's financial safety net since its launch in September 2006, and the provision of deposit protection has contributed to the stability of the banking system. The Board is a member of the International Association of Deposit Insurers (IADI) and contributes to the efforts of the Association in promoting effective deposit insurance systems.

### Mission and Functions of the Board

The Board's mission is to ensure that an efficient and effective DPS is in place in accordance with the DPSO and in line with international best practice. Under section 5 of the DPSO, the Board's functions include

- maintaining the DPS;
- collecting contributions payable by Scheme members;
- managing the DPS Fund;
- making payments to depositors in the event of the failure of a Scheme member; and
- recovering payments made to depositors from the assets of the failed Scheme member.



## About the Hong Kong Deposit Protection Board

### Composition of the Board

Members of the Board are appointed by the Financial Secretary (FS) in his exercise of power delegated from the Chief Executive of the Hong Kong Special Administrative Region (CE/ HKSAR). The Members are selected from different professions, such as accounting, banking, legal practice, consumer protection, investment, information technology and public administration, and have rich experience in public service. The Board currently comprises nine members, including two ex officio members representing the HKMA and the Secretary for Financial Services and the Treasury of the HKSAR Government. Except for the ex officio members, all other members are appointed for a fixed renewable term not exceeding six years in total under normal circumstances. See pages 7 to 8 for the composition of the Board.

### Committee and Advisory Panel of the Board

Under the DPSO, the Board may appoint committees and advisory panels to assist in performing its functions. Currently, an Investment Committee and an Advisory Panel on Communication and Public Education are assisting the Board. Their objectives and composition are set out on pages 9 and 10.

### Executive Management

Pursuant to section 6 of the DPSO, the Board shall perform its functions through the HKMA unless indicated otherwise by the FS. Hence, the HKMA acts as an executive arm of the Board in administering the DPS. Against this background, the HKMA has assigned a team of professional and support staff to assist the Board in discharging its functions. The team is headed by an Executive Director of the HKMA, who is designated as the Chief Executive Officer of the Board to oversee all day-to-day functions of the DPS. The HKMA also provides administrative support to the Board, including accounting, administration, human resources and information technology, under detailed arrangements set out in a Memorandum of Understanding (MoU) between the two organisations. The Board reimburses costs incurred by the HKMA for such purposes on a cost-recovery basis in accordance with provisions set out in the DPSO.

The powers that the Board can exercise in administering the DPS are specified in the DPSO. The Board has clear guidelines on the division of responsibilities among the Board, the management team and supporting divisions of the HKMA, and on the division of responsibilities between the Chairman of the Board and the Chief Executive Officer, which have been devised in line with good corporate governance practices. In general, the Board takes strategic decisions relating to the operations and development of the DPS and those decisions that require an exercise of the Board's powers under the DPSO. The management team, on the other hand, is responsible for the day-to-day operations of the DPS according to the principles and policies endorsed by the Board.



# About the Hong Kong Deposit Protection Board



## THE BOARD AND ITS COMMITTEE AND ADVISORY PANEL

### Members of the Board

#### Chairman



**Ms LAU Yin-hing, Connie, SBS, JP**

Former Ombudsman  
Former Chief Executive  
Consumer Council

#### Members



**Mr CHAN Kam-man, Lawrence**

Partner  
DeHeng Law Offices (Hong Kong) LLP



**Professor CHAN Koon-hung**

Professor of Business and Hospitality Management  
Saint Francis University  
Emeritus Professor of Department of Accountancy  
Lingnan University



**Mr CHEUNG Tai-keung, Jack**

Former Chief Executive Officer  
Treasury Markets Association



**Professor LEE Kwok-on, Matthew**

Chair Professor of Information Systems and  
Electronic Commerce  
City University of Hong Kong



## About the Hong Kong Deposit Protection Board

### Members



**Mr MAK Yip-shing, Andrew, BBS, JP**

Barrister  
Sir Oswald Cheung's Chambers



**Mrs LAW SHING Mo-han, Yvonne, BBS, JP  
(since July 2023)**

Former Partner and Senior Advisor  
Deloitte China



**Ms CHAN Wing-man, Manda, JP**

Deputy Secretary for Financial Services and  
the Treasury (Financial Services)

Ex officio member of the Board representing  
the Secretary for Financial Services  
and the Treasury



**Mr YUEN Kwok-hang, Arthur, JP**

Deputy Chief Executive  
Hong Kong Monetary Authority

Ex officio member of the Board  
representing the Monetary Authority



**Ms ZEE, Helen  
(until June 2023)**

Former Deputy Chief Executive and  
Managing Director  
Haitong International Capital Limited

# About the Hong Kong Deposit Protection Board



## Investment Committee of the Board

The Investment Committee is established in accordance with section 7 of Schedule 2 to the DPSO to advise the Board on the investment of the DPS Fund. It is responsible for

- making recommendations on the investment policy and strategy in respect of the DPS Fund;
- monitoring the investment performance of the DPS Fund and establishing proper risk management controls for the investment activities of the Board; and
- working on any other investment-related matters as determined from time to time by the Board.

The Committee comprises members with experience and expertise in banking and investment-related areas. The Chairperson and most members of the Committee are also members of the Board. The membership of the Committee is as follows:

## Chairperson

### Mr CHEUNG Tai-keung, Jack

Former Chief Executive Officer  
Treasury Markets Association

## Members

### Professor CHAN Koon-hung

Professor of Business and Hospitality Management  
Saint Francis University  
Emeritus Professor of Department of Accountancy  
Lingnan University

### Mrs LAW SHING Mo-han, Yvonne, BBS, JP

Former Partner and Senior Advisor  
Deloitte China

### Mr CHAN Shiu-lun, Christopher

Chief Investment Officer (Public Markets)  
Exchange Fund Investment Office  
Hong Kong Monetary Authority



## About the Hong Kong Deposit Protection Board

### Advisory Panel on Communication and Public Education

The Advisory Panel on Communication and Public Education is established in accordance with section 7 of the DPSO. Comprising the Chairman of the Board and experts with extensive experience in public relations, communication and community education, the Advisory Panel advises the Board on related matters, such as the development of strategies and implementation of activities in these areas. The membership of the Advisory Panel is as follows:

#### Chairman

**Ms LAU Yin-hing, Connie, SBS, JP**

#### Members

**Mr FUNG Lap-wing, Eric**

**Mr LAU Chung, Billie**

**Ms LAU Mee-yee, Esme**

# About the Hong Kong Deposit Protection Board



## CORPORATE GOVERNANCE

### The Board

The Board is an independent statutory body formed under the DPSO. In line with good corporate governance standards applicable to deposit insurers, only a minority of the members of the Board are representatives from the HKSAR Government and the HKMA. This arrangement is to facilitate a balanced contribution from the HKSAR Government, the HKMA (as the banking supervisor in Hong Kong) and external professionals, allowing for different perspectives in the management and operations of the DPS. At the same time, the Board's functions are insulated from the influence of the banking industry, as employees or directors of banks and bank-related companies are not eligible for appointment to the Board.

The Board is subject to the oversight of the FS, who is responsible for approving the estimates of income and expenditure of the DPS Fund, and for tabling in the Legislative Council the Board's annual report covering its activities, the statement of accounts of the DPS Fund and the audit report of the statement. The proceedings of the Board are governed by provisions of the DPSO, and the Board meets about three times a year to discuss policy issues crucial to the operations and continuing development of the DPS. In 2023-2024, the Board met three times and recorded an average attendance rate of 96%.

### Risk Management and Audits

To manage the risks of the DPS, the Board ensures that appropriate and prudent risk management systems are implemented adequately and reviewed regularly. The Internal Audit Division (IAD) of the HKMA performs periodic reviews of the risks inherent in various operational areas of the Board. It also assesses whether appropriate and sufficient controls are in place to safeguard the Board against the potential risks identified. Audit findings and recommendations of the IAD, if any, are reported directly to the Board to ensure that any material issues identified are communicated independently and effectively to Board members. The next regular review is scheduled for 2025-2026.

The Board appoints an external auditor under the approval of the FS to audit the DPS Fund's annual statement of accounts. The appointee reports the results and any findings directly to the Board. The external auditor for the financial year ended 31 March 2024 was Deloitte Touche Tohmatsu. To avoid any potential conflict of interest, the Board has a standing mechanism that safeguards the independence of the financial audit undertaken by the appointed external auditor. If the appointed external auditor also participates in other engagements with the Board, the financial auditing work will be conducted by a separate team.





## About the Hong Kong Deposit Protection Board

### Standards of Behaviour and Ethics

Clear guidelines and procedures, including requirements for declaration of interests, are set out in the DPSO and the Code of Conduct for members and staff of the Board to prevent any possible conflict of interest. Members are required to declare in writing their personal interests when they first join the Board or its committees, and then annually to the secretary of the Board. The secretary keeps the Register of Members' Interests, which is available for public inspection upon request. Senior members of staff are required to make an annual declaration to the Chairman of the Board. Members and staff observe specific procedures to report their interests and, when applicable, to excuse themselves from the decision-making process.

### Communication and Transparency

The Board is committed to open communication with the public and other stakeholders. It maintains a website to facilitate access to information on DPS operations, and makes its annual report publicly available. In addition, the Board operates multiple channels to answer enquiries from the public. The Board also conducts consultations with banking industry associations on any policies and initiatives relating to the operations of the DPS that may affect the industry.

### Appeal Mechanism

Certain decisions made by the Board and the HKMA under the DPSO can be the subject of an appeal to the Deposit Protection Appeals Tribunal. The CE/HKSAR has appointed a former Deputy Judge of the Court of First Instance of the High Court as Chairperson of the Tribunal, together with a panel of three persons who may be called upon as members of the Tribunal. The Tribunal convenes sittings only when required. To date, no appeal cases have been reported to or reviewed by the Tribunal.

### Review of the Corporate Governance Structure

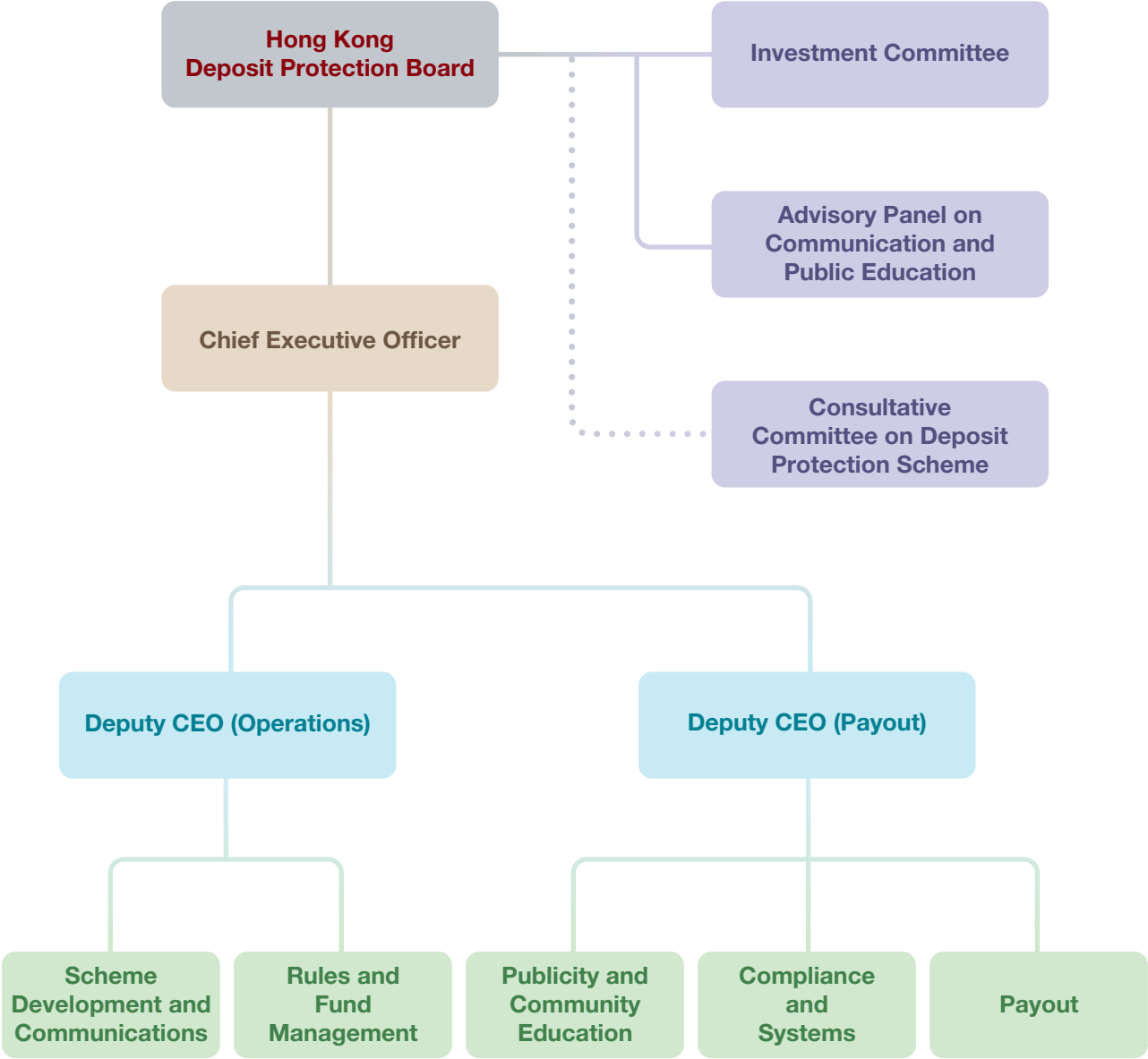
The Board has a policy of reviewing its corporate governance structure regularly to ensure that it continues to adhere to sound governance standards regardless of any changes in the scope of the Board's operations driven by the development of the DPS. Refinements are made between individual reviews to help the Board keep up with local and international best practices. The IAD also conducts independent reviews of the Board's corporate governance practices against applicable local or international standards on a periodic basis. The next regular review will be held in 2025-2026.

# About the Hong Kong Deposit Protection Board



## ORGANISATIONAL STRUCTURE

(as at 31 March 2024)





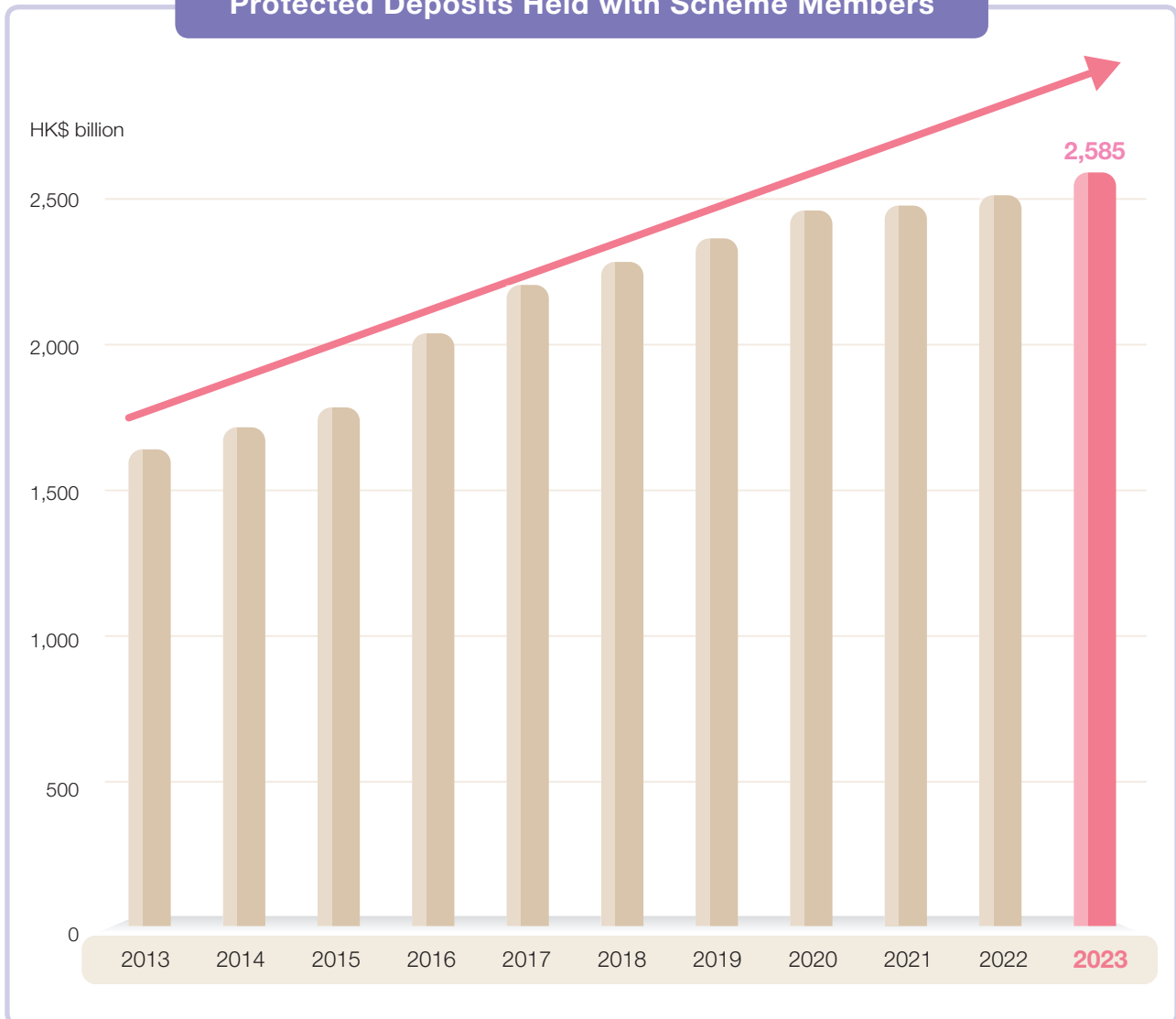
## Scheme Operations

### 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

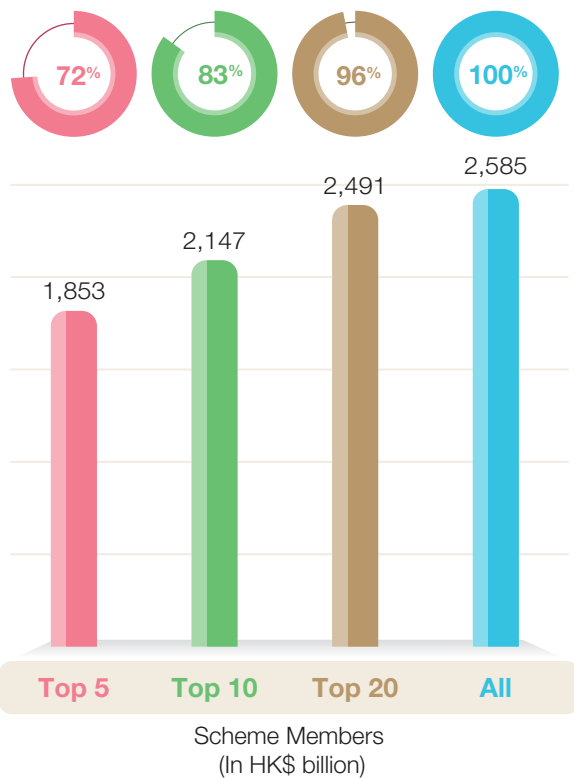




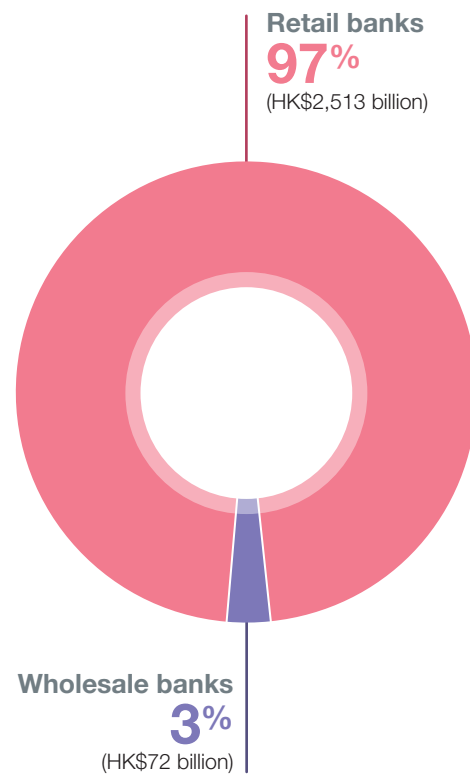
The distribution of protected deposits among Scheme members in 2023 was similar to that of 2022. The top 20 Scheme members, most of which were retail banks, held 96% of the industry's

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

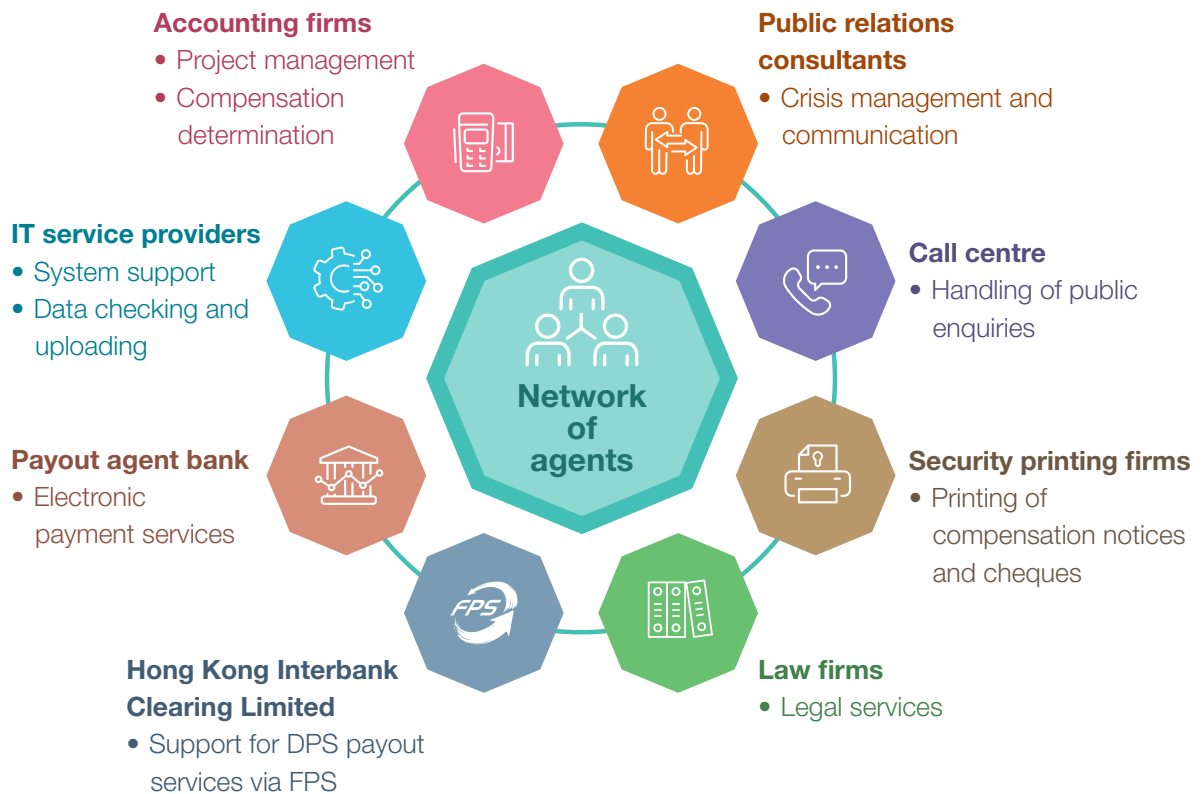


Simulated payout operation

### 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

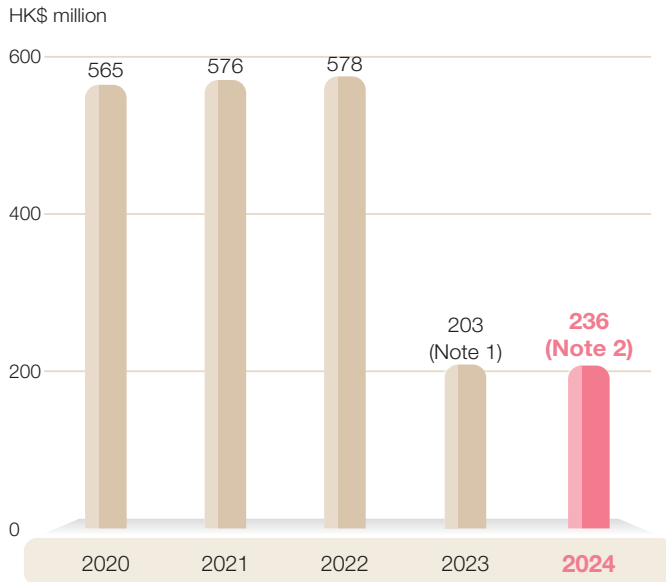
Contributions collected from Scheme members in 2024 amounted to HK\$236 million, a rise of 16% from 2023. According to section 4(1) of Schedule 4 to the DPSO, an expected loss levy is payable by a Scheme member after the year in which the target fund size has been reached for the first time. Since the 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.



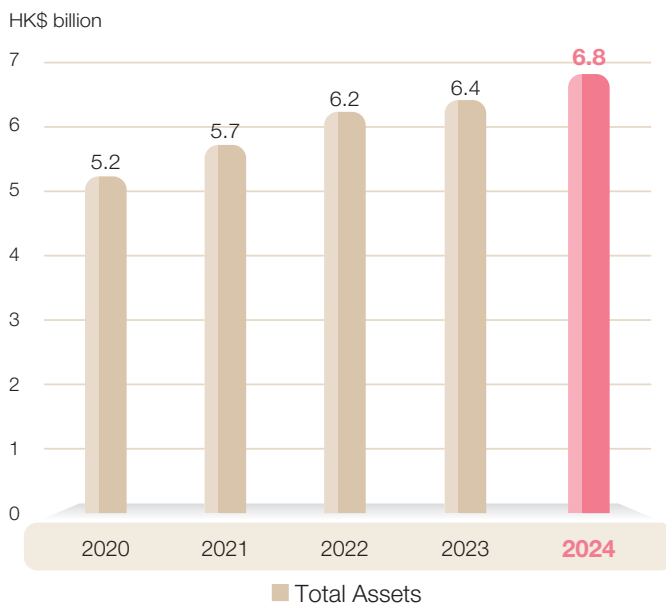
## Contributions Paid by Scheme Members



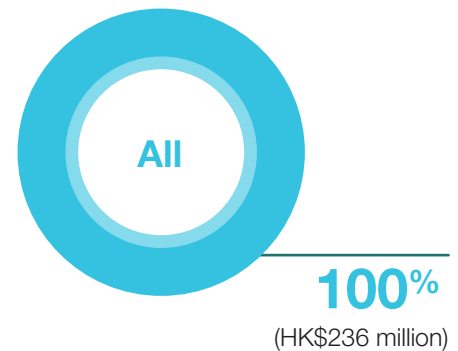
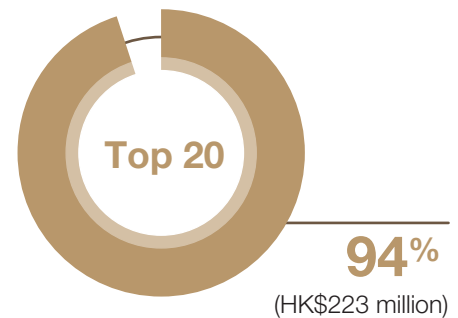
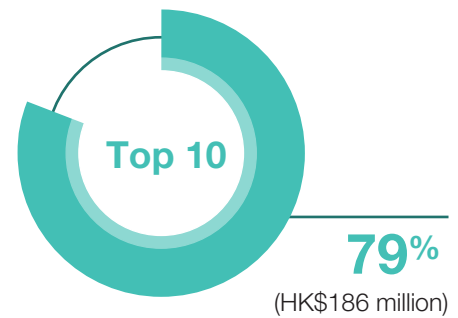
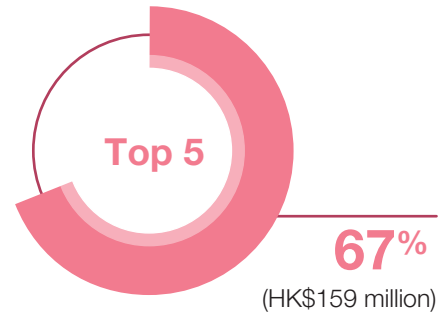
Note 1: Since the balance of the DPS Fund in 2022 was very close to the target fund size for 2023, according to section 3(6) of Schedule 4 to the DPSO, the total contributions payable by Scheme members for 2023 were reduced to the extent that the balance of the DPS Fund after including the contributions 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.

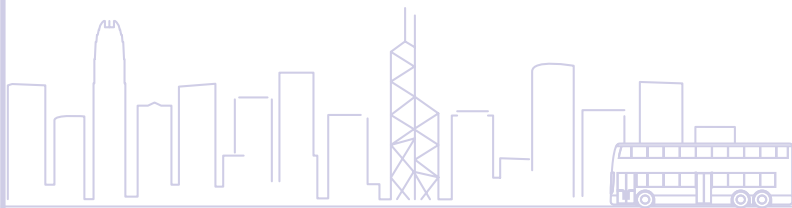
An Instagram (IG) fan page was launched in September 2023. Multifaceted educational

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



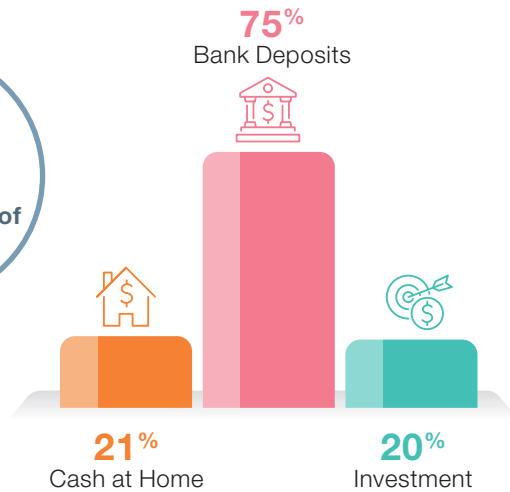
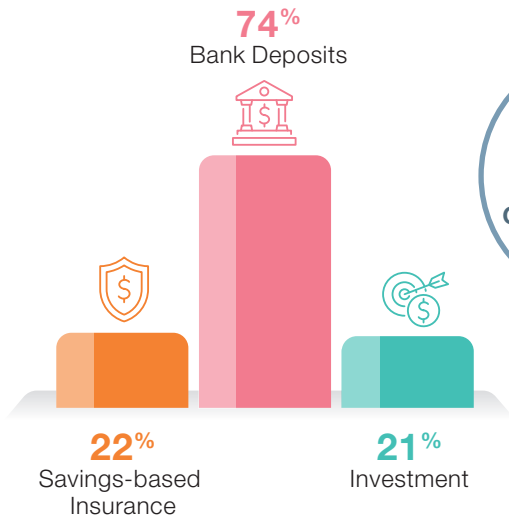
**Public**  
(Aged 18 or above)  
**67%**  
of the respondents had a habit of saving



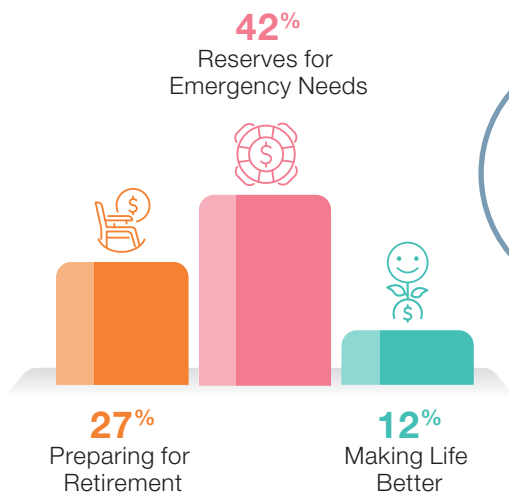
**Full-time Female Homemakers**  
**53%**  
of the respondents had a habit of saving



### 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





## Scheme Operations

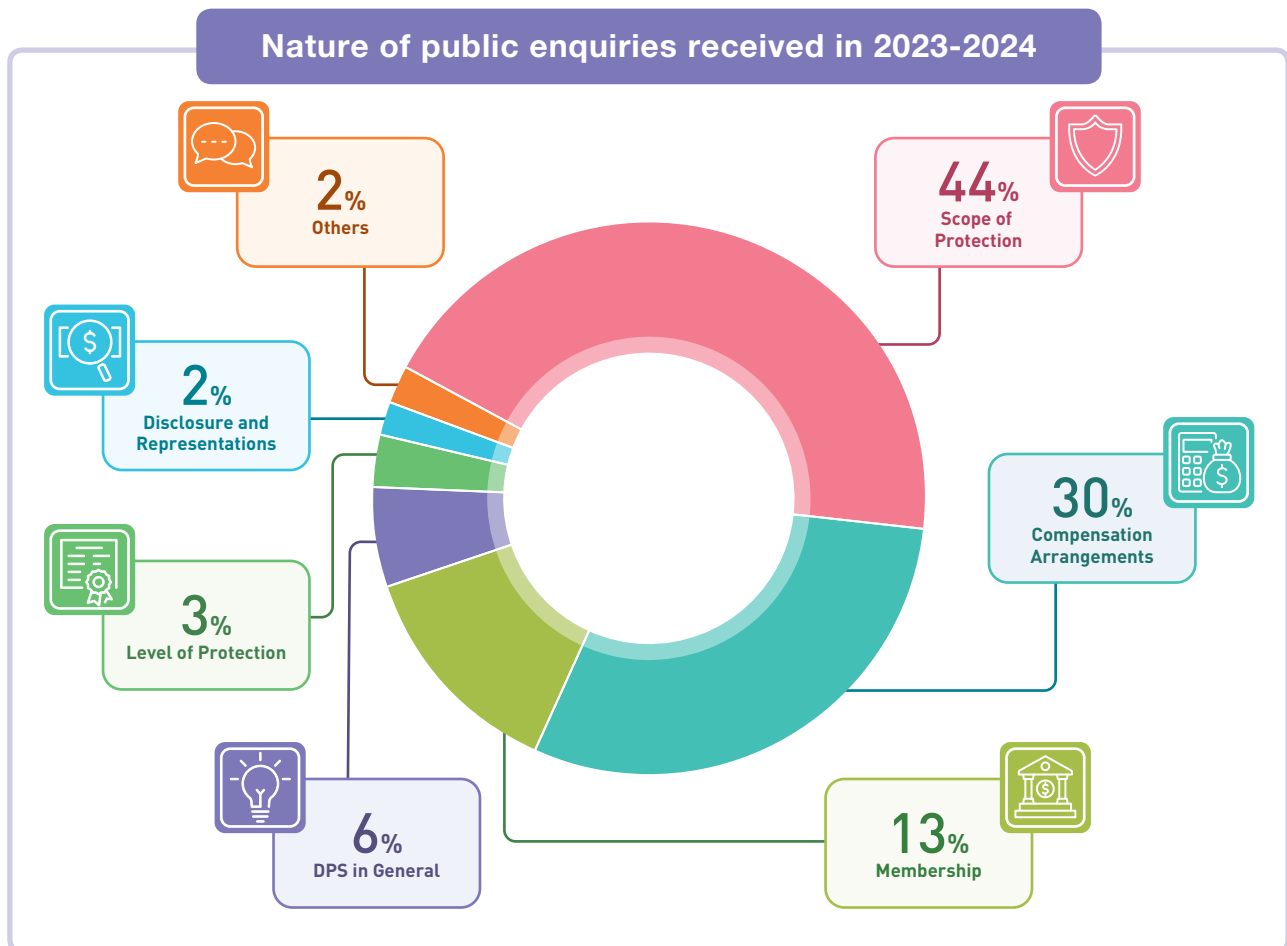
### Public Awareness and Enquiries

#### 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.



## OVERVIEW

The Board is firmly committed to incorporating sustainability considerations into its operations and functions, so as to fulfil its corporate social responsibility. During the year, the Board continued to maintain and enhance various measures to contribute to a greener and more sustainable future.


## ENVIRONMENT


### Green Initiatives


To exercise corporate social responsibility, the Board promotes a green working environment. The following green office initiatives are carried out to gradually lower paper and energy usage while cutting down on waste to protect the environment.


### Reducing the Use of Paper and Printing





 Publish Annual Reports on the Board's official website and print minimal copies for official distribution.


 Provide the electronic version of the DPS leaflet on the Board's website. Scheme members can also provide the e-version to customers.

 Use email to inform stakeholders about the publication of Annual Reports.

 Request Scheme members to submit only soft copies of their annual IS Guideline self-declaration.

 Distribute electronic documents as an alternative to printed copies for Board meetings.

 Adopt automation and electronic processes for internal matters, such as e-remittance advices and leave applications.

 Use recycled paper whenever possible.



## Sustainability

### Use of e-Version of DPS Leaflet

To further reduce the use of paper and printing, the Board issued a letter in October 2023 to strongly encourage Scheme members to provide the e-version of the DPS leaflet to customers. As a result, the number of printed leaflets ordered by Scheme members has decreased, while requests for the e-version have increased significantly.

October 2023 to March 2024 vs.  
October 2022 to March 2023



Printed leaflets  
↓ 9%



Electronic leaflets  
↑ 40%

### Paper Consumption

2023-2024 vs. 2022-2023



Use of paper  
↓ 14%

The Board reduced the use of paper in the office in 2023-24.

### Energy Savings



Install energy-saving devices, including light-emitting diode (LED) lights, motion sensors and timers to control indoor lighting.



Set a default room temperature of 25°C.

### Energy Consumption

Average energy usage in the Board's office in 2023-2024 was slightly higher than in 2022-2023. In fact, actual average energy usage in 2023-2024 was less than 2022-2023 after taking into account the fact that staff of the Board were working from home for a certain period during the pandemic in 2022-2023.

Average Energy Consumption  
(kilowatt-hour/month)

2023-2024



1,654

2022-2023



1,558

### Waste Management



Collect different types of waste, including paper, cans, bottles, food waste and ink cartridges, for recycling.



Increase the number of recycling bins in the office premises.



## People

The Board is dedicated to investing in the wellness of staff members so as to foster well-being and improve work productivity.

### *Support for Staff Well-Being*

The Board offers a flexible arrangement that allows staff members to work from home up to one day a week, subject to approval and operational needs.

Under the group medical scheme, the Board provides a well-being benefit which can be used to help maintain good health and achieve a better work-life balance. Staff and their family members can use this benefit flexibly for a variety of purposes, including health checks, optical expenses, fitness fees, leisure class fees and nutrition consultation.

### *Wellness Office*

Workstations are equipped with height-adjustable desks to improve staff health and productivity. Liquid-crystal display (LCD) monitors come with protection features to lessen eye strain.

## Social Responsibility

The Board is committed to supporting the community through activities and measures that address the needs of Hong Kong people, and integrates sustainability considerations in its operations.

### *Support for the Community*

The Board seeks to educate the public about the importance of savings and the value of the DPS in safeguarding bank deposits and contributing to the stability of Hong Kong's banking system, by way of conducting year-round publicity campaigns and community outreach.

Emphasis is placed on reaching out to vulnerable groups, particularly the elderly, low-income families and ethnic minorities, to increase their awareness and understanding of the DPS via engagement activities such as talks. To embrace eco-friendliness and sustainability, no single-use materials were distributed in these events during the year.



Community outreach activities



## Sustainability

### *Award and Recognition*

With rising public expectations on the protection of privacy relating to personal data, the Board places great emphasis on preserving the confidentiality of personal data as part of the organisational policy and culture. Apart from equipping colleagues with the relevant knowledge, the Board also participated in the Second “Privacy-Friendly Awards 2023” organised by the Office of the Privacy Commissioner for Personal Data and received the Privacy-Friendly Silver Award.



The prize presentation ceremony of the “Privacy-Friendly Awards”



## TO THE HONG KONG DEPOSIT PROTECTION BOARD

(established under section 14 of the Deposit Protection Scheme Ordinance)

### OPINION

We have audited the statement of accounts of the Deposit Protection Scheme Fund (the “Fund”) set out on pages 42 to 68, which comprises the balance sheet as at 31 March 2024, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the statement of accounts, including a summary of material accounting policies and other explanatory information.

In our opinion, the statement of accounts gives a true and fair view of the financial position of the Fund as at 31 March 2024, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Deposit Protection Scheme Ordinance (the “Ordinance”).

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Statement of accounts section of our report. We are independent of the Hong Kong Deposit Protection Board (the “Board”) in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### OTHER INFORMATION

The Board is responsible for the other information. The other information comprises the information included in the annual report, but does not include the statement of accounts and our auditor’s report thereon.

Our opinion on the statement of accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the statement of accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the statement of accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





## Independent Auditor's Report

### **RESPONSIBILITIES OF THE BOARD FOR THE STATEMENT OF ACCOUNTS**

The Board is responsible for the preparation of the statement of accounts that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Board determines is necessary to enable the preparation of statement of accounts that is free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the Board is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for overseeing the Fund's financial reporting process.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE STATEMENT OF ACCOUNTS**

Our objectives are to obtain reasonable assurance about whether the statement of accounts as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 19 of the Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the statement of accounts.



## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE STATEMENT OF ACCOUNTS *(continued)*

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the statement of accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the statement of accounts, including the disclosures, and whether the statement of accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

11 June 2024



## Deposit Protection Scheme Fund – Statement of Comprehensive Income

For the year ended 31 March 2024

	Notes	2024 HK\$	2023 HK\$
<b>Income</b>			
Contributions		211,570,261	485,184,002
Interest income from cash and balances with banks and the Exchange Fund		60,086,558	35,715,875
Interest income from financial assets measured at amortised cost	5	124,503,037	58,509,913
Exchange (losses)/gains		(10,745,008)	3,958,699
Other income		74,548	90,000
		<b>385,489,396</b>	<b>583,458,489</b>
<b>Expenditure</b>			
Staff costs	6	11,989,368	11,679,616
Premises costs		377,831	355,877
Depreciation and amortisation		6,358,153	6,589,697
Office supplies		183,278	40,254
Overseas travel		56,798	–
Transport and travelling		1,307	1,193
Operating expenses reimbursable to the HKMA	11	25,803,958	25,250,263
Hire of services		11,356,070	9,714,195
Auditor's remuneration		137,000	132,000
Interest expenses on lease liabilities	10	16,598	7,050
Communications		51,885	55,044
Publicity and printing		10,593,217	11,546,375
Other expenses		2,829,335	2,814,401
		<b>69,754,798</b>	<b>68,185,965</b>
Surplus for the year		<b>315,734,598</b>	<b>515,272,524</b>
Total comprehensive income for the year		<b>315,734,598</b>	<b>515,272,524</b>

The notes on pages 46 to 68 form part of this statement of accounts.

# Deposit Protection Scheme Fund – Balance Sheet



As at 31 March 2024

	Notes	2024 HK\$	2023 HK\$
Non-current assets			
Fixed assets	7	5,973,599	5,035,073
Intangible assets	8	2,812,558	3,726,931
Financial assets measured at amortised cost	5	1,778,884,461	1,610,714,628
		<b>1,787,670,618</b>	1,619,476,632
Current assets			
Other receivables	9	2,110,850	1,748,758
Financial assets measured at amortised cost	5	3,372,029,393	2,979,790,258
Cash and balances with banks and the Exchange Fund		1,610,670,788	1,826,528,989
		<b>4,984,811,031</b>	4,808,068,005
Current liabilities			
Contributions received in advance		178,096,532	153,358,645
Other liabilities	10	32,099,357	30,929,250
		<b>210,195,889</b>	184,287,895
Net current assets		<b>4,774,615,142</b>	4,623,780,110
Non-current liabilities			
Other liabilities	10	3,294,420	–
Net assets		<b>6,558,991,340</b>	6,243,256,742
Represented by			
Accumulated surplus		<b>6,558,991,340</b>	6,243,256,742
		<b>6,558,991,340</b>	6,243,256,742

Approved and authorised for issue by the Hong Kong Deposit Protection Board on 11 June 2024.

**Lau Yin-hing, Connie**

Chairman

The notes on pages 46 to 68 form part of this statement of accounts.



## Deposit Protection Scheme Fund – Statement of Changes In Equity

For the year ended 31 March 2024

	<b>Total</b> HK\$
At 1 April 2022	5,727,984,218
Surplus for the year	515,272,524
<hr/>	
Fund balance as at 31 March 2023	6,243,256,742
<hr/>	
At 1 April 2023	6,243,256,742
Surplus for the year	315,734,598
<hr/>	
Fund balance as at 31 March 2024	6,558,991,340
<hr/>	

The notes on pages 46 to 68 form part of this statement of accounts.

# Deposit Protection Scheme Fund – Statement of Cash Flows



For the year ended 31 March 2024

	2024 HK\$	2023 HK\$
<b>Operating activities</b>		
Surplus for the year	315,734,598	515,272,524
Interest income	(184,589,595)	(94,225,788)
Interest expenses on lease liabilities	16,598	7,050
Exchange losses/(gains) on financial assets measured at amortised cost	6,692,035	(4,143,625)
Depreciation and amortisation	6,358,153	6,589,697
Cash from operating surplus before changes in operating assets and liabilities	144,211,789	423,499,858
<b>Changes in operating assets and liabilities</b>		
(Increase)/decrease in other receivables	(301,647)	251,514
Increase/(decrease) in contributions received in advance	24,737,887	(281,762,788)
Increase in other payables	1,466,580	2,839,507
Interest portion of lease payments	(16,598)	(7,050)
Net cash from operating activities	170,098,011	144,821,041
<b>Investing activities</b>		
Purchase of intangible assets	(1,633,888)	(357,300)
Purchase of fixed assets	(326,280)	(60,570)
Interest received	132,639,494	59,745,098
Purchase of financial assets measured at amortised cost	(3,488,909,347)	(3,144,461,397)
Proceeds from redemption of financial assets measured at amortised cost	2,973,698,000	–
Net cash used in investing activities	(384,532,021)	(3,085,134,169)
<b>Financing activity</b>		
Principal portion of lease payments	(1,424,191)	(1,456,026)
Net cash used in financing activity	(1,424,191)	(1,456,026)
Net decrease in cash and cash equivalents	(215,858,201)	(2,941,769,154)
Cash and cash equivalents at 1 April	1,826,528,989	4,768,298,143
Cash and cash equivalents at 31 March	1,610,670,788	1,826,528,989
<b>Analysis of balance of cash and cash equivalents</b>		
Cash and balances with banks and the Exchange Fund	1,610,670,788	1,826,528,989

The notes on pages 46 to 68 form part of this statement of accounts.





# Deposit Protection Scheme Fund – Notes to the Statement of Accounts

## 1 PURPOSE AND ACTIVITIES

The Deposit Protection Scheme Fund (the Fund) is established under the Deposit Protection Scheme Ordinance (the Ordinance) for the purpose of providing compensation to depositors under certain circumstances in respect of deposits maintained with banks that are members of the Deposit Protection Scheme (the Scheme or the DPS). Currently, the protection limit is set at HK\$500,000 per depositor per bank. The Hong Kong Deposit Protection Board (the Board) manages the Fund in accordance with the provisions of the Ordinance. The Fund mainly consists of contributions collected from Scheme members and returns on investments of the Fund. Expenditure incurred in the establishment and maintenance of the Scheme, as well as the management and administration of the Fund are paid from the Fund.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION

### (a) Basis of preparation

The statement of accounts of the Fund has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs” is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Hong Kong (IFRIC) Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), and accounting principles generally accepted in Hong Kong. The statement of accounts has been prepared under the historical cost convention.

For the purpose of preparation of the financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The preparation of statement of accounts in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund’s accounting policies.

The Board makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions made in the preparation of these accounts do not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



## 2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### (a) Basis of preparation *(continued)*

#### (i) *New and amended standards adopted by the Fund*

There are no amended standards that are effective for the first time in the current year's financial statements that would have a material impact on the Fund.

#### (ii) *New and amended standards have been issued but are not effective for the financial year beginning 1 April 2023 and have not been early adopted*

The Fund has not early applied any of the following amended standards which may be relevant to the Fund, that have been issued but are not yet effective.

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised)<sup>1</sup></i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements<sup>1</sup></i>
Amendments to HKAS 21	<i>Lack of Exchangeability<sup>2</sup></i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

The Fund is in the process of finalising its assessment of what the potential impact of these new and amended standards upon initial application. So far the Management's preliminary assessment indicates that the adoption of them is not expected to have a significant impact on the Fund's statements of accounts.



# Deposit Protection Scheme Fund – Notes to the Statement of Accounts

## 2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### (b) Revenue recognition

Contributions and exemption fees are collected from Scheme members as specified in Schedule 4 to the Ordinance. They are accounted for on an accrual basis.

Contributions are calculated based on the amount of deposits under DPS protection and the respective supervisory rating of each non-exempted bank applicable at a specified date. Contributions are collected annually during each calendar year and the advance portion is presented as contributions received in advance in the balance sheet.

Interest income is recognised in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

### (c) Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.



## 2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### (d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the assets over their estimated useful lives as follows:

	<b>Years</b>
Computer hardware/software costs:	
• Servers	5
• Others, e.g. personal computers, printers and accessories	3
Office equipment, furniture and fixtures	5
Right-of-use assets arising from leases of premises	over the shorter of the lease terms and their estimated useful lives

Only items costing HK\$10,000 or more are capitalised. Gains or losses arising from the disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income in the month of disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use.



## Deposit Protection Scheme Fund – Notes to the Statement of Accounts

### 2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

#### (e) Intangible assets

Costs that are directly associated with the development of identifiable and unique systems controlled and used by the Fund, and that will probably generate economic benefit exceeding costs beyond 1 year, are recognised as intangible assets. Intangible assets include expenditures on development of the Payout System. Such expenditure is capitalised if the systems are technically and commercially feasible. The expenditure capitalised includes the direct labour and costs of materials. Intangible assets are stated at cost less accumulated amortisation and any impairment losses.

Amortisation of intangible assets with definite life is charged to the statement of comprehensive income on a straight-line basis over the assets' estimated useful life of 5 years.

#### (f) Leases

A lease is recognised in the balance sheet as a right-of-use asset with a corresponding lease liability at the lease commencement date, except that variable lease payments associated with short-term leases having a lease term of 12 months or less and leases of low-value assets are charged to the income and expenditure account on a straight-line basis over the lease term.

A right-of-use asset is recognised as fixed assets and measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the asset's estimated useful life.

The lease liability is recognised as other liabilities and is measured at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Fund's incremental borrowing rate. The lease liability is subsequently adjusted by the effect of the interest on and the settlement of the lease liability.



## 2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### (f) Leases *(continued)*

Lease payments included in the measurement of the Fund's lease liability mainly comprise:

- Fixed payments, less any lease incentives receivable;
- Lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease unless the Fund is reasonably certain not to terminate early.

The lease liability is remeasured if the Fund changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### (g) Financial assets

#### *Classification, recognition, measurement and derecognition*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets expire, or where the financial assets together with substantially all the risks and rewards of ownership have been transferred.





## Deposit Protection Scheme Fund – Notes to the Statement of Accounts

### 2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

#### (g) Financial assets *(continued)*

##### *Impairment of financial assets*

The Fund applies a three-stage approach to measure expected credit losses (ECLs) and impairment losses or reversals, for financial instruments measured at amortised cost that are not measured at fair value through profit or loss.

The change in credit risk since initial recognition determines the measurement bases for ECLs:

##### Stage 1: 12-month ECLs

For financial instruments for which there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECLs that represent the ECLs that result from default events that are possible within the 12 months after the reporting period are recognised.

##### Stage 2: Lifetime ECLs – not credit impaired

For financial instruments for which there has been a significant increase in credit risk since initial recognition but that are not credit impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial instrument are recognised.

##### Stage 3: Lifetime ECLs – credit impaired

For financial instruments that have become credit impaired, lifetime ECLs are recognised and interest income is calculated by applying the effective interest rate to the amortised cost (net of loss allowance) rather than the gross carrying amount.

##### Determining the stage for impairment

At each reporting date, the Fund assesses whether there has been a significant increase in credit risk for financial instruments since initial recognition by comparing the risk of default occurring over the remaining expected life as at the reporting date with that as at the date of initial recognition. The assessment considers quantitative and qualitative information as well as forward-looking information. A financial asset is assessed to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.



## 2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### (g) Financial assets *(continued)*

#### *Impairment of financial assets (continued)*

##### Determining the stage for impairment *(continued)*

The Fund assesses whether there has been a significant increase in credit risk since initial recognition on an individual or collective basis. For collective assessment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account investment type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the counterparty or borrower and other relevant factors.

Debt investments with an external credit rating of investment grade are considered to have a low credit risk. Other financial instruments are considered to have a low credit risk if they have a low risk of default and the counterparty or borrower has a strong capacity to meet its contractual cash flow obligations in the near term. The credit risk on these financial instruments is assessed as not having increased significantly since initial recognition.

For a financial asset with lifetime ECLs recognised in the previous reporting period, if its credit quality improves and reverses the previously assessed significant increase in credit risk, then the loss allowance reverts from lifetime ECLs to 12-month ECLs.

When a financial asset is uncollectible, it is written off against the related loss allowance. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

##### Measurement of ECLs

ECLs of a financial instrument are an unbiased and probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A credit loss is the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive, discounted at the effective interest rate. For a financial asset that is credit impaired at the reporting date, the Fund measures the ECLs as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.



# Deposit Protection Scheme Fund – Notes to the Statement of Accounts

## 2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### (h) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Other payables are initially recognised at fair value and thereafter stated at amortised cost.

Other payables are classified as current liabilities if payment is due within 1 year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### (i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

### (j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of transaction including: cash at bank and on hand, demand deposits with banks, other financial institutions and the Monetary Authority (MA) for the account of the Exchange Fund, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### (k) Translation of foreign currencies

#### (i) *Functional and presentation currency*

Items included in the statement of accounts are measured using the currency of the primary economic environment in which the Fund operates (the functional currency). The statement of accounts is presented in Hong Kong dollars, which is the Fund's functional and presentation currency.



## 2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### (k) Translation of foreign currencies *(continued)*

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Changes in the fair value of debt securities denominated in foreign currency classified as financial assets measured at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the surplus, and other changes in carrying amount, except impairment, are recognised in other comprehensive income. Translation differences on non-monetary financial assets are included in other comprehensive income.

#### (l) Provisions and contingent liabilities

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events where it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



## Deposit Protection Scheme Fund – Notes to the Statement of Accounts

### 2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

#### (m) Employee benefits

##### (i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are recognised when the absence occurs.

##### (ii) *Pension obligations*

The Fund offers a mandatory provident fund scheme, the assets of which are generally held in separate trustee-administered funds. These pension plans are generally funded by payments from employees and by the Fund. The Fund's contributions to the mandatory provident fund scheme are expensed as incurred.

#### (n) Related parties

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or entities.

#### (o) Critical accounting estimates and assumptions

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



## 3 RISK MANAGEMENT

### (a) Governance

The Fund is established under the Ordinance for the purpose of providing compensation to depositors under certain circumstances in respect of deposits maintained with banks which are members of the Scheme. Under Part 4 of the Ordinance, the Fund is to consist of:

- contributions and late payment fees collected from Scheme members;
- money recovered by the Board from, or out of the assets of, failed Scheme members;
- returns on investments;
- money borrowed by the Board for the purpose of performing its functions; and
- any other money lawfully paid into the Fund.

The Board established an Investment Committee and delegated its power to the Committee to place, or invest, money of the Fund that is not immediately required by the Board for the performance of its functions. In particular, the Investment Committee:

- makes recommendations on the investment policy and strategy in respect of the Fund;
- monitors the investment performance of the Fund and establishes proper risk management controls for the investment activities of the Board; and
- works on any other investment-related matters as determined from time to time by the Board.

Operating within the requirements under the Ordinance and policies endorsed by the Investment Committee, the Board's Management Team conducts the day-to-day investment management and risk management of the Fund.





## Deposit Protection Scheme Fund – Notes to the Statement of Accounts

### 3 RISK MANAGEMENT *(continued)*

#### (b) Investment management and control

Under section 21 of the Ordinance, the Fund or any part of it may be invested in the following investment instruments:

- deposits with the MA for the account of the Exchange Fund;
- Exchange Fund Bills;
- US Treasury Bills; and
- any other investment approved by the Financial Secretary.

In December 2008, the Financial Secretary approved an expansion of the investment scope of the Fund to cover Exchange Fund Notes and US Treasury Notes with remaining term to maturity of not more than 2 years, and Hong Kong dollar and US dollar deposits of up to 3 months in tenor with financial institutions.

Investment activities of the Fund are conducted in accordance with the requirements set out in the Ordinance and the policies endorsed by the Investment Committee to ensure the investment objectives of capital preservation and maintaining sufficient liquidity are met.

The Board's Management Team is responsible for the day-to-day investment management of the Fund. Investment reports showing the latest market values, rate of return, maturity profile, types of financial instruments held and limits versus exposures are regularly submitted to the Investment Committee for control purpose.



## 3 RISK MANAGEMENT *(continued)*

### (c) Financial risk management

#### *Market risk*

Market risk is the risk that changes in market variables such as interest rates, equity prices and exchange rates may affect the fair value or cash flows of a financial instrument. Market risk to the Fund mainly comprises interest rate risk and currency risk.

#### (i) Interest rate risk

Interest rate risk refers to the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Since the majority of the financial assets represent the cash balances with bank and the Exchange Fund and financial assets measured at amortised cost, the impact of interest rate fluctuations on the Fund is considered minimal.

#### (ii) Currency risk

Currency risk is the risk of loss arising from changes in foreign exchange rates. The investments held by the Fund are denominated either in Hong Kong dollars or US dollars. Because of the linked exchange rate with the US dollar, the currency risk to the Fund is considered minimal.

#### *Liquidity risk*

Liquidity risk refers to the risk that the Fund may not have sufficient funds available to meet its liabilities as they fall due. In addition, liquidity risk also refers to the risk that the Fund may not be able to liquidate its financial assets at a price close to the fair value within a short period of time.

Given that the Fund can only make deposits with the MA for the account of the Exchange Fund or with financial institutions approved by the Investment Committee or invest in the highly liquid Exchange Fund Bills and Notes and US Treasury Bills and Notes, the liquidity of the Fund is maintained at a high level at all times.



# Deposit Protection Scheme Fund – Notes to the Statement of Accounts

## 3 RISK MANAGEMENT *(continued)*

### (c) Financial risk management *(continued)*

#### *Credit risk*

The Fund is exposed to credit risk when a borrower or a counterparty may not be able or willing to perform its contractual obligations in full when due. The credit risk of the Fund mainly comprises (i) counterparty risk from placement activities; (ii) counterparty risk from investment transactions; (iii) issuer risk arising from debt securities holdings; and (iv) country risk.

Counterparty credit exposures arise mainly from the Fund's deposit placements with the MA for the account of the Exchange Fund and financial institutions approved by the Investment Committee and securities transactions with financial institutions. In this respect, the Fund will only conduct securities transactions with counterparties approved by the Investment Committee. To mitigate the issuer risk arising from investments in debt securities, the Board confines the types of investment securities of the Fund to Exchange Fund Bills and Notes and US Treasury Bills and Notes, both with minimal default risk. The Management Team considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. In addition to the counterparty and issuer risks, the Fund is exposed to country risk, which is confined to the sovereign risk of Hong Kong and the US and the country risk of financial institutions approved by the Investment Committee given the Fund's limited types of investments. The Fund's credit exposures are reported regularly to the Investment Committee based on its delegated authority from the Board.

#### *Fair value measurement*

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements:

- Level 1 – fair values are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair values are determined involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – fair values are determined with inputs that are not based on observable market data (unobservable inputs).

The fair values of financial assets measured at amortised cost are disclosed in note 5.

# Deposit Protection Scheme Fund – Notes to the Statement of Accounts



## 4 TAXATION

No provision for Hong Kong Profits Tax for 2024 and 2023 have been made as the Board is exempt from Hong Kong Profits Tax pursuant to section 10 of the Ordinance.

## 5 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2024 HK\$	2023 HK\$
Non-current assets		
US Treasury Bills and Notes	719,922,410	–
Exchange Fund Notes	1,058,962,051	1,610,714,628
	<b>1,778,884,461</b>	1,610,714,628
Current assets		
US Treasury Bills and Notes	–	2,979,790,258
Exchange Fund Notes	3,372,029,393	–
	<b>3,372,029,393</b>	2,979,790,258
<b>Total</b>	<b>5,150,913,854</b>	4,590,504,886
Fair value at the year end, Level 1	5,083,185,680	4,514,339,320



## Deposit Protection Scheme Fund – Notes to the Statement of Accounts

### 5 FINANCIAL ASSETS MEASURED AT AMORTISED COST *(continued)*

The movements in financial assets are summarised as follows:

	2024 HK\$	2023 HK\$
Carrying value at the year beginning	4,590,504,886	1,407,523,946
Purchase	3,488,909,347	3,144,461,397
Interest received	(72,613,381)	(24,133,995)
Interest income	124,503,037	58,509,913
Exchange (losses)/gains	(6,692,035)	4,143,625
Redemption	(2,973,698,000)	–
Carrying value at the year end	5,150,913,854	4,590,504,886

### 6 STAFF COSTS

	2024 HK\$	2023 HK\$
Salaries	10,793,876	10,610,353
Gratuity	86,594	24,302
Other employee benefits	1,108,898	1,044,961
	11,989,368	11,679,616

# Deposit Protection Scheme Fund – Notes to the Statement of Accounts



## 7 FIXED ASSETS

	Owned assets		Right-of-use assets	Total HK\$
	Office equipment, furniture and fixtures HK\$	Computer hardware/ software HK\$	Premises HK\$	
<b>Cost</b>				
As at 1 April 2022	3,004,750	13,789,014	4,969,688	21,763,452
Additions	–	60,570	–	60,570
As at 31 March 2023	3,004,750	13,849,584	4,969,688	21,824,022
As at 1 April 2023	3,004,750	13,849,584	4,969,688	21,824,022
Additions	–	326,280	–	326,280
Lease renewal	–	–	4,422,138	4,422,138
As at 31 March 2024	3,004,750	14,175,864	9,391,826	26,572,440
<b>Accumulated depreciation</b>				
As at 1 April 2022	903,360	9,750,596	2,181,814	12,835,770
Charge for the year	574,896	1,923,740	1,454,543	3,953,179
As at 31 March 2023	1,478,256	11,674,336	3,636,357	16,788,949
As at 1 April 2023	1,478,256	11,674,336	3,636,357	16,788,949
Charge for the year	574,896	1,809,537	1,425,459	3,809,892
As at 31 March 2024	2,053,152	13,483,873	5,061,816	20,598,841
<b>Net book value</b>				
As at 31 March 2024	951,598	691,991	4,330,010	5,973,599
As at 31 March 2023	1,526,494	2,175,248	1,333,331	5,035,073





## Deposit Protection Scheme Fund – Notes to the Statement of Accounts

### 8 INTANGIBLE ASSETS

	<b>Development costs of payout system</b> HK\$
<b>Cost</b>	
As at 1 April 2022	43,754,872
Additions	357,300
<hr/>	
As at 31 March 2023	44,112,172
<hr/>	
As at 1 April 2023	44,112,172
Additions	1,633,888
<hr/>	
As at 31 March 2024	45,746,060
<hr/>	
<b>Accumulated amortisation</b>	
As at 1 April 2022	37,748,723
Charge for the year	2,636,518
<hr/>	
As at 31 March 2023	40,385,241
<hr/>	
As at 1 April 2023	40,385,241
Charge for the year	2,548,261
<hr/>	
As at 31 March 2024	42,933,502
<hr/>	
<b>Net book value</b>	
As at 31 March 2024	2,812,558
<hr/>	
As at 31 March 2023	3,726,931
<hr/>	

# Deposit Protection Scheme Fund – Notes to the Statement of Accounts



## 9 OTHER RECEIVABLES

	2024 HK\$	2023 HK\$
Prepayment	1,867,544	1,565,897
Interest receivables	192,606	132,161
Others	50,700	50,700
	<b>2,110,850</b>	<b>1,748,758</b>

## 10 OTHER LIABILITIES

	Notes	2024 HK\$	2023 HK\$
Other payables			
Hire of services	(a)	27,094,822	27,913,042
Staff expenses		1,142,707	1,309,686
Others		2,819,109	367,330
Lease liabilities			
Current portion	(b)	1,042,719	1,339,192
Non-current portion	(b)	3,294,420	–
		<b>35,393,777</b>	<b>30,929,250</b>

(a) This amount includes operating expenses of HK\$25,803,958 (2023: HK\$25,250,263) reimbursed to the Hong Kong Monetary Authority (HKMA).



## Deposit Protection Scheme Fund – Notes to the Statement of Accounts

### 10 OTHER LIABILITIES *(continued)*

(b) The changes in lease liabilities arising from financing activities are as follows:

	2024 HK\$	2023 HK\$
Balance at the year beginning	1,339,192	2,795,218
Changes from financing cash flows		
Principal portion of lease payments	(1,424,191)	(1,456,026)
Non-cash changes		
Lease liabilities relating to lease renewal	4,422,138	–
Interest expenses on lease liabilities	16,598	7,050
Other changes		
Interest portion of lease payments	(16,598)	(7,050)
<b>Balance at the year end</b>	<b>4,337,139</b>	<b>1,339,192</b>

(c) The following table shows the remaining contractual maturities at the end of the reporting period of lease liabilities, which are based on contractual undiscounted cash flows and the earliest date on which the Fund can be required to pay.

	2024 HK\$	2023 HK\$
1 month or less	99,636	121,923
3 months or less but over 1 month	199,272	243,846
1 year or less but over 3 months	896,724	975,384
2 years or less but over 1 year	1,195,632	–
5 years or less but over 2 years	2,291,628	–
<b>Total</b>	<b>4,682,892</b>	<b>1,341,153</b>

(d) The total cash outflows for leases of the Fund for the year ended 31 March 2024 was HK\$1,440,789 (2023: HK\$1,463,076).

(e) In July 2020, the Fund entered into a lease agreement with the HKMA, setting out the understanding between both parties regarding the provision of office space to the Fund with a term up to 29 February 2024. In February 2024, the Fund renewed the lease with the HKMA with a term up to 29 February 2028 and recognised right-of-use assets and lease liabilities of HK\$4,422,138. During the year, principal amount of the lease payment HK\$1,424,191 (2023: HK\$1,456,026) and interest amount of the lease payment HK\$16,598 (2023: HK\$7,050) were resulted from this lease agreement.

# Deposit Protection Scheme Fund – Notes to the Statement of Accounts



## 11 MATERIAL RELATED PARTY TRANSACTIONS

Pursuant to section 6 of the Ordinance, the Board shall perform its functions through the MA unless indicated otherwise by the Financial Secretary. The HKMA has assigned a team of staff to assist the Board in discharging its functions. The team is headed by an Executive Director of the HKMA, who is designated as the Chief Executive Officer of the Board. The HKMA also supports the Board on aspects such as accounting, administration, human resources, and information technology.

The related party transactions with the HKMA are as follows:

	Notes	2024 HK\$	2023 HK\$
Aggregate amounts outstanding at the year end			
Balances with the Exchange Fund	(a)	1,597,752,009	1,813,487,090
Investment in Exchange Fund Notes	(b)	4,430,991,444	1,610,714,628
Lease with the HKMA			
Right-of-use assets	7	4,330,010	1,333,331
Lease liabilities	10(b)	4,337,139	1,339,192
Transactions during the year			
Interest income from balances with the Exchange Fund	(a)	59,349,627	35,707,543
Interest income from Exchange Fund Notes	(b)	104,452,638	25,737,991
Operating expenses reimbursed to the HKMA	(c)	26,066,288	25,501,917
Lease payments to the HKMA			
Principal portion	10(e)	1,424,191	1,456,026
Interest portion	10(e)	16,598	7,050

- (a) During the year, the Fund placed deposits with the Exchange Fund and earned interest amounting to HK\$59,349,627 (2023: HK\$35,707,543) at a rate which is referenced to the market interest rates. As at 31 March 2024, the deposits amounted to HK\$1,597,752,009 (2023: HK\$1,813,487,090).



## Deposit Protection Scheme Fund – Notes to the Statement of Accounts

### 11 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

- (b) As at 31 March 2024, the Fund held the Exchange Fund Notes amounting to HK\$4,430,991,444 (2023: HK\$1,610,714,628) and the interest thereon was HK\$104,452,638 (2023: HK\$25,737,991).
- (c) Certain operating expenses are reimbursed to the HKMA on a cost recovery basis in accordance with the provisions set out in the Ordinance. The expenses include the cost of staff and supporting services incurred by the HKMA for assisting the Board in carrying out its functions amounting to HK\$25,803,958 (2023: HK\$25,250,263) and the management fee in respect of the lease agreement with the HKMA amounting to HK\$262,330 (2023: HK\$251,654).
- (d) During the year, the HKMA provided the Board with a standby facility from the Exchange Fund for meeting the necessary liquidity required for payment of compensation in the event of a bank failure. The maximum amount which may be drawn under the facility is HK\$120 billion (2023: HK\$120 billion) of which nil (2023: nil) was drawn during the year.

### 12 APPROVAL OF STATEMENT OF ACCOUNTS

The statement of accounts was approved by the Board on 11 June 2024.

## Annex: List of Scheme Members as at 31 March 2024



AGRICULTURAL BANK OF CHINA LIMITED	BANK OF SINGAPORE LIMITED
AIRSTAR BANK LIMITED	BANK OF TAIWAN
ANT BANK (HONG KONG) LIMITED	BANK SINOPAC
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	BANQUE PICTET & CIE SA
BANCO BILBAO VIZCAYA ARGENTARIA S.A.	BARCLAYS BANK PLC
BANCO SANTANDER, S.A.	BDO UNIBANK, INC.
BANGKOK BANK PUBLIC COMPANY LIMITED	BNP PARIBAS
BANK J. SAFRA SARASIN AG	CA INDOSUEZ (SWITZERLAND) SA
BANK JULIUS BAER & CO. LTD.	CANADIAN IMPERIAL BANK OF COMMERCE
BANK OF AMERICA, NATIONAL ASSOCIATION	CATHAY BANK
BANK OF CHINA (HONG KONG) LIMITED	CATHAY UNITED BANK COMPANY, LIMITED
BANK OF CHINA LIMITED	CHANG HWA COMMERCIAL BANK, LTD.
BANK OF COMMUNICATIONS (HONG KONG) LIMITED	CHIBA BANK, LTD. (THE)
BANK OF COMMUNICATIONS CO., LTD.	CHINA BOHAI BANK CO., LTD.
BANK OF DONGGUAN CO., LTD.	CHINA CITIC BANK CORPORATION LIMITED
BANK OF EAST ASIA, LIMITED (THE)	CHINA CITIC BANK INTERNATIONAL LIMITED
BANK OF INDIA	CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
BANK OF MONTREAL	CHINA CONSTRUCTION BANK CORPORATION
BANK OF NEW YORK MELLON (THE)	CHINA DEVELOPMENT BANK
BANK OF NOVA SCOTIA (THE)	CHINA EVERBRIGHT BANK CO., LTD.





## Annex: List of Scheme Members as at 31 March 2024

CHINA GUANGFA BANK CO., LTD.	DZ BANK AG DEUTSCHE ZENTRAL-GENOSSENSCHAFTSBANK, FRANKFURT AM MAIN
CHINA MERCHANTS BANK CO., LTD.	
CHINA MINSHENG BANKING CORP., LTD.	E.SUN COMMERCIAL BANK, LTD.
CHINA ZHESHANG BANK CO., LTD.	EAST WEST BANK
CHIYU BANKING CORPORATION LIMITED	EFG BANK AG
CHONG HING BANK LIMITED	ERSTE GROUP BANK AG
CHUGOKU BANK, LTD. (THE)	FAR EASTERN INTERNATIONAL BANK
CIMB BANK BERHAD	FIRST ABU DHABI BANK PJSC
CITIBANK (HONG KONG) LIMITED	FIRST COMMERCIAL BANK, LTD.
CITIBANK, N.A.	FUBON BANK (HONG KONG) LIMITED
CMB WING LUNG BANK LIMITED	FUSION BANK LIMITED
COMMONWEALTH BANK OF AUSTRALIA	HANG SENG BANK, LIMITED
COÖPERATIEVE RABOBANK U.A.	HDFC BANK LIMITED
CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK	HONG LEONG BANK BERHAD
CREDIT INDUSTRIEL ET COMMERCIAL	HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE)
CREDIT SUISSE AG	HSBC BANK PLC
CTBC BANK CO., LTD.	HSBC BANK USA, NATIONAL ASSOCIATION
DAH SING BANK, LIMITED	HUA NAN COMMERCIAL BANK, LTD.
DBS BANK (HONG KONG) LIMITED	HUA XIA BANK CO., LIMITED
DBS BANK LTD.	ICICI BANK LIMITED

## Annex: List of Scheme Members as at 31 March 2024

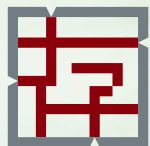


INDIAN OVERSEAS BANK	mitsubishi UFJ TRUST AND BANKING CORPORATION
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED	MIZUHO BANK, LTD.
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED	MORGAN STANLEY BANK ASIA LIMITED
INDUSTRIAL BANK CO., LTD.	MOX BANK LIMITED
INDUSTRIAL BANK OF KOREA	MUFG BANK, LTD.
ING BANK N.V.	NANYANG COMMERCIAL BANK, LIMITED
INTESA SANPAOLO SPA	NATIONAL AUSTRALIA BANK LIMITED
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	NATIONAL BANK OF PAKISTAN
KBC BANK N.V.	NATIXIS
KEB HANA BANK	NONGHYUP BANK
KOOKMIN BANK	O-BANK CO., LTD.
LAND BANK OF TAIWAN CO., LTD.	OCBC BANK (HONG KONG) LIMITED
LGT BANK AG	OVERSEA-CHINESE BANKING CORPORATION LIMITED
LIVI BANK LIMITED	PHILIPPINE NATIONAL BANK
MALAYAN BANKING BERHAD	PING AN BANK CO., LTD.
MASHREQ BANK – PUBLIC SHAREHOLDING COMPANY	PING AN ONECONNECT BANK (HONG KONG) LIMITED
MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.	PT. BANK NEGARA INDONESIA (PERSERO) TBK.
MELLI BANK PLC	PUBLIC BANK (HONG KONG) LIMITED



## Annex: List of Scheme Members as at 31 March 2024

QATAR NATIONAL BANK (Q.P.S.C.)	TAIPEI FUBON COMMERCIAL BANK CO., LTD.
ROYAL BANK OF CANADA	TAISHIN INTERNATIONAL BANK CO., LTD
SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. (THE)	TAIWAN BUSINESS BANK, LTD.
SHANGHAI COMMERCIAL BANK LIMITED	TAIWAN COOPERATIVE BANK, LTD.
SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.	TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD.
SHIGA BANK, LTD. (THE)	TORONTO-DOMINION BANK
SHINHAN BANK	UBS AG
SHIZUOKA BANK, LTD. (THE)	UCO BANK
SKANDINAVISKA ENSKILDA BANKEN AB	UNION BANCAIRE PRIVÉE, UBP SA
SOCIETE GENERALE	UNITED OVERSEAS BANK LTD.
STANDARD CHARTERED BANK	WELAB BANK LIMITED
STANDARD CHARTERED BANK (HONG KONG) LIMITED	WELLS FARGO BANK, NATIONAL ASSOCIATION
STATE BANK OF INDIA	WOORI BANK
STATE STREET BANK AND TRUST COMPANY	YUANTA COMMERCIAL BANK CO., LTD
SUMITOMO MITSUI BANKING CORPORATION	ZA BANK LIMITED
SUMITOMO MITSUI TRUST BANK, LIMITED	
TAI SANG BANK LIMITED	
TAI YAU BANK, LIMITED	



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