

# **Hong Kong Deposit Protection Board**

## **Independent Assessment Program and Self-Declaration for Compliance with the Guideline on Information Required for Determining and Paying Compensation (“Program Guide”)**

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## **PART I - PROGRAM GUIDE**

### **A. Background and objective**

The Hong Kong Deposit Protection Board (“the Board”) issued a Guideline on Information Required for Determining and Paying Compensation (“IS Guideline”) under Section 8(1) of the Deposit Protection Scheme Ordinance to provide guidance to the Deposit Protection Scheme members (“Scheme members”) on the information that the Board will require Scheme members to submit and the manner in which such information should be submitted for the Board’s determination of compensation to depositors when a payout is triggered. Scheme members may also be required to submit such information for the Board to discharge its functions under the Ordinance.

The requirements in the IS Guideline generally cover three areas:

- the information required for compensation determination and payout;
- time period in making the required information available to the Board; and
- format in which the required information to be submitted to the Board.

The Board has been conducting compliance reviews to ascertain Scheme members’ compliance with the requirements set out in the IS Guideline and will continue to conduct such compliance reviews going forward. The Board is of the view that further measures to facilitate the Board to monitor whether the requirements in the IS Guideline have been met by Scheme members, and to provide such a reasonable assurance to the Board is necessary. Accordingly, the Board requires Scheme members to report their compliance with the IS Guideline by way of a self-declaration and an independent assessment to be conducted by suitably qualified assessors (“independent assessors”).

In order for the Board to understand the Scheme member’s latest situation, to plan for compliance reviews and to maintain payout readiness, Scheme members are further required to complete a questionnaire for reporting of its certain information.

## **B. Purpose of this document**

This Program Guide provides a comprehensive and detailed guidance for both Scheme members and independent assessors to make the self-declaration by Scheme members and to conduct the independent assessment. The following sections of the document set out:

- Controls relating to compliance with the IS Guideline (Section C)
- Scope and nature of the independent assessment (Section D)
- Independent assessment program structure (Section E)
- Requirements on independent assessors (Section F)
- Approach and execution (Section G)
- Consideration of review findings (Section H)
- Remedial action plans (Section I)
- Frequency, notification period and timing of independent assessment (Section J)
- Self-declaration and questionnaire (Section K)

### **C. Controls relating to compliance with the IS Guideline**

In order to ensure compliance with the requirements of the IS Guideline at all times, Scheme members should have effective systems and controls over the relevant information compilation, checking, approval and submission processes and procedures. The internal control system of Scheme members should satisfy the control objectives as set out in Part II of this document. These control objectives also serve as the assessment criteria to be used by the independent assessors to evaluate the effectiveness of internal controls put in place by the Scheme member under review.

## **D. Scope and nature of the independent assessment**

### **Scope of work**

The scope of work of the independent assessment focuses on the systems, processes and controls required for the compilation, repository, checking, approval and submission of information required under the IS Guideline, covering the following three areas:

- overall control environment relevant to ascertain continuous compliance;
- operational controls to ensure proper and timely:
  - information identification, preparation and data extraction
  - reconciliation and verification of data
  - approval and submission of information
- where automated procedures and/or end-user computing tools<sup>1</sup> are used:
  - system change management controls
  - access security management controls
  - end-user computing tools management controls
  - system backup management controls

The entire independent assessment program is structured into three modules (i.e. overall control environment module, operational controls module and IT controls module) in accordance with the assessment criteria (i.e., control objectives expected to be achieved by the Scheme members for compliance with the requirements set out in the IS Guideline) for independent assessment as outlined in Part II of this document. Each module contains relevant control objectives and assessment steps specific to the aforementioned areas of focus.

### **Scope exclusion**

For the avoidance of doubt, processes and controls over the maintenance of source documents, application systems and source data records for the processing of banking transactions do not fall within the scope of the independent assessment. However, such information may still need to be considered in the course of the assessment to identify potential root causes, and implications, of issues identified in the aforementioned scope of work.

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<sup>1</sup> Application systems which are developed and maintained by end-users (i.e. non-IT/system development personnel) using computing tools such as spreadsheets, database management systems or macro programming languages such as Visual Basic for Applications (VBA) and Structured Query Language (SQL), etc.

**Nature of work**

The nature of work to be performed by the independent assessors should include the following in order to support their conclusion on the Scheme members' controls over the relevant processes and procedures in place to comply with the requirements set out in the IS Guideline:

- reviewing the design and assessing the operating effectiveness of internal controls as to whether the information required in the IS Guideline can be made available on a timely basis and in the appropriate format; and
- conducting sample testing of extracted information and reconciliation results in the assessment steps, as to whether the internal controls are operating effectively to meet the control objectives.



## E. Independent assessment program structure

The three modules (i.e. overall control environment module, operational controls module and IT controls module) have been structured using the following numbering scheme and format. The following is an excerpt from the overall control environment module for illustration purpose:

Ref	Assessment Step
<b>Section 1 – Overall control environment</b>	
A.1.1.	<p><b>Control Objective:</b> Policies and procedures are formally documented, kept up-to-date, and circulated to all concerned personnel to ensure effective communication of the requirements, processes and procedures for compliance with the IS Guideline.</p> <p><i>Risk implications: Not having formal policies and procedures documented and communicated increases the risk that requirements stipulated in the IS Guideline may not be followed by responsible personnel which may result in non-compliance with the IS Guideline.</i></p>
A.1.1.1.	<p>Identify and evaluate controls over the establishment and maintenance of formal policies and procedures relating to the relevant processes and procedures for compliance with the IS Guideline.</p> <p>Determine whether formal procedures are in place to periodically review, update and approve, where necessary, the relevant policies and procedures to reflect changes in processes, regulatory requirements, and technological advancements.</p> <p>Identify and evaluate the policies and procedures for addressing changes in circumstances (e.g., new product or business setup processes, merger and acquisition activities, and significant system and process changes). Determine whether consideration and assessment of compliance implication is required for such changes to ensure continuous compliance with the IS Guideline.</p>
A.1.1.2.	Identify and evaluate controls over communication of the established policies and procedures. Determine whether up-to-date policies and procedures are communicated to all concerned personnel through appropriate means (e.g. training, internal newsletter, etc).
A.1.1.3.	Determine whether designated personnel (e.g., a compliance personnel) has been appointed with the responsibility for monitoring and ensuring compliance with the requirements set out in the IS Guideline.

**Main Assessment Area**

This refers to a main assessment area within the module.

**Control Objective and Procedure**

This identifies a control objective and procedure with which the Scheme member under assessment is expected to achieve and implement. Multiple control objectives may exist under a main assessment area.

**Risk Implications**

Risk implications presented under the control objective denotes the risk consequences should the Scheme member fail to achieve the objective.

**Assessment Step**

This refers to an assessment step that is to be performed by the independent assessor for evaluating whether the associated control objective has been achieved. Multiple assessment steps may be required for one control objective.

Under normal circumstances, the independent assessors should conduct all the assessment steps included in the Independent Assessment Program. If the independent assessors determine that any of the assessment steps are not applicable to the Scheme member’s environment under assessment, the independent assessors are required to identify and apply alternative assessment steps to satisfy assessing the corresponding control objectives, where appropriate. Where the independent assessors determine that no alternative assessment step is required, the independent assessors are expected to document the rationale for not applying alternative assessment steps (e.g. certain processes are not used or compensating controls are in place, no deposit maintained with the Hong Kong office of the Scheme member, etc.) in the assessor’s internal working papers.

## **F. Requirements on independent assessors**

### **Independence**

The assessors conducting the independent assessment should be suitably qualified and experienced internal and/or external assessors independent from the Scheme member's management and relevant personnel who are involved in the design, implementation, operation, maintenance or monitoring of the systems and processes to meet the requirements set out in the IS Guideline. If internal auditors are used, the management should consider whether there is adequate governance structure and reporting line to those charged with governance, as to whether the internal auditors are independent from the business units and compilation and reporting functions of the information required under the IS Guideline.

External assessors should be professional accountants in public practice, and the independent assessment should be conducted under a reasonable assurance engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (HKSAE 3000) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") or International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (ISAE 3000) issued by the International Auditing and Assurance Standards Board ("IAASB").

### **Competency**

The assessors should possess relevant experience and professional qualifications (such as Certified Public Accountant or Chartered Accountant, and Certified Information Systems Auditor and/or Certified Internal Auditor) for performing the assessment. Where the assessment is performed by professional accountants in public practice, the assessors should be qualified to issue an opinion in accordance with the requirements set out in HKSAE 3000 or ISAE 3000.

The independent assessors should have a thorough understanding of the IS Guideline and have relevant experience in the following areas:

- Business process/operational controls in Scheme member's industry;
- application system security and controls; and
- general information technology ("IT") controls and procedures.

**Use of external assessors**

The Board may request the appointment of external assessors to carry out the independent assessment, when one or more of the following conditions exist:

- significant issues arising from the Board's most recent compliance review or independent assessments;
- frequent errors or other indications of irregularities in information submitted to the Board;
- findings from the previous compliance review not rectified in a timely manner;
- the Board is not satisfied with remedial actions and/or their effectiveness in addressing findings identified;
- the Board is not satisfied with the quality of the independent assessment conducted; or
- other circumstances that may pose concerns over the Scheme member's compliance level.

## **G. Approach and execution**

### **Approach**

The work that the independent assessors perform for the purpose of reporting for the independent assessment is an engagement providing reasonable assurance. The responsibility for maintaining adequate internal controls rests with the directors and management of the Scheme members and the independent assessors' responsibility in providing reasonable assurance is to report on whether certain internal controls were in place during the relevant period which the review was conducted. This assurance is based not only on the work performed in the independent assessment but would also take into account any other relevant information which comes to their attention as independent assessors in the normal course of their assessment work or in their examination of data and information.

### **Execution**

#### Execution considerations

The assessment is generally expected to be conducted through performance of the following activities:

- reviewing relevant documentation;
- enquiring with management and relevant personnel responsible for performing the required control procedures;
- observing the performance of operational procedures;
- reviewing records or logs to confirm compliance with predefined policies and procedures; and
- testing extracted information and reconciling such information to Scheme member's underlying books and records.

Some of the assessment steps require the independent assessors to identify and review documentation or appropriate evidence relating to specific assessment areas. The independent assessors should bear in mind that the mere presence of documentation does not in itself demonstrate that the Scheme member maintains adequate and appropriate controls or such controls are operating effectively. The independent assessors are expected to apply judgement and look beyond the documentation, investigate and to test whether effective controls are in place. Independent assessors would be expected to understand the underlying control objectives to be met, and apply their judgement in using the program appropriately for different environments and circumstances.

Sample testing of extracted information and reconciliation results should be performed to help further evaluate the operating effectiveness of controls in the assessment (i.e., refer to assessment steps ref. B.2.3.1, B.2.4.2, and B.2.4.3 in Part II of this document) in order to support the independent assessors' conclusion on the Scheme members' controls over the relevant processes and procedures in place to comply with the requirements set out in the IS Guideline. In case

exceptions are noted when performing such procedures, the independent assessors should discuss with the management to understand the possible root causes, where practicable, and any significant adverse impact on the operating effectiveness of controls.

#### Assessment evidence

The independent assessors should consider the relevance and reliability of audit evidence obtained to support the assessment of control processes. In general, the independent assessors should review the original source documents relating to an item to be tested. The original source usually provides a higher level of assurance over the accuracy and/or completeness of an item because there are fewer intermediate processes which may introduce errors to the item tested. For example, in substantiating the accuracy of a position holder's demographic information such as name, telephone number and address, the most direct and reliable source of evidence may be the account opening documentation rather than the customer information files maintained in systems.

The independent assessors should determine the most appropriate source of evidence for each assessment procedure given the specific operating environment of the Scheme member under assessment. When the independent assessors determine that it is difficult or impractical to obtain the originating source to support a particular assessment procedure, the independent assessors should identify the next most reliable source of evidence to satisfy the testing objective, striking a balance between the reliability of the available evidence and the practicability and efficiency of testing procedure.

#### Assessment sampling

The independent assessors should consider the nature, timing, and extent of evidence-gathering procedures in the assessment.

The independent assessors may choose appropriate assessment sampling approaches based on their professional judgement with reference to recognised sampling methodologies.

The independent assessors should justify and document the sampling methodology applied and the sample size determined. The following are some of the factors that the independent assessors could take into account when determining an appropriate sampling approach:

- when the last independent assessment was performed and the assessment result. Areas where issues were identified from previous reviews may represent these have a higher risk;
- whether significant changes to systems, processes and internal control activities have been made since the last independent assessment. Such changes may not have been covered in previous assessments;
- launch of new deposit products since the last independent assessment;
- controls over significant processes where the assessed risk of failure of the controls to operate effectively is higher than normal;
- complexity of control or significance of the judgements that need to be made in connection with its operation under review;
- whether a control has any pervasive effect on other controls or processes; and

- whether a control is relatively more important, for example, it may address multiple internal control objectives.

The independent assessors should evaluate the level of sample size needed to provide sufficient evidence to conclude that a control objective is achieved. If there are indications suggesting that controls are not operating effectively, the independent assessors may need to consider increasing the sample size and to obtain sufficient appropriate evidence as to whether the relevant controls are operating effectively.

## **Reporting**

### *Issues report*

Upon completion of the independent assessment, the independent assessors should summarise all assessment exception findings identified to the management of the Scheme member. An issues report template is included in Appendix II of this document for the independent assessors to document details of the issues noted, the associated risk implications, their recommendations for rectifying the issues and the management comment reviewed by the independent assessors. This issues report is not required to be submitted to the Board. However, the independent assessor should evaluate all the review findings in the issues report and report those with material effect in the independent assessment report mentioned below.

### *Independent assessment report*

The independent assessor should issue an independent assessment report to the management of the Scheme member under assessment for submission to the Board. Where the independent assessment is performed by professional accountants in public practice, the report issued by the independent assessors should comply with the requirements set out in HKSAE 3000 or ISAE 3000 standards. A statement that the engagement was conducted in accordance with HKSAE 3000 or ISAE 3000 standards and a reasonable assurance opinion should be included in the independent assessment report. The independent assessor should evaluate all the review findings in the issues report mentioned above and report those with material effect, including the Scheme member's management comment for them, in the independent assessment report. (The sample templates of independent assessment report are included in Appendix V.)

## **H. Consideration of review findings**

The Board requires that all review findings, which are considered material in the circumstances, should be included in the independent assessment report for submission to the Board. When evaluating whether a finding is material, the independent assessors should consider the weakness from the Board's objective to operate an effective and efficient payout in case of a failure of Scheme member. Accordingly, the requirements in the IS Guideline in relation to the area being examined and specific issues or areas of concerns come to the attention of assessors during the review are relevant factors in this regard.

The consideration of materiality of review findings is a matter of professional judgment but the independent assessors should take into account the following:

- the impact to the effectiveness and efficiency of payout using the information reported to the Board (e.g., whether there is a direct or pervasive impact on the completeness, accuracy, format and/or timeliness of the required information to be submitted to the Board in the case of a failure of Scheme member);
- the number/proportion of depositor accounts affected (or the likelihood and potential magnitude);
- the amount/variance of deposits impacted by the deficiency;
- the importance of controls and/or existence of relevant compensating controls and mitigating factors;
- the nature of the findings (e.g., design weakness or ineffective operational processes);
- the nature of any root cause identified;
- the frequency of exceptions;
- the management oversight towards compliance with the IS Guideline;
- the degree of variance between the results of the self-declaration and the independent assessment; or
- a combination of deficiencies relating to the same control that raises the risk of non-compliance to such an extent as to give rise to a material deficiency.

The independent assessors should consider both the individual and aggregated effects of the review findings in considering whether they are material in the circumstances.

## **I. Remedial action plans**

Upon completion of the independent assessment, the Scheme member should include a remediation action plan in the issues report as a response to the issues identified (refer to the issues report template included in Appendix II). The remediation plan should include, at least, the following elements:

- comments on the issues (including the root cause, where practicable);
- actions to be performed to resolve the issue and root cause;
- issue owner/relevant parties; and
- target completion date.

### **Reasonable timeframe for corrective measures**

The Board would normally expect that all material findings are to be rectified as soon as possible and within a period of 3 to 6 months and all findings should be rectified within a period of 9 months. Remedial actions not completed within a reasonable timeframe may be indicative of more fundamental control issues.

The Board expects that the independent assessors agree with the management of Scheme members the details of remedial actions and expected completion dates stated in the issues report. If there are specific circumstances which give rise to issues affecting the timely completion of the remedial actions, appropriate justifications to demonstrate continued effectiveness of controls should be provided by the Scheme member.

The Board may request the Scheme members to provide supporting evidence to substantiate the completion of the remedial actions.



## **J. Frequency, notification period and timing of independent assessment**

The Board expects an independent assessment to be carried out by Scheme members once every three years. After the completion of an independent assessment, the Board may demand a Scheme member to commission a follow-up independent assessment. Factors of consideration in demanding a further independent assessment may include, but not be limited to, the following:

- material internal control findings raised by the assessor during the independent assessment;
- number and nature of findings reported from the independent assessment;
- frequency of errors identified in the information submitted to the Board (e.g., based on the Board's existing compliance review program);
- re-occurrence of previous non-compliance issues with the IS Guideline;
- repeated slippages or significant delay in rectifying the non-compliance issues on or before the committed completion date;
- the Board has reason to believe that the previous independent assessment conducted was likely to be deficient; or
- on the advice of regulators (e.g., Hong Kong Monetary Authority ("HKMA")).

The scope, as outlined in this independent assessment program, and period to be covered in the independent assessment would normally be notified in writing to Scheme members three months before the end of the period to be reviewed. The Board will also take into account the results of the compliance review conducted by the Board in scheduling the independent assessment of Scheme members. For example, the Board may determine, on a case-by-case basis, to defer the independent assessment of a Scheme member if a comprehensive review has been conducted by the Board and the results of the review is satisfactory.

The assessor's report (including any issues reported as outlined in Section G above) would normally be submitted to the Board by the Scheme member no later than four months from the end of the review period.

The reporting deadline can be varied at the discretion of the Board to take into account special circumstances and the Scheme member will be notified in advance.

## **K. Self-declaration and questionnaire**

### Self-declaration

To demonstrate Scheme member's continuous compliance with the IS Guideline to the Board, Scheme members are required to submit a self-declaration form signed by the Chief Executive to the Board on an annual basis. (Refer to the sample Self-declaration template included in Appendix III)

The Scheme member should consider the following areas when completing the self-declaration:

- their ability to demonstrate that processes, systems and internal controls in place for compliance with the IS Guideline are adequate and that the standard of compliance is properly maintained;
- implications of issues identified in previous internal reviews, drill tests, independent assessments and/or compliance reviews by the Board; and
- new provisions, revisions, recommendations or explanatory notes issued by the Board during the reporting period.

If a negative response is entered in the self-declaration indicating a matter of non-compliance, details of the non-compliance should be separately provided and include the following details:

- description of the non-compliance;
- whether the non-compliance issue is a matter identified in previous self-declarations, internal reviews, drill tests, independent assessment or compliance review conducted by the Board;
- any remedial action taken or plans to rectify the non-compliance matter; and
- the target completion date of any remedial action.

### Questionnaire

In order for the Board to understand the Scheme member's latest situation, to plan for compliance reviews and to maintain payout readiness, the Board requires Scheme members to complete a questionnaire for reporting of its latest information including the depositor profile, banking products, system information and any significant changes in systems and processes on an annual basis. (Refer to the sample Questionnaire template included in Appendix IV)

## **PART II - INDEPENDENT ASSESSMENT PROGRAM**

The control objectives set out in the details of the following assessment steps are expected to be achieved by Scheme members for compliance with the requirements set out in the IS Guideline. The independent assessors should base on them as assessment criteria to evaluate if Scheme members have implemented controls and procedures to meet the control objectives.

### **A. Overall Control Environment Module**

#### **Module Scope**

The scope of this module covers the overall control environment underlying the entire processes of information compilation, repository, checking, approval and submission to ascertain continuous compliance with the requirements set out in the IS Guideline. Specifically, this module is structured into the following areas outlining the respective control areas:

- policies and procedures;
- periodic drills; and
- project management mechanisms.

**Assessment Steps**

Ref	Assessment Step
<b>Section 1 – Overall control environment</b>	
A.1.1.	<p><b>Control Objective:</b> Policies and procedures are formally and adequately documented, kept up-to-date, and circulated to all concerned personnel to ensure effective communication of the requirements, processes and procedures for compliance with the IS Guideline.</p> <p><i>Risk implications: Not having formal policies and procedures properly documented and communicated increases the risk that requirements stipulated in the IS Guideline may not be followed by responsible personnel which may result in non-compliance with the IS Guideline and cause unnecessary delay to a payout.</i></p>
A.1.1.1.	<p>Identify and evaluate controls over the establishment and maintenance of formal policies and procedures relating to the relevant processes and procedures for compliance with the IS Guideline.</p> <p>Determine whether formal procedures are in place to periodically review, update and approve, where necessary, the relevant policies and procedures to reflect changes in processes, regulatory requirements, and technological advancements.</p> <p>Identify and evaluate the policies and procedures for addressing changes in circumstances (e.g., new product or business setup processes, merger and acquisition activities, significant system and process changes, and changes in requirements of the IS Guideline). Determine whether consideration and assessment of compliance implication is required for such changes to ensure continuous compliance with the IS Guideline.</p>
A.1.1.2.	<p>Identify and evaluate controls over communication of the established policies and procedures. Determine whether up-to-date policies and procedures are communicated to all concerned personnel through effective means (e.g. training, internal newsletter, etc.) Determine whether the new concerned personnel are timely and properly trained with the established policies and procedures.</p>
A.1.1.3.	<p>Determine whether designated personnel (e.g., a compliance personnel) has been appointed with the responsibility for monitoring and ensuring compliance with the requirements set out in the IS Guideline.</p>

Ref	Assessment Step
A.1.2.	<p data-bbox="315 228 2020 300"><u>Control Objective:</u> Drills are conducted on a random date (i.e., the date should not always be period end date such as month-end date) at least on an annual basis to ensure that:</p> <ul data-bbox="315 336 2020 608" style="list-style-type: none"> <li data-bbox="315 336 2020 448">• systems, processes, and procedures of information identification, preparation and data extraction; information reconciliation and verification; and information submission in place are operating effectively to achieve the overall objectives (information availability, format, and timeliness) for compliance with the IS Guideline;</li> <li data-bbox="315 451 2020 528">• relevant personnel are familiar with the roles and responsibilities and related systems and processes for effective performance of such processes; and</li> <li data-bbox="315 531 2020 608">• all problems, exceptions, or non-compliance issues identified in the drills are logged, reported, investigated, escalated, and rectified in a timely manner.</li> </ul> <p data-bbox="315 639 2020 831">Note: Scheme members can determine the scope of the periodic drill based on risk assessment. For example, a full drill is conducted for the first time and a risk-based approach on scope definition may be adopted thereafter, where no significant changes are noted on relevant systems and processes and no significant increase on the expected time required for the compilation, checking, approval and submission of information for compliance with the IS Guideline. For the avoidance of doubt, Scheme members are required to perform data reconciliation and verification procedures in each drill to ensure the completeness and adequacy of extracted information.</p> <p data-bbox="315 863 2020 1015"><i>Risk implications: Not having periodic drills or when drills are inadequately conducted increase the risk that relevant personnel are not familiar with the procedures in preparing the required information and/or the data extraction, reconciliation and verification processes are not effective, due to change in circumstances over time. In addition, inability to detect and investigate any errors (e.g., data extraction errors) on a timely basis increases the risk that ineffective control measures and other underlying problems are not promptly identified and rectified.</i></p>
A.1.2.1.	<p data-bbox="338 1046 2020 1118">Determine whether periodic drills are undertaken to confirm the effectiveness of the systems, processes and procedures in place and promote familiarity of concerned personnel with the operations.</p> <p data-bbox="338 1150 2020 1182">Determine whether periodic drills are conducted on a random date.</p> <p data-bbox="338 1214 2020 1246">Determine whether the risk assessment to define the scope of periodic drills is reasonable.</p> <p data-bbox="338 1278 2020 1350">Determine whether data reconciliation and verification procedures are adequately performed in each drill to ensure completeness and adequacy of the extracted information.</p>

Ref	Assessment Step
A.1.2.2.	<p>Determine whether drill reports have been prepared to facilitate post-drill evaluation and enhancement to the relevant systems and processes, and/or to address any non-compliance issues identified.</p> <p>For a sample of selected drill reports, determine whether the non-compliance issues or other problems identified during the drills, if any, have been timely resolved and enhancements are made to the relevant systems or processes, where appropriate. Also, determine whether the enhancements can effectively avoid reoccurrence of non-compliance issues or problems.</p>
A.1.2.3.	<p>Review the number of hours which the Scheme member took in preparing the information for compliance with the IS Guideline and determine if there are any gaps for compliance with the time requirements outlined in Table 3 of the IS Guideline.</p> <p>If the specified timeframe requirement was not met in the drill, determine whether the post-drill evaluation identified the possible causes for enhancement.</p>
A.1.2.4.	<p>Review whether the information submission procedures are tested by officers who are not involved in the preparation or maintenance of the submission procedures to ensure that there is no or limited dependency on designated staff to operate the procedures.</p>
A.1.3.	<p><b>Control Objective:</b> Project management mechanisms are established to govern the overall completion of individual processes (i.e., information compilation, reconciliation, verification, approval and submission) for compliance with the IS Guideline to ensure that these processes are performed as intended and in a timely manner.</p> <p><i>Risk implications: Not having project management controls established increases the risk that the relevant processes cannot be completed effectively within the specified timeframes set out in the IS Guideline.</i></p>
A.1.3.1.	<p>Identify and evaluate if a project management mechanism is in place to govern the information compilation, reconciliation, verification, approval and submission processes. Determine whether there is documentation (e.g., project plan) in place that addresses the following:</p> <ul style="list-style-type: none"> <li>• target timeframe, milestones and inter-dependencies in completing each of the key processes for compliance with the IS Guideline are defined and monitored;</li> <li>• roles and responsibilities of a project manager are clearly defined to monitor the overall completion of individual processes (i.e., information compilation, reconciliation, verification, approval and submission) to ensure that these processes are performed as intended and in a timely manner; and</li> <li>• procedures are in place for issues and problem logging, reporting, monitoring, and escalation to ensure that exceptions encountered are addressed appropriately in order to minimise consequential interruption to the processes.</li> </ul>

## **B. Operational Controls Module**

### **Module Scope**

The scope of this module covers the entire processes of information compilation, repository, checking, approval and submission to ascertain continuous compliance with the requirements set out in the IS Guideline. Specifically, this module is structured into the following areas outlining the respective sub-process and control areas:

- information identification, preparation, and data extraction;
- reconciliation and verification of data; and
- approval and submission of information.

**Assessment Steps**

Ref	Assessment Step
<b>Section 1 – Information identification, preparation, and data extraction</b>	
B.1.1.	<p><b>Control Objective:</b> Formal operating manuals relating to the information identification, preparation, and data extraction processes are in place to provide guidance for all concerned personnel, facilitate understanding, and stipulate requirements for responsible personnel on the related operations.</p> <p><i>Risk implications: Not having proper documentation with sufficient details increases the risk that the intended operational flows and controls are misunderstood by the concerned personnel which may result in non-compliance with the IS Guideline.</i></p>
B.1.1.1.	Identify and evaluate the operating manuals relating to the information identification, preparation and data extraction processes. Determine whether operational flows and controls, if applicable, are adequately covered in the documents.
B.1.1.2.	<p>Review the operating manuals and determine whether an adequate level of detail and source of reference is provided to responsible personnel to facilitate their understanding of the processes and procedures to be performed.</p> <p>Determine whether the operating manuals contain the following details to ensure complete, accurate and timely compilation of the information to be submitted to the Board:</p> <ul style="list-style-type: none"> <li>• source or location of data and information to be extracted / retrieved from;</li> <li>• timing and checkpoints to extract / retrieve the required data and information;</li> <li>• list of programs and tools to extract / retrieve the required data and information;</li> <li>• information compilation procedures; and</li> <li>• other necessary procedures for information collection.</li> </ul>
B.1.2.	<p><b>Control Objective:</b> Clear definitions of roles and responsibilities relating to the information identification, preparation, data extraction, and performance of related processes are provided and effectively communicated to all concerned personnel.</p> <p><i>Risk implications: Lack of clear definitions and effective communication of roles and responsibilities for all concerned personnel increases the risk that personnel are unaware of their roles and the responsibilities are not fully discharged / fulfilled.</i></p>
B.1.2.1.	Identify and review the written role description documents. Determine whether roles and responsibilities are adequately detailed in the documents and whether the documents are made available to all concerned personnel.



Ref	Assessment Step
B.1.3.	<p><b>Control Objective:</b> (For data extraction process which involves manual processing)</p> <p>Review procedures are in place for the manual processes in data identification, preparation and extraction processes to ensure that manual processing is complete, accurate, authorised, and in accordance with the IS Guideline.</p> <p><i>Risk implications: Without having monitoring controls over the manual processes, the risk of having inaccurate and incomplete data, and/or unauthorised adjustments being made to data increases.</i></p>
B.1.3.1.	<p>Identify and evaluate the controls over the manual processes in data identification, preparation and extraction. Determine whether secondary review on the information processing, output files and other compiled information is in place. In particular, determine:</p> <ul style="list-style-type: none"><li>• whether proper segregation of preparation and review is in place; and</li><li>• whether subsequent manual adjustments made to the output files are reviewed and authorised by appropriate management.</li></ul>

Ref	Assessment Step
B.1.4.	<p><b>Control Objective:</b> Controls over the maintenance and retention of information are in place to ensure that the information related to the following is accurate and complete:</p> <ul style="list-style-type: none"> <li>• Information relating to each type of deposits (Part (B)).</li> </ul> <p>The types of document may include the following:</p> <ul style="list-style-type: none"> <li>• source documents such as account opening forms, copies of depositors’ identification documents for Part (A);</li> <li>• product documents, terms and conditions for Part (B); and</li> <li>• documentation relating to information systems, accounting systems, and contact information of related companies and officers (for Parts (G), (H), (I)).</li> </ul> <p><i>Risk implications: Without having proper controls over the information identification and preparation processes in place increases the risk that the information submitted to the Board is not accurate, complete, up-to-date and/or irrelevant information is included in the submission.</i></p>
B.1.4.1.	<p>Determine if a repository of information for Parts (B), (G), (H), and (I) is in place, such as data warehouse and centralised document repository, such that the relevant information can be made readily available, when required.</p>
B.1.4.2.	<p>For maintenance of data and information related to Parts (B), (G), (H), and (I):</p> <ul style="list-style-type: none"> <li>• Enquire with management to identify events that require the relevant data and information to be updated. For example, such events may include, but not be limited to, the following: <ul style="list-style-type: none"> <li>○ new deposit leading to addition of deposit product types;</li> <li>○ new or change of product and/or service arrangements for customers, leading to update of product terms and conditions;</li> <li>○ change of information system operations;</li> <li>○ change of personnel responsible for maintaining the information and accounting systems; or</li> <li>○ new related companies and change of officers.</li> </ul> </li> <li>• For a sample of events identified above, determine whether the relevant document repository has been updated.</li> </ul>

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B.1.4.3.	For maintenance of data and information related to Parts (B), (G), (H), and (I): <ul style="list-style-type: none"><li>• Determine whether authorisations from appropriate management personnel are required prior to updates of the relevant data and information.</li><li>• Determine whether authorised data and information updates are timely effected and subsequently reviewed for accuracy.</li><li>• For a sample of selected data and information updates, determine whether the identified procedures have been followed.</li></ul>
B.1.4.4.	Determine whether retention policies are in place to ensure that all relevant supporting documents such as account opening forms, copies of depositors' identification documents, terms and conditions of deposit products can be made available when required.
B.1.4.5.	Determine whether on a periodic basis all critical data and documents used in the information retrieval process are reviewed to confirm that they are accurately maintained.

Ref	Assessment Step
<b>Section 2 – Reconciliation and verification of data</b>	
B.2.1.	<p><b>Control Objective:</b> Formal operating manuals relating to the data reconciliation and verification processes are documented to provide guidance for all concerned personnel, facilitate understanding, and stipulate requirements for responsible personnel on the related operations.</p> <p><i>Risk implications: Not having proper documentation increases the risk that the intended operational flows and controls are misunderstood which may result in non-compliance with the IS Guideline.</i></p>
B.2.1.1.	<p>Identify and evaluate the operating manuals relating to the reconciliation and verification processes. Determine whether the related operational procedures are adequately covered in the documents.</p> <p>In particular, determine whether the operating manuals provide a clear and traceable link between the underlying books and records, documents, and the output files to facilitate the performance of reconciliation and verification.</p> <p>In addition, determine whether the operating manuals contain guidance such as data format checking or data cleansing procedures to facilitate the performance of the processes.</p>
B.2.2.	<p><b>Control Objective:</b> Clear definitions of roles and responsibilities relating to the reconciliation, verification, and performance of related processes are provided and effectively communicated to all concerned personnel.</p> <p><i>Risk implications: Lack of clear definitions and effective communication of roles and responsibilities for all concerned personnel increases the risk that personnel are unaware of their roles and the responsibilities are not fully discharged / fulfilled.</i></p>
B.2.2.1.	<p>Identify and review the written role description documents, and determine whether roles and responsibilities are adequately detailed in the documents and whether the documents are made available to all concerned personnel.</p>

Ref	Assessment Step
B.2.3.	<p><b>Control Objective:</b> Adequate and appropriate reconciliation procedures are in place for Part (A) data to ensure completeness and accuracy of the information. For example, the total amount of deposits (including accrued interest) by deposit product types (Part (A)(a)(i)) and currencies reported in the Part (A) data should be reconciled to the underlying books and records (e.g., general ledger / source systems). (Note: The Scheme member is required to demonstrate that the reconciliation method and the information used during the reconciliation are accurate and complete.) Discrepancy handling procedures are in place to ensure that:</p> <ul style="list-style-type: none"> <li>• discrepancies noted are recorded, and are timely and completely followed up by appropriate personnel;</li> <li>• reconciling items are properly documented; and</li> <li>• reconciliation results are reviewed to ensure that all discrepancies are followed up.</li> </ul> <p><i>Risk implication: Not having appropriate reconciliation controls in place increases the risk that discrepancies between extracted Part (A) file(s) and the original data are not timely identified, followed up, and rectified, which may result in inaccurate and/or incomplete data being submitted to the Board.</i></p>
B.2.3.1.	<p>Select a random date (i.e., the date should not always be period end date such as month-end date) and request responsible personnel to perform reconciliation for Part (A) data to ensure data accuracy and completeness.</p> <p>Determine if appropriate sources of information were used during the reconciliation. In addition, determine whether the deposit balances in the Part (A) data file(s) for submission to the Board are used in the reconciliation procedures.</p>
B.2.3.2.	<p>Review the reconciliation results and determine whether the total amount of deposits by deposit products and currencies can be reconciled to the underlying books and records (e.g., general ledger / source systems).</p> <p>Determine whether items in transit (e.g. uncleared cheques, unsettled securities transactions or other payment or receipt of funds to be cleared or settled) are correctly excluded in the balances of the deposits.</p> <p>Determine whether all deposits, including interbank deposits, unprotected deposit products or deposits held by excluded persons, are reported in the Part (A) data file(s).</p> <p>Determine whether all discrepancies and/or non-reconciling items have been identified and assessed for reasonableness.</p>

Ref	Assessment Step
B.2.3.3.	<p>Identify and evaluate the procedures in place to handle discrepancies noted during the reconciliation process.</p> <p>Determine whether any discrepancies noted are recorded, and timely and completely followed up by appropriate personnel.</p> <p>Determine whether the reconciliation results are reviewed to ensure that all discrepancies are followed up.</p> <p>Determine whether reconciling items are properly documented for future reference.</p> <p>For the reconciliation performed in Ref. B.2.3.1, determine whether discrepancy handling procedures are performed as intended.</p>
B.2.4.	<p><u>Control Objective:</u> Automated or manual verification procedures are in place to ensure that the data and information prepared are in compliance with the requirements set out in the IS Guideline. Discrepancy handling procedures are in place to ensure that:</p> <ul style="list-style-type: none"> <li>• discrepancies noted are recorded, and are timely and completely followed up by appropriate personnel; and</li> <li>• verification results are reviewed to ensure that all discrepancies are followed up.</li> </ul> <p><i>Risk implication: Not having verification procedures in place increases the risk that the data and information submitted are not in compliance with the requirements set out in the IS Guideline and that such information cannot be relied upon to facilitate the Board in swiftly determining and paying compensation.</i></p>

Ref	Assessment Step
B.2.4.1.	<p>Identify and review the verification procedures. Determine whether the procedures are effective in verifying the information in accordance with the requirements set out in the IS Guideline. For example, the following checking objectives and relevant guidance should be included in the operating manuals:</p> <p>For Part (A):</p> <ul style="list-style-type: none"> <li>• data format, for example, field length, field type, etc.;</li> <li>• data validity, for example, valid name in depositor name field;</li> <li>• counter-checking for different fields within a record, for example, the next interest pay date is earlier than the last interest pay date; and</li> <li>• missing data, for example, depositor name is empty.</li> </ul> <p>For Parts (B), (G), (H), and (I):</p> <ul style="list-style-type: none"> <li>• completeness;</li> <li>• accuracy; and</li> <li>• up-to-date.</li> </ul>
B.2.4.2.	<p>For a sample of all output files and information compiled on a random date, determine whether the data format and information content are in accordance with the requirements set out in the IS Guideline.</p> <p>For any exceptions noted, consider possible root causes and identify potential control deficiencies or weaknesses that give rise to the exceptions.</p> <p>Please refer to <b>Appendix I</b> for the illustrative list of data checking procedures.</p>
B.2.4.3.	<p>For a sample of position and position holder records, determine whether the record details such as demographic information and transaction details can be traced to underlying books and records such as source documents or source system reports.</p> <p>For any exceptions noted, consider possible root causes and identify potential control deficiencies or weaknesses that give rise to the exceptions.</p>

Ref	Assessment Step
B.2.4.4.	<p>Identify and evaluate the procedures in place to handle discrepancies noted during the verification process.</p> <p>Determine whether discrepancies identified are recorded, and are timely and completely followed up by appropriate personnel.</p> <p>Determine whether appropriate controls over data cleansing procedures are in place.</p> <p>Determine whether verification results are reviewed to ensure that all discrepancies are followed up.</p> <p>Determine whether analysis of the discrepancy log is performed to identify possible root causes, where practicable. Determine whether appropriate actions have been undertaken to address the underlying root causes so as to enhance the effectiveness and efficiency of future operations as well as to avoid reoccurrence of the problems.</p>
B.2.4.5.	<p>For a sample of verification work performed for Part (A) data, determine whether discrepancy handling procedures are performed in accordance with relevant policies and procedures.</p>



Ref	Assessment Step
<b>Section 3 – Approval and submission of information</b>	
B.3.1.	<p><b>Control Objective:</b> Formal operating manuals relating to the approval and submission of information to the Board are documented to provide guidance for all concerned personnel, facilitate understanding, and stipulate requirements for responsible personnel on the related operations.</p> <p><i>Risk implications: Not having proper documentation with sufficient details increases the risk that the intended operational flows and controls are misunderstood which may result in cases of non-compliance with the IS Guideline, for example, omission of required information in submission, submission of incorrect, unnecessary or working files, etc.</i></p>
B.3.1.1.	<p>Identify and evaluate the operating manuals relating to the information approval and submission process. Determine whether related operational procedures and controls are adequately covered in the documents.</p>
B.3.2.	<p><b>Control Objective:</b> Clear definitions of roles and responsibilities relating to the approval and submission of information to the Board and performance of related processes are provided and effectively communicated to all concerned personnel.</p> <p><i>Risk implications: Lack of clear definitions and effective communication of roles and responsibilities for all concerned personnel increases the risk that personnel are unaware of their roles and the responsibilities are not fully discharged / fulfilled.</i></p>
B.3.2.1.	<p>Identify and review the written role description documents, and determine whether roles and responsibilities are adequately detailed in the documents and whether the documents are readily available to all concerned personnel.</p>

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Ref	Assessment Step
B.3.3.	<p data-bbox="315 233 2022 300"><b>Control Objective:</b> Review procedures are in place prior to submission to the Board to ensure that all information required is prepared in the specified format, reconciled, verified, and compiled for submission.</p> <p data-bbox="315 336 2022 443"><i>Risk implication: Not having review procedures in place increases the risk that information submitted to the Board is not in compliance with the requirements set out in the IS Guideline, or is inaccurate, or incomplete, and that such information cannot be relied upon to facilitate the Board in determining and paying compensation.</i></p>
B.3.3.1.	<p data-bbox="349 488 2022 595">Identify and review the information review and approval procedures prior to submission of the required information to the Board. Determine whether sufficient guidance is provided to responsible personnel in performing the review. For instance, a review checklist is provided to facilitate the review. Examples of items on the review checklist may include, but not be limited to:</p> <ul data-bbox="349 632 2022 738" style="list-style-type: none"><li data-bbox="349 632 2022 662">• whether reconciliation is performed and signed off with satisfactory result; and</li><li data-bbox="349 667 2022 738">• whether verification (such as data format checking or review of entirety of submission items) is performed and signed off with satisfactory result.</li></ul>
B.3.3.2.	<p data-bbox="349 775 2022 842">Determine whether procedures are in place to report outstanding or unresolved issues, if any, to the Board when information is submitted to the Board.</p> <p data-bbox="349 879 2022 946">Determine whether procedures are in place to file and retain all communications with the Board and other relevant documentation for future reference.</p>
B.3.3.3.	<p data-bbox="349 991 2022 1021">Determine whether the review procedures are performed by officers who are:</p> <ul data-bbox="349 1058 2022 1125" style="list-style-type: none"><li data-bbox="349 1058 2022 1088">• independent of the information preparation and checking processes; and</li><li data-bbox="349 1093 2022 1125">• competent to perform the review as they should have a sufficient understanding of the requirements set out in the IS Guideline.</li></ul>

## **C. IT Controls Module**

### **Module Scope**

This module is intended to be used for assessment of certain key IT controls supporting the performance of relevant processes set out in the operational controls module, i.e. certain controls specifically for compliance with the IS Guideline.

It should be noted that processes and controls over the maintenance of source documents, application systems and source data records for the processing of banking transactions do not fall within the scope of the independent assessment. However, such information may be considered during the performance of certain assessment steps and the assessment of potential root causes, and implications, for any issues identified in the aforementioned scope of work. Under the circumstances where automated procedures or end-user computing tools (i.e., end-user developed applications such as database and spreadsheet tools) are used in the compilation, repository, checking, approval and submission of information required under the IS Guideline, the independent assessors are expected to include the following areas over such automated procedures or end-user computing tools being used in the assessment scope:

- system change management controls;
- access security management controls;
- end-user computing tools management controls; and
- system backup management controls.

**Assessment Steps**

Ref	Assessment Step
<b>Section 1 – System change management controls</b>	
C.1.1.	<p><b>Control Objective:</b> Change management controls are in place to ensure that changes in relevant systems (e.g., data extraction programs and automated data checking procedures) are properly managed and monitored for compliance with the requirements set out in the IS Guideline. For example, the following change control procedures should be in place:</p> <ul style="list-style-type: none"> <li>• change request assessment, approval and tracking;</li> <li>• program development controls (e.g., source code and version control management);</li> <li>• segregation of duties;</li> <li>• testing and quality assurance;</li> <li>• program migration controls; and</li> <li>• documentation and training.</li> </ul> <p>For instance, changes in data extraction programs due to revisions of the IS Guideline should be assessed and approved by management. All changes should be tested by relevant departments involved in the data extraction process, and reviewed and authorised by management before implementation. The drill test plan and related operating manuals should be updated to reflect such changes.</p> <p><i>Risk implications: Not having adequate and appropriate controls over program change activities increases the risk of inappropriate changes being made to systems which may lead to failure to meet requirements set out in the IS Guideline and failure to extract complete and accurate information within the required timeframe when a payout is triggered.</i></p>
C.1.1.1.	<p>Enquire with management and obtain relevant information to identify circumstances (e.g., significant system changes, launch of new products or business, merger and acquisition activities) where changes to relevant systems (e.g., data extraction programs and automated data checking procedures) should be assessed and implemented for compliance with the IS Guideline, where appropriate.</p> <p>Determine if appropriate assessment procedures have been performed to assess the necessity and impact of system change / development activities.</p>

Ref	Assessment Step
C.1.1.2.	<p>For a sample of circumstances identified in C.1.1.1 above, determine whether management and relevant personnel have put in place appropriate control procedures for performing the following system change activities:</p> <ul style="list-style-type: none"><li>• change request assessment, approval and tracking;</li><li>• program development controls (e.g., source code and version control management);</li><li>• segregation of duties;</li><li>• testing and quality assurance;</li><li>• program migration controls; and</li><li>• documentation and training.</li></ul>

Ref	Assessment Step
<b>Section 2 – Access security management controls</b>	
C.2.1.	<p><b>Control Objective:</b> Physical and logical access to the related systems (e.g. data extraction programs and automated data checking procedures) and data is restricted to authorised personnel only. Access should be granted to individuals involved in the related processes on a “need to have” basis.</p> <p><i>Risk implications: Not restricting access to the concerned systems and data increases the risk of unauthorised access to concerned systems and data.</i></p>
C.2.1.1.	Identify and evaluate the administration procedures to request, authorise, amend, and revoke user access to the related systems (e.g., data extraction programs and automated data checking procedures) and data.
C.2.1.2.	<p>Identify the access control lists of the related systems (e.g., data extraction programs and automated data checking procedures) and data, and evaluate whether access permissions granted to users are appropriate. In particular, evaluate whether the following objectives are addressed:</p> <ul style="list-style-type: none"> <li>• access permissions are granted in line with the roles and responsibilities;</li> <li>• privileged access rights are restricted to a small number of authorised personnel; and</li> <li>• the segregation of duty principle (i.e. segregation of incompatible functions) is enforced.</li> </ul> <p>For a sample of selected users, evaluate whether access permissions granted in relation to the following functions are appropriate, if applicable:</p> <ul style="list-style-type: none"> <li>• data extraction and subsequent adjustments of output files; and</li> <li>• maintenance of standing data and information, if any.</li> </ul>
C.2.1.3.	Determine whether periodic reviews of user accounts and associated access to the relevant systems (e.g., data extraction programs and automated data checking procedures) and data are performed.

Ref	Assessment Step
C.2.1.4.	<p>Identify and evaluate whether the relevant data and information files are adequately protected (e.g., use of passwords). Determine if the password policies are in line with the corporate baselines.</p> <p>Suggested password controls include:</p> <ul style="list-style-type: none"><li>• password composition (e.g. combination of alphanumeric and numeric characters);</li><li>• minimum password length (e.g. 6 to 8 characters);</li><li>• maximum and minimum password lifetimes (e.g. 60 days and 1 day respectively);</li><li>• password history (e.g. 8 to 10 previously used passwords); and</li><li>• account lockout (e.g. consequential to 3 to 5 invalid logon attempts).</li></ul>

Ref	Assessment Step
<b>Section 3 – End-user computing tools management controls</b>	
C.3.1.	<p><b>Control Objective:</b> Controls over end-user computing tools are in place to ensure the information integrity of end-user maintained applications and information.</p> <p><i>Risk implications: Lack of controls over end-user computing environment increases the risk of erroneous and unauthorised manipulation of data.</i></p>
C.3.1.1.	<p>Identify relevant end-user computing tools used in the preparation of information required for compliance with the IS Guideline.</p> <p>Determine if a complete list of all relevant end-user computing tools used in the preparation of information required for compliance with the IS Guideline is maintained.</p>
C.3.1.2.	<p>Identify and evaluate the procedures for end-user computing controls relating to the information compilation, repository and checking processes for compliance with the IS Guideline. Determine whether the following controls are covered:</p> <ul style="list-style-type: none"> <li>• change management controls;</li> <li>• access controls;</li> <li>• backup, archiving and recovery; and</li> <li>• documentation control.</li> </ul>
C.3.1.3.	<p>For a sample of end-user computing tools used in the preparation of information required for compliance with the IS Guideline, determine whether the following change controls are in place:</p> <ul style="list-style-type: none"> <li>• changes are authorised, tested, reviewed, and approved;</li> <li>• version controls are maintained during change; and</li> <li>• segregation of duties is enforced.</li> </ul>



Ref	Assessment Step
C.3.1.4.	<p data-bbox="349 233 2033 304">For a sample of end-user computing tools used in the preparation of information required for compliance with the IS Guideline, determine whether access controls are in place to achieve the following objectives:</p> <ul data-bbox="349 341 2033 453" style="list-style-type: none"><li data-bbox="349 341 1458 373">• access to update / edit end-user computing tools is restricted to appropriate personnel; and</li><li data-bbox="349 379 2033 453">• end-user computing tools and data, or folders and files storing such data are secured by appropriate measures (e.g., passwords) to prevent unauthorised access.</li></ul>
C.3.1.5.	<p data-bbox="349 493 2033 564">For a sample of end-user computing tools used in the preparation of information required for compliance with the IS Guideline, determine whether backup, archiving and recovery controls are in place to achieve the following objective:</p> <ul data-bbox="349 596 2033 708" style="list-style-type: none"><li data-bbox="349 596 2033 660">• end-user computing tools and data are backed up or archived periodically to prevent data loss due to unintentional mistakes or other accidents; and</li><li data-bbox="349 676 1240 708">• backups of end-user computing tools and data are restored periodically.</li></ul>
C.3.1.6.	<p data-bbox="349 716 2033 788">For a sample of end-user computing tools used in the preparation of information required for compliance with the IS Guideline, determine whether documentation controls are in place to achieve the following objective:</p> <p data-bbox="349 820 2033 892">The design of end-user computing tools such as formula and script is documented, and such documentation is properly maintained to facilitate ongoing operations and maintenance.</p>

Ref	Assessment Step
<b>Section 4 – System backup management controls</b>	
C.4.1.	<p><b>Control Objective:</b> Backup management controls are in place to ensure that backup for relevant systems (e.g., data extraction programs and automated data checking procedures) and data files used in the preparation of information required for compliance with the IS Guideline are properly managed and monitored. For example, the following backup control procedures should be in place:</p> <ul style="list-style-type: none"> <li>• periodic backup of relevant systems and data files;</li> <li>• periodic recovery test; and</li> <li>• backup and recovery procedures documentation.</li> </ul> <p>For instance, periodic backup of relevant systems and data files should be performed and reviewed. Periodic recovery test should be performed to ensure that the relevant systems and data can be restored where necessary. Backup and recovery procedures for relevant systems and data files should be documented in the related operating manuals.</p> <p><i>Risk implications: Not having adequate and appropriate controls over system backup and recovery activities increases the risk of data loss and prolonged system unavailability in the event of a disaster, which may lead to failure to meet requirements set out in the IS Guideline and cause unnecessary delay to a payout.</i></p>
C.4.1.1.	<p>Identify and evaluate the operating manuals relating to the backup and recovery policies and procedures for relevant systems (e.g., data extraction programs and automated data checking procedures) and data files used in the preparation of information required for compliance with the IS Guideline. Determine whether the policies and procedures are documented with an adequate level of detail to facilitate the processes and procedures to be performed by responsible personnel.</p> <p>Determine whether the operating manuals of backup and recovery test contain the following procedures and requirements:</p> <ul style="list-style-type: none"> <li>• frequency;</li> <li>• scope;</li> <li>• retention period;</li> <li>• responsible personnel; and</li> <li>• on-site and off-site backup, and the respective locations of backup.</li> </ul>

Ref	Assessment Step
C.4.1.2.	<p>For a sample of relevant systems (e.g. data extraction programs and automated data checking procedures) and data files used in the preparation of information required for compliance with the IS Guideline, determine whether backup and recovery controls are in place to achieve the following objectives:</p> <ul style="list-style-type: none"><li data-bbox="360 379 1144 411">• relevant systems and data files are backed up periodically; and</li><li data-bbox="360 419 1200 451">• backups of relevant systems and data files are restored periodically.</li></ul>

## **D. Retained Information Module**

### **Module Scope**

This module is intended to be used for assessment of the key controls supporting the retention, retrieval, approval and submission of the Retained Information set out in the IS Guideline. It should be noted that the assessment steps in this module are only applicable to the resulting Scheme member which is required to retain the Retained Information within the 5-year retention period after the material date of a qualifying arrangement (whether it is a merger, an acquisition or any other similar transaction) involving two or more Scheme members.

**Assessment Steps**

Ref	Assessment Step
<b>Section 1 – Retention, retrieval, approval and submission of the Retained Information</b>	
D.1.1.	<p><b>Control Objective:</b> The entire mechanism supporting the retention, retrieval, approval and submission of the Retained Information can ascertain continuous compliance with the requirements related to Retained Information set out in the IS Guideline.</p> <p><i>Risk implication: Not having an adequate mechanism to retain the Retained Information increases the risk that the information retention and submission requirements stipulated in the IS Guideline may not be met which may result in non-compliance with the IS Guideline and cause unnecessary delay to a payout.</i></p>
D.1.1.1.	Determine if the controls related to retention, retrieval, approval and submission of the Retained Information are adequate and effective to achieve the control objectives under the overall control environment (including policies and procedures, regular drills and project management mechanism) as listed in <b>Module A</b> of this Program Guide.
D.1.2.	<p><b>Control Objective:</b> The Retained Information is retained for submission to the Board in accordance with the IS Guideline.</p> <p><i>Risk implications: Not having data retention policies and procedures related to Retained Information increases the risk that such information cannot be submitted to the Board when required.</i></p>
D.1.2.1.	Identify and evaluate the policies and operating manuals relating to the retention and submission of Retained Information. Determine whether operational flows and controls, if applicable, are adequately covered in the documents.
D.1.2.2.	<p>Determine whether the related procedures or controls in place can achieve the objective to properly retain the Retained Information throughout the retention period stipulated in the IS Guideline (i.e. 5 years after the material date of the qualifying arrangement of Scheme members).</p> <p>Determine whether the operating manuals contain the following details to ensure the Retained Information to be timely submitted to the Board:</p> <ul style="list-style-type: none"> <li>• source or location of Retained Information to be retrieved from;</li> <li>• timing and checkpoints to retrieve the Retained Information;</li> <li>• list of programs and tools to retrieve the Retained Information; and</li> <li>• other necessary procedures for protection, encryption, decryption, backup and restoration of the Retained Information.</li> </ul>

Ref	Assessment Step
D.1.3.	<p><b>Control Objective:</b> Clear definitions of roles and responsibilities relating to the information retention and submission of Retained Information are provided and effectively communicated to all concerned personnel</p> <p><i>Risk implications: Lack of clear definitions and effective communication of roles and responsibilities for all concerned personnel increases the risk that personnel are unaware of their roles and the responsibilities are not fully discharged / fulfilled.</i></p>
D.1.3.1.	<p>Identify and review the written role description documents. Determine whether roles and responsibilities are adequately detailed in the documents and whether the documents are made available to all concerned personnel.</p>
D.1.4.	<p><b>Control Objective:</b> Controls over the retention of the Retained Information are in place to ensure the integrity and availability of the Retained Information for submission to the Board.</p> <p><i>Risk implications: Not having proper control over the Retained Information in place increases the risk of unauthorised changes to it or failure to submit to the Board.</i></p>
D.1.4.1.	<p>Determine if the repository storing the Retained Information is in place such that the Retained Information can be made readily available, when required.</p> <p>Determine if the Retained Information is encrypted with password or key which is kept by the authorised personnel only and the strength of the password or the key is in line with the corporate baselines.</p> <p>Determine whether the operational procedures are in place to ensure proper maintenance of the decryption software, password and key used in the decryption of Retained Information by the authorised personnel in order to avoid failure to decrypt the Retained Information due to lost or incorrect password or key (for example by accidental deletion of key files or lost password after the change of authorised personnel, etc.) or decryption software issue, whenever required.</p>
D.1.4.2.	<p>Determine whether the access to the Retained Information is restricted to the authorised personnel only with read-only permission.</p> <p>Identify and evaluate the administration procedures to request, authorise, amend and revoke user access to the Retained Information. Determine whether periodic reviews of user accounts and associate access to the Retained Information are performed.</p>

Ref	Assessment Step
	<p>Determine if adequate control is put in place and operating effectively to protect the integrity of the Retained Information, for example checksum value of each file containing the Retained Information are generated by secure hashing algorithm such as SHA-256 or SHA-512, and the checksum values are properly maintained by the authorised personnel.</p> <p>Determine if audit logging is enabled to monitor unauthorised access or change to the Retained Information.</p>
D.1.5.	<p><b>Control Objective:</b> The backup of Retained Information is properly performed and the restoration of it is regularly tested.</p> <p><i>Risk implications: Not having adequate and appropriate controls over backup and recovery activities increases the risk of losing the Retained Information in the event of a disaster, which may lead to failure to meet the submission requirements set out in the IS Guideline and cause unnecessary delay to a payout.</i></p>
D.1.5.1.	<p>Determine whether copies of the Retained Information are stored off-site and/or in secure tertiary site with adequate access control and the copies are readily accessible for restoration when needed.</p> <p>Determine if the backup copies of the Retained Information can be restored by the authorised personnel. Determine if the restoration is tested regularly by authorised personnel to ensure successful restoration and retrieval of the Retained Information whenever necessary.</p> <p>Determine whether procedures are in place to restore the backup of the Retained Information when necessary.</p>

## Appendices

### Appendix I – Illustrative list of data checking procedures

#### General checking procedures

Checking item(s)	Validation tasks
➤ Language	<ul style="list-style-type: none"> <li>Check if the information is presented in English or Chinese (Traditional or Simplified) only</li> <li>If the information is available in English, check if it is presented in Chinese in the file (invalid)</li> </ul>
➤ Encoding of language	<ul style="list-style-type: none"> <li>Check if the data file is in the following format:                             <ol style="list-style-type: none"> <li>If in English: only ASCII is allowed</li> <li>If in Simplified Chinese: either GB or Unicode in UTF-8 encoding</li> <li>If in Traditional Chinese: either BIG5 or Unicode in UTF-8 encoding</li> </ol> </li> </ul>
➤ File structure <sup>1</sup>	<ul style="list-style-type: none"> <li>Check if each file contains only one File Header as the first record and one File Trailer as the last record</li> <li>Check if all fields are of fixed length</li> <li>Check if all records are of correct length in byte size<sup>2</sup></li> <li>Check if each record is not appended with unnecessary space</li> <li>Check if each file is prepared in the specified format as defined in the Annex to the IS Guideline</li> </ul>
➤ File Header record	<ul style="list-style-type: none"> <li>Check if the first record in each file is the File Header Record</li> <li>Check if the File Header Record contains:                             <ol style="list-style-type: none"> <li>File Header ID</li> <li>Total number of records</li> <li>Check sum on the principal balance</li> </ol> </li> <li>Check if the “total number of records” in the File Header equals the actual number of records in the file (excluding the file header and trailer records)</li> <li>Check if the “checksum” in the File Header equals the calculated sum of “principal balance” fields in the file</li> <li>For the file provided in CSV format, check if column header is excluded in the file</li> </ul>
➤ File Trailer record	<ul style="list-style-type: none"> <li>Check if the last record in each file is the File Trailer Record</li> <li>Check if the File Trailer record contains the File Trailer ID</li> </ul>
➤ Record structure	<ul style="list-style-type: none"> <li>For records that contain more than one depositor, check if the first segment of the repeating structure contains the information of the primary depositor</li> <li>Check if there is a carriage return and a line feed character at the end of each record</li> <li>For records provided in CSV format, check if the Scheme member has no more than 1,000 deposit accounts</li> <li>For records provided in CSV format, check if the fields in a record follow the same sequence as shown in the Table of the Annex to the IS Guideline</li> </ul>
➤ Record number (in position record)	<ul style="list-style-type: none"> <li>Check if the record number starts from 1</li> <li>Check if a record number is present in each data record in the file</li> </ul>

<sup>1</sup> The Explanatory Note to IS Guideline sets out the correct data layout, format, and structure of the position data records for Part (A).

<sup>2</sup> The length of a record in number of bytes is 222 bytes + (656 bytes × number of position holders).



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Checking item(s)	Validation tasks
	<ul style="list-style-type: none"> <li>• Check if the record numbers in the file are sequential</li> <li>• Check if there are no duplicate record numbers in the file</li> </ul>
<ul style="list-style-type: none"> <li>➤ Number of depositors</li> <li>➤ Number of depositors in respective segment of the record</li> </ul>	<p><u>Consistency check</u></p> <ul style="list-style-type: none"> <li>• Check if value in “number of depositors” field equals the actual number of depositors in respective segment of the record</li> </ul>
<ul style="list-style-type: none"> <li>➤ Field format</li> </ul>	<ul style="list-style-type: none"> <li>• Check if the field packing requirements are met:               <ol style="list-style-type: none"> <li>The following fields should be packed with correct number of leading zeros:                   <ol style="list-style-type: none"> <li>Numeric</li> <li>Numeric with integer, decimal and fractional parts</li> <li>Sign for numeric values</li> </ol> </li> <li>The following fields should be packed with correct number of leading spaces                   <ol style="list-style-type: none"> <li>Alphabetic</li> <li>Alphanumeric</li> <li>Fields that allow any characters including spaces<sup>3</sup></li> <li>Date field</li> </ol> </li> </ol> </li> <li>• If the information required in a field is not applicable to a position-holder or position, check if the field is left blank and packed with correct number of leading spaces.</li> </ul>
<ul style="list-style-type: none"> <li>➤ Value check</li> </ul>	<ul style="list-style-type: none"> <li>• Sort the following fields in order and check if there are exceptional values, verify such values for accuracy / reasonableness, check the source document if necessary               <ol style="list-style-type: none"> <li>Date fields</li> <li>Interest rate / spread fields</li> <li>principal balance, with and without accrued interest</li> </ol> </li> </ul>
<ul style="list-style-type: none"> <li>➤ Empty field check</li> <li>➤ Name field and address field check</li> </ul>	<ul style="list-style-type: none"> <li>• Sort alphanumeric fields in order and check if they are empty, contain space only, or contain symbols only</li> <li>• For fields relating to names and addresses, check if the field contains the following content which are likely to be invalid (please note the below list is not exhaustive, keywords in Chinese with equivalent meaning should also be considered if depositor information is maintained in Chinese):               <ol style="list-style-type: none"> <li>“NA”, “N/A”, “NOT APPLICABLE”, “NIL”, “NULL”</li> <li>“TESTING”, “PRODUCTION TRIAL”, “PILOT TEST”</li> <li>“NON CUSTOMER”</li> <li>“NOT IDENTIFIED”, “UNKNOWN”</li> <li>“VARIOUS”, “NOT DELIVERABLE”, “UNDELIVERY</li> <li>“REFER TO”</li> <li>“INTERNAL”</li> </ol> </li> <li>• Check that the field is empty only because the information required in a field is not applicable to a position-holder or position or the Scheme member does not possess such information or knows that the information it has on hand is outdated.</li> <li>• Check that empty space(s) are provided in the fields not in use<sup>4</sup>.</li> </ul>

<sup>3</sup> Since Chinese characters are multi-byte, if the field contains information in Chinese, their maximum length in byte size should not exceed the length requirement of the field and they should be packed with leading ASCII space characters if necessary.

<sup>4</sup> Part (A)(n)(x), Part (A)(n)(xi) and Part (A)(n)(xii) are obsolete fields.

**Specific checking procedures for Part (A)**

Checking item(s)	Validation tasks
➤ Deposit type code	<ul style="list-style-type: none"> <li>• Check if there is no missing value</li> <li>• Check if there are no brackets, hyphens or other symbols</li> </ul> <u>Consistency check</u> <ul style="list-style-type: none"> <li>• Check if all codes presented in Part A exist in Part B</li> <li>• Check if there are no duplicate codes in Part B</li> </ul>
➤ Account number	<ul style="list-style-type: none"> <li>• Check if there is no missing value</li> <li>• Check if there are no brackets, hyphens or other symbols</li> <li>• Check if there are no duplicates in account number</li> </ul>
➤ Account number & ➤ Position reference number	<ul style="list-style-type: none"> <li>• Check if there is no missing value</li> <li>• Check if there are no brackets, hyphens or other symbols</li> <li>• Check if there are no duplicates in account number and position number</li> </ul> <u>Consistency check</u> <ul style="list-style-type: none"> <li>• Check that the account number and the position reference number are not the same</li> </ul>
➤ Currency	<ul style="list-style-type: none"> <li>• Check if there is no missing value</li> <li>• Check if currency code matches with SWIFT currency code</li> </ul>
➤ Principal balance ➤ Principal balance plus accrued interest	<ul style="list-style-type: none"> <li>• Check if there is no missing value</li> <li>• Check that principal balance plus accrued interest should not be less than or equal to zero</li> <li>• Check that the principal balance plus accrued interest should not include the accrued interest of non-business day immediately after the position date.</li> <li>• If the deposit product is non-interest bearing, check if the accrued interest is zero</li> </ul> <u>Consistency check</u> <ul style="list-style-type: none"> <li>• Check if the principal balance and principal balance plus accrued interest are accurate if principal balance is larger than the principal balance plus accrued interest</li> <li>• For a sample of records of interest bearing products, check if the accrued interest in Part A is correctly calculated up to the position date based on the interest calculation methodology provided in Part B(a) by re-calculation</li> </ul>
➤ Fixed Interest rate	<ul style="list-style-type: none"> <li>• Check if the value is in the wrong format (e.g. &gt;10%)</li> </ul> <u>Consistency check</u> <ul style="list-style-type: none"> <li>• Check if the value is missing, whether it is due to different portions of the deposit are subject to different interest rates; if yes, check if details of the interest rate calculation methodology are provided for such a product in Part B</li> </ul>
➤ Interest rate indicator	<ul style="list-style-type: none"> <li>• Check if the value falls within the permissible values: D, M, Q, S, A</li> </ul>
➤ Interest spread (% above or below a benchmark rate)	<ul style="list-style-type: none"> <li>• Check if the value is in the wrong format (e.g. &gt;10%)</li> </ul> <u>Consistency check</u> <ul style="list-style-type: none"> <li>• Check if the value is missing, whether it is due to different portions of the deposit are subject to different interest rates; if yes, check if details of the interest rate calculation methodology are provided for such product in Part B</li> <li>• Check if benchmark rate (e.g. HIBOR, Prime rate) to which the fixed percentage refers is provided for such a product in Part B(c)</li> </ul>
➤ Fixed interest rate & Interest spread	<u>Consistency check</u> <ul style="list-style-type: none"> <li>• Check that only one of the fields have a value for one record</li> </ul>

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Checking item(s)	Validation tasks
<ul style="list-style-type: none"> <li>➤ Last interest pay date</li> <li>➤ Next interest pay date</li> <li>➤ Maturity date</li> </ul>	<ul style="list-style-type: none"> <li>• Check if there is no missing value</li> <li>• Check if the value is in correct format: ddmmyyyy</li> <li>• Check for special values not specified in Part B (invalid)</li> <li>• Check if there is no last interest pay date later than the “as of” date</li> </ul> <p><u>Consistency check</u></p> <ul style="list-style-type: none"> <li>• Check if the last interest pay date is before the next interest pay date and maturity date</li> </ul>
<ul style="list-style-type: none"> <li>➤ Fixed interest rate</li> <li>➤ Interest spread</li> <li>➤ Accrued interest</li> <li>➤ Last interest pay dates</li> <li>➤ Next interest pay dates</li> </ul>	<p><u>Consistency check</u></p> <ul style="list-style-type: none"> <li>• If fixed interest rate and interest spread field indicate the product is non-interest bearing, check if               <ol style="list-style-type: none"> <li>a) the principal balance does not equal the principal balance plus accrued interest, or</li> <li>b) last interest pay date or next interest pay date has a value which indicates irregularities in the record</li> </ol> </li> <li>• For product types that are specified as non-interest bearing in Part B, check if               <ol style="list-style-type: none"> <li>a) the principal balance is less than the principal balance plus accrued interest; or</li> <li>b) fixed interest rate / interest spread has a value, or</li> <li>c) last interest pay date or next interest pay date has a value which indicates irregularities in the record</li> </ol> </li> <li>• If Part B indicates that a product is subject to fixed rate, check if the interest spread field has a value (inconsistent)</li> <li>• If Part B indicates that a product is subject to floating rate, check if the fixed interest rate has a value (inconsistent)</li> <li>• If the interest related information is reported as blank or certain special values due to specific product natures or business rules of internal systems, check if supplementary explanations is provided under Part (B)(c)</li> <li>• Check if the accrued interest is calculated up to the position date.</li> </ul>
<ul style="list-style-type: none"> <li>➤ Value date</li> </ul>	<ul style="list-style-type: none"> <li>• Check if there is no missing value for time deposit positions</li> <li>• Check if the value is in correct format: ddmmyyyy</li> <li>• Check if the date is earlier than the “as of” date</li> <li>• Check if the date is later than the maturity date</li> </ul>
<ul style="list-style-type: none"> <li>➤ Maturity date</li> </ul>	<ul style="list-style-type: none"> <li>• Check if there is no missing value for time deposit positions</li> <li>• Check if the value is in correct format: ddmmyyyy</li> <li>• Check if the date is later than the “as of” date</li> <li>• Check if the date is later than the value date</li> </ul>
<ul style="list-style-type: none"> <li>➤ Number of depositors</li> </ul>	<ul style="list-style-type: none"> <li>• Check if there is no missing value</li> <li>• Check if the value falls within the range from 001 to 999</li> </ul>
<ul style="list-style-type: none"> <li>➤ Trust/client indicator</li> </ul>	<ul style="list-style-type: none"> <li>• Check if there is no missing value</li> <li>• Check if the value falls within the permissible values: T, B, C, U, N</li> </ul> <p><u>Consistency check</u></p> <ul style="list-style-type: none"> <li>• If the value is “N” (not trust /client account), check if the depositor name contains “CLIENT”, “TRUSTEE” or “TRUST” which suggests the deposit is likely held under trust, bare trust or in a client account</li> <li>• If the value is not “N” and the number of depositors is more than one, check if the beneficiary or the client is not be reported as the position holder</li> </ul>
<ul style="list-style-type: none"> <li>➤ Encumbrance indicator</li> </ul>	<ul style="list-style-type: none"> <li>• Check if there is no missing value</li> <li>• Check if the value falls within the permissible values: D, T, O, N</li> </ul>

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Checking item(s)	Validation tasks
➤ Deposit account status indicator	<ul style="list-style-type: none"> <li>Check if there is no missing value</li> <li>Check if the value falls within the permissible values: D, E, U, M, N</li> </ul> <u>Consistency check</u> <ul style="list-style-type: none"> <li>If the value is “N” (otherwise), check if the depositor name contains “DORMANT”, “DECEASED”, “UNKNOWN” which are likely to be inconsistent (please note the list is not exhaustive)</li> <li>If the value is “E” (deceased), check if the depositor is a natural person</li> </ul>
➤ Depositor name	<ul style="list-style-type: none"> <li>Check if there is no missing value</li> <li>Check if the value contains “TESTING”, “INTERNAL”, “CONTROL”, which may indicate that it is a non-deposit position</li> <li>Check if there are no duplicate names and/or ID Number in primary and non-primary position holders in one record</li> <li>Check if the value does not contain concatenation of name of primary and non-primary position holders</li> <li>Check if the value does not contain Chinese telegraph codes</li> </ul>
➤ Customer type	<ul style="list-style-type: none"> <li>Check if there is no missing value</li> <li>Check if the value falls within the permissible values: I, C, S, P, B, U</li> </ul> <u>Consistency check</u> <ul style="list-style-type: none"> <li>If the value is “I”, check if the depositor name contains "CO", "LTD", "COMPANY", "PARTNERSHIP" (inconsistent)</li> <li>If the value is “I”, “C”, “S”, “P” or “U”, check if the depositor name contains “BANK”, “BANCO” or the name of Scheme member , which are likely to be invalid (please note the list is not exhaustive)</li> </ul>
➤ Identity document type indicator	<ul style="list-style-type: none"> <li>Check if there is no missing value</li> <li>Check if the value falls within the permissible values: I, P, B, C, O, N</li> </ul> <u>Consistency check</u> <ul style="list-style-type: none"> <li>If the customer type of the position holder is “I”, check if there is no identification document type indicator with value of “B” or “C”</li> <li>If the customer type of the position holder is “C”, P”, “B” or “U”, check if there is no identification document type indicator with value of “I” or “p”</li> </ul>
➤ ID/passport number of depositor	<ul style="list-style-type: none"> <li>Check if there is no missing value for position holders with Customer type = I</li> <li>Check if there is no brackets, hyphens or other symbols, or space(s) within the value</li> <li>Check if the value contains “TESTING”, “INTERNAL”, “CONTROL”, which may indicate that it is a non-deposit position</li> <li>If the value contains no more than 6 characters, check if the value represents a valid ID/passport number</li> </ul> <u>Consistency check</u> <ul style="list-style-type: none"> <li>If this field has value, check that the customer type should be “I”</li> </ul>
➤ Date of birth of depositor	<ul style="list-style-type: none"> <li>Check if there is no missing value for position holders with Customer type = I</li> <li>Check if the value is in correct format: ddmmyyyy</li> <li>Check if the value falls within a reasonable range, e.g. dates before 31/12/1900 or after the “as of” date</li> <li>Where only the year of birth is available, check if the month and day are left as zero</li> </ul> <u>Consistency check</u> <ul style="list-style-type: none"> <li>If the customer type of the position holder is not “I”, check that the date of birth should be empty</li> </ul>

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Checking item(s)	Validation tasks
<ul style="list-style-type: none"> <li>➤ BR/CI number of company</li> </ul>	<ul style="list-style-type: none"> <li>• Check if there is no missing values for position holders with Customer type = B or C</li> <li>• Check if there are no brackets, hyphens or other symbols, or space(s) within the value</li> <li>• Check if the value contains “TESTING”, “INTERNAL”, “CONTROL”, which may indicate that it is a non-deposit position</li> <li>• If the value contains no more than 2 characters, check if the value represents a valid BR/CI number</li> <li>• For a sample of deposit accounts held by bank which BR/CI number is not maintained by Scheme member, check if the field is blank and the identity document type is “N”</li> </ul> <p><u>Consistency check</u></p> <ul style="list-style-type: none"> <li>• If this field has value, check if the customer type indicator has a value of “B” or “C”</li> </ul>
<ul style="list-style-type: none"> <li>➤ BR number of sole proprietorship</li> </ul>	<ul style="list-style-type: none"> <li>• Check if there is no missing value for position holders with Customer type = S</li> <li>• Check if there are no brackets, hyphens or other symbols, or space(s) within the value</li> <li>• Check if the value contains “TESTING”, “INTERNAL”, “CONTROL”, which may indicate that it is a non-deposit position</li> <li>• If the value contains no more than 2 characters, check if the value represents a valid BR number</li> </ul> <p><u>Consistency check</u></p> <ul style="list-style-type: none"> <li>• If this field has value, check if the customer type indicator has a value of “S”</li> <li>• Check if the value is not the same as the ID/Passport of sole proprietor</li> </ul>
<ul style="list-style-type: none"> <li>➤ Name of sole proprietor</li> </ul>	<ul style="list-style-type: none"> <li>• Check if there is no missing value for position holders with Customer type = S</li> <li>• Check if the value contains “TESTING”, “INTERNAL”, “CONTROL”, which may indicate that it is a non-deposit position</li> <li>• Check if the value contains "CO", "LTD", "COMPANY", "PARTNERSHIP" (inconsistent)</li> </ul> <p><u>Consistency check</u></p> <ul style="list-style-type: none"> <li>• If this field has value, check if the customer type indicator has a value of “S”</li> <li>• Check if the value is not the same as the name of sole proprietorship</li> </ul>
<ul style="list-style-type: none"> <li>➤ ID/Passport of sole proprietor</li> </ul>	<ul style="list-style-type: none"> <li>• Check if there is no missing value for position holders with Customer type = S</li> <li>• Check if there are no brackets, hyphens or other symbols, or space(s) within the value</li> <li>• Check if the value contains “TESTING”, “INTERNAL”, “CONTROL”, which may indicate that it is a non-deposit position</li> <li>• If the value contains no more than 7 characters, check if the value represents a valid ID/passport number</li> </ul> <p><u>Consistency check</u></p> <ul style="list-style-type: none"> <li>• If this field has value, check if the customer type indicator has a value of “S”</li> <li>• Check if the value is not the same as the BR number of sole proprietorship</li> </ul>
<ul style="list-style-type: none"> <li>➤ BR number of partnership or unincorporated entity</li> </ul>	<ul style="list-style-type: none"> <li>• Check if there is no missing value for position holders with Customer type = P or U</li> <li>• Check if there are no brackets, hyphens or other symbols, or space(s) within the value</li> <li>• Check if the value contains “TESTING”, “INTERNAL”, “CONTROL”, which may indicate that it is a non-deposit positions</li> <li>• If the value contains no more than 2 characters, check if the value represents a valid BR number</li> <li>• For a sample of deposit accounts held by unincorporated entity which BR number is not maintained by Scheme member, check if the field is blank and the identity document type is “N”</li> </ul> <p><u>Consistency check</u></p> <ul style="list-style-type: none"> <li>• If this field has value, check if the customer type indicator has a value of “P” or “U”</li> </ul>
<ul style="list-style-type: none"> <li>➤ ATM card indicator</li> <li>➤ Internet banking indicator</li> </ul>	<ul style="list-style-type: none"> <li>• Check if there is no missing value</li> <li>• Check if the value falls within the permissible values: Y, N</li> </ul>

Checking item(s)	Validation tasks
➤ Address status indicator	<ul style="list-style-type: none"> <li>• Check if there is no missing value</li> <li>• Check if the value falls within the permissible values: U, B, O, N</li> </ul> <p><u>Consistency check</u></p> <ul style="list-style-type: none"> <li>• If the value is “N” or “O”, check if the correspondence address contains “HOLDMAIL”, “HOLD ADDRESS”, “NO ADDRESS”, “ADDRESS NOT AVAILABLE”, “UNKNOWN ADDRESS”, “RETURN MAIL”, “C/O”, “PICK UP”, “BY AIR MAIL”, address of Scheme member’s offices, city or country name only, which are likely to be inconsistent (please note the list is not exhaustive)</li> <li>• If the value is “N”, check if the address is a local address</li> <li>• If the value is “O”, check if the address is an address outside Hong Kong</li> </ul>
➤ Address	<ul style="list-style-type: none"> <li>• Check if there is no missing value for position holders with address maintained by Scheme member</li> <li>• Check if the address starts at line 1</li> <li>• Check if the value contains “TESTING”, “INTERNAL”, “CONTROL”, which may indicate that it is a non-deposit position</li> <li>• Check if the value in the longest address line(s)<sup>5</sup> is complete and not truncated</li> <li>• For address in English, check if the last word in the longest address line and the first word in the next address line of the record are complete words</li> <li>• For address in Chinese, check if the last Chinese character in the longest address line(s) is a printable character</li> </ul> <p><u>Consistency check</u></p> <ul style="list-style-type: none"> <li>• If the value contains part of the depositor name, check if the value in the depositor name field is not truncated</li> </ul>
➤ Telephone number ➤ Mobile phone number	<ul style="list-style-type: none"> <li>• Check if there is no missing value for position holders with phone numbers maintained by Scheme member</li> <li>• Check if the value contains numbers only, except for separator of extension code</li> <li>• Check if the value contains less than 8 digits</li> <li>• Check if the value contains only one telephone / mobile phone number</li> <li>• Check if a valid country calling code is prepended to overseas telephone / mobile phone numbers</li> <li>• Check if the telephone number and mobile phone number are different</li> <li>• Check if internal prefix code used by Scheme member such as “0”, “9” or “00” is excluded in the phone numbers</li> <li>• If the telephone number contains extension code, check if a separator such as “EXT” or “E” is used to separate the code from the telephone number, and the separator is reported as special value in Part (B)</li> </ul>
➤ Email address	<ul style="list-style-type: none"> <li>• Check if there is no missing value for position holders with emails maintained by Scheme member</li> <li>• Check if the value has valid email address format</li> <li>• Check if the value contains only one email address</li> </ul>
➤ Depositor information of joint account holders	<ul style="list-style-type: none"> <li>• If the contact information of non-primary position holder of a joint deposit account is currently maintained in electronic form (e.g. in the banking systems), check if the telephone number, mobile phone number and/or email address of the non-primary position holders are provided</li> <li>• Check if position holders of a joint deposit account do not have the same identification document number</li> <li>• Check if position holders of a joint deposit account do not have the same mobile phone number and/or email address</li> </ul>

<sup>5</sup> An address should be provided in 5 address lines of length 50 bytes each.

**Specific checking procedures for Part (B)**

Checking item(s)	Validation tasks
<ul style="list-style-type: none"> <li>➤ Product type</li> <li>➤ Terms and conditions</li> <li>➤ Interest calculation methodology, procedures and benchmark rate</li> <li>➤ Protection status</li> </ul>	<ul style="list-style-type: none"> <li>• For a sample of product types in Part (B), check if the corresponding interest calculation methodology, procedures and benchmark rates are provided</li> <li>• For a sample of product types in Part (B), check to records that are of the same product type in Part (A), verify if the interest calculation methodology reported in Part (A) is as described in Part (B)               <ol style="list-style-type: none"> <li>1. For products that are reported as non-interest bearing in Part (B),                   <ol style="list-style-type: none"> <li>a) the following fields should be empty and packed with leading zeros or spaces, where appropriate:                       <ol style="list-style-type: none"> <li>i. Fixed interest</li> <li>ii. Interest spread</li> <li>iii. Last interest pay date</li> <li>iv. Next interest pay date</li> </ol> </li> <li>b) principal balance should be equal to principal balance plus accrued interest</li> </ol> </li> <li>2. For products that are subject to fixed interest rate as described in Part (B), the interest spread field should be empty</li> <li>3. For products that are subject to floating interest rate as described in Part (B), the fixed interest field should be empty</li> </ol> </li> <li>• For a sample of product types that are subject to the same interest calculation methodology / benchmark rate, check if the interest information in Part (A) are consistent across the records with the same product type code</li> <li>• For a sample of records without interest information in Part (A) file, check if the terms and conditions support that such products are non-interest bearing or subject to multi-tier rates</li> <li>• For a sample of product types in Part (B), check a sample of records that are of the same product type in Part (A) to verify if the protection status of the deposit reported in Part (A) is as described in Part (B)</li> </ul>
<ul style="list-style-type: none"> <li>➤ Terms and conditions</li> </ul>	<ul style="list-style-type: none"> <li>• For a sample of product types, check if the terms and conditions are provided</li> </ul>
<ul style="list-style-type: none"> <li>➤ Unique key definition</li> </ul>	<ul style="list-style-type: none"> <li>• Check if the unique key is formed with the field or combination of fields in Part (A)</li> <li>• For a sample of product types, check if positions can be uniquely identified using the key definition</li> </ul>
<ul style="list-style-type: none"> <li>➤ Special field values</li> </ul>	<ul style="list-style-type: none"> <li>• Check if the meaning of the special values are clear</li> <li>• Check if the special value is reasonably used such as when the specified values of a field in the IS Guideline is not applicable under certain special scenarios</li> <li>• Check if all special values used in Part (A) are listed in Part (B)</li> </ul>
<ul style="list-style-type: none"> <li>➤ Summary table</li> </ul>	<ul style="list-style-type: none"> <li>• Check if the information are provided in a summary table as illustrated in Annex 3 of the Explanatory Note to IS Guideline attached with supplementary information like documents of product terms and conditions and interest calculation or transaction valuation methodologies</li> </ul>

**Specific checking procedures for Parts (G), (H) and (I)**

Checking item(s)	Validation tasks
<b>Part G</b>	
➤ Information of persons principally responsible for maintaining the information system	<ul style="list-style-type: none"> <li>• Check if the names, residence address, and home/mobile telephone numbers of the persons principally responsible for maintaining the information systems are accurate and up to date</li> <li>• Check that the residence address should not be the office of Scheme member</li> <li>• Check that the home/mobile telephone number should not be the office telephone number</li> </ul>
➤ Locations of information systems	<ul style="list-style-type: none"> <li>• Check if the locations provided are accurate and sufficient to locate the information systems</li> </ul>
➤ Name/title and location of operation manuals	<ul style="list-style-type: none"> <li>• Check if the list of all operation manuals is complete</li> <li>• Check if the relevant operation manuals can be located based on the location provided</li> <li>• Check if the operation manuals are up to date</li> </ul>
➤ Locations of Part (A)	<ul style="list-style-type: none"> <li>• Check if locations are precisely provided which specify the exact path of the data file (e.g. server name / IP address, and the directory paths of the data files as a result of its extraction programs for DPS reporting)</li> </ul>
➤ Estimated time to complete processing the day's deposit and other transactions	<ul style="list-style-type: none"> <li>• Check if the time is the estimated time to complete processing the day's deposit and other transactions (not the estimated submission time of data to the Board or the duration it takes to complete processing)</li> <li>• Check if the estimated time is reasonable and consistent with the required time under normal operation</li> </ul>
<b>Part H</b>	
➤ Structure of the balance sheet	<ul style="list-style-type: none"> <li>• Check if the structure of the balance sheet is accurate and complete</li> <li>• Check if the relationship between each item and sub-item is accurate and complete</li> </ul>
➤ Procedures for generating an updated balance sheet	<ul style="list-style-type: none"> <li>• Check if the procedures provided are accurate, up to date and adequately documented, via observation or re-performance</li> </ul>
➤ Procedures for updating the balance sheet taking into account accrued interest and in-transit items	
➤ Information of persons principally responsible for maintaining the accounts / accounting systems	<ul style="list-style-type: none"> <li>• Check if the names, residence address, and home/mobile telephone numbers of the persons principally responsible for maintaining the accounts / accounting systems are accurate and up to date</li> <li>• Check that the residence address should not be the office of Scheme member</li> <li>• Check that the home/mobile telephone number should not be the office telephone number</li> </ul>
<b>Part I</b>	
➤ List of related companies and respective information	<ul style="list-style-type: none"> <li>• Check if the list contains name, BR/CI number and country of incorporation of the related company</li> <li>• Check if the list is complete</li> <li>• Check if the information provided in the list is accurate and up to date</li> </ul>
For related companies incorporated in Hong Kong and is an authorised institution: ➤ Officer name ➤ Officer ID/Passport number ➤ BR/CI number	Applicable to related companies incorporated in Hong Kong and is an authorised institution: <ul style="list-style-type: none"> <li>• For a sample of such companies, check if there are directors, chief executives, controllers and managers not included in the list (incomplete)</li> <li>• For a sample of such companies, check if the information provided is accurate and up to date</li> </ul>



## Hong Kong Deposit Protection Board

### Independent Assessment Program and Self-Declaration for Compliance with the Guideline on Information Required for Determining and Paying Compensation

Checking item(s)	Validation tasks
For related companies incorporated in Hong Kong but is NOT an authorised institution: <ul style="list-style-type: none"><li>➤ Officer name</li><li>➤ Officer ID/Passport number</li><li>➤ BR/CI number</li></ul>	Applicable to related companies incorporated in Hong Kong but is NOT an authorised institution: <ul style="list-style-type: none"><li>• For a sample of such companies, check if there are directors and secretaries not included in the list (incomplete)</li><li>• For a sample of such companies, check if the information provided is accurate and up to date</li></ul>
For related companies incorporated in Hong Kong but is NOT an authorised institution: <ul style="list-style-type: none"><li>➤ Procedures to draw a list of managers with ID/passport numbers</li></ul>	Applicable to related companies incorporated in Hong Kong but is NOT an authorised institution: <ul style="list-style-type: none"><li>• Check if the procedures provided are up to date and adequately documented</li><li>• Check if the list of managers with their ID/password numbers can be drawn within the specified timeframe, i.e. in 8 calendar days, via observation or re-performance</li></ul>
➤ Information of persons principally responsible for maintaining the information on related companies and officers	<ul style="list-style-type: none"><li>• Check if the names, residence address, and home/mobile telephone numbers of the persons principally responsible for maintaining the information are accurate and up to date</li><li>• Check that the residence address should not be the office of Scheme member</li><li>• Check that the home/mobile telephone number should not be the office telephone number</li></ul>

**Source document review (on a sample basis)**

Checking item(s)	Validation tasks
➤ Account number and position reference number	<ul style="list-style-type: none"> <li>• Check if the account number and position reference number can be matched to source documents / information</li> </ul>
➤ Demographic information of depositor: <ul style="list-style-type: none"> <li>○ Name</li> <li>○ ID/Passport number</li> <li>○ BR/CI number</li> <li>○ Date of birth</li> <li>○ Address</li> <li>○ Telephone number</li> <li>○ Mobile phone number</li> <li>○ Email address</li> <li>○ Customer type</li> </ul>	<ul style="list-style-type: none"> <li>• Check if the demographic fields shown in the record can be matched to source documents / information</li> <li>• Check if the name in Part (A) is identical to that shown on the identification document, including the sequence of last and first name</li> </ul>
➤ Last interest pay date ➤ Next interest pay date	<ul style="list-style-type: none"> <li>• For interest bearing products, check if the last interest pay date, and/or next interest pay date can be matched to source documents / information</li> </ul>
➤ Maturity date	<ul style="list-style-type: none"> <li>• Check if the maturity date can be matched to source documents / information</li> </ul>
➤ Principal balance ➤ Principal balance plus accrued interest	<ul style="list-style-type: none"> <li>• Check if the balances can be matched to source documents / information</li> </ul>
➤ Trust / client indicator	<ul style="list-style-type: none"> <li>• Check if the indicator can be matched to source documents / information</li> </ul>
➤ Encumbrance indicator	<ul style="list-style-type: none"> <li>• Check if the indicator value can be substantiated by source documents / information</li> </ul>
➤ Deposit account status indicator	<ul style="list-style-type: none"> <li>• Check if the indicator value can be substantiated by source documents / information</li> </ul>

**Appendix II – Issues report template**

<b>Module Ref.</b>	<b>Assessment Step</b>	<b>Finding</b>	<b>Risk Implication</b>	<b>Recommendation</b>	<b>Management Comment</b>
Module reference	Description of assessment step	Description of finding and observation	Risk and impact of the issue identified	Recommendation to address the issue identified	Management comments on the following items: <ul style="list-style-type: none"> <li>• comments on the issue identified (including the identified root causes, where practicable);</li> <li>• actions to be performed to resolve the issue;</li> <li>• issue owner / relevant parties; and</li> <li>• target completion date. Note that where the Scheme member is not able to complete the corrective actions under the timeline specified in the section I “Remedial action plans” of the program guide, management should provide the relevant justification.</li> </ul>

### **Appendix III – Sample Self-declaration template**

**SELF-DECLARATION ON  
COMPLIANCE WITH REQUIREMENTS OF THE GUIDELINE ON INFORMATION REQUIRED  
FOR DETERMINING AND PAYING COMPENSATION (“IS GUIDELINE”)  
AS OF THE POSITION OF 31-JAN-YYYY**

Name of Scheme member:	Date of Submission (in DD-MMM-YYYY format)
------------------------	--

**This declaration is approved and signed by the Chief Executive to declare the status of compliance with the requirements set out in the IS Guideline.**

**Signature of Chief Executive** : \_\_\_\_\_

**Name of Chief Executive** : \_\_\_\_\_

**Date** : \_\_\_\_\_

**Any enquiry of this declaration may be made to the following person who completes this declaration:**

**Name** : \_\_\_\_\_

**Department** : \_\_\_\_\_

**Post / Title** : \_\_\_\_\_

**Telephone** : \_\_\_\_\_

**Fax** : \_\_\_\_\_

**E-mail** : \_\_\_\_\_

*Note: Please submit the scanned signed copy of this form together with the following self-declaration in pdf format to Hong Kong Deposit Protection Board (the “Board”).*

**Completion and submission instructions:**

1. Please refer to **section K of the Program Guide** (Independent Assessment Program and Self-Declaration for Compliance with the Guideline on Information Required for Determining and Paying Compensation) which sets out the purpose, areas to be considered and requirements for this declaration.
2. Please do not attempt to modify the self-declaration template. If you have any enquiries in relation to information input or submission, please call 2878 8057 or 2878 8058.
3. The completed self-declaration should be submitted to the Board by 31 March of each calendar year or the next business day if 31 March is a non-business day.
4. Please submit the completed self-declaration to the Board in accordance with the following instructions:

Submit the completed self-declaration to the Board via the STET system:

- a. save the Excel file to your PC and complete the self-declaration
- b. connect to the STET network
- c. attach i) the completed self-declaration in its original Excel format, and ii) the scanned signed copy of “Covering Page” and “Self-declaration” in pdf format to an email and send it to the address: [isgsd@dps.iclnet.hk](mailto:isgsd@dps.iclnet.hk)
- d. disconnect from the STET network

**Self-declaration**

<b>Background information</b>	<b>Response</b>
Name of Scheme member (“the Bank”)	
Year and period under review of the last independent assessment conducted by independent assessors (Input “N/A” if no independent assessment has been completed before the position date)	
Completion date of the last drill test conducted by Scheme member (Input “N/A” if no drill test was conducted before the position date)	

We hereby declare the status of compliance with the following requirements for <Name of Scheme member>:

*(Please tick the box that your bank confirms compliance. For non-compliance, please provide the details of non-compliances and key findings of the last drill test conducted in a separate sheet.)*

Requirements set out in the Guideline on Information Required for Determining and Paying Compensation (“IS Guideline”)

In addition, we hereby confirm that the information provided above is complete and correct, and undertake to continue fully complying with all the relevant requirements.

**Appendix IV – Sample Questionnaire template**

**QUESTIONNAIRE**

Name of Scheme member:	Date of Submission (in DD-MMM-YYYY format)
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**This questionnaire should be completed by an independent unit such as internal audit department, compliance department or other equivalent unit. It should be approved and signed by the Head of the relevant department.**

**Signature of the Department Head** : \_\_\_\_\_

**Name of the Department Head** : \_\_\_\_\_

**Department** : \_\_\_\_\_

**Date** : \_\_\_\_\_

**Any enquiry of this questionnaire may be made to the following person who completes this questionnaire:**

**Name** : \_\_\_\_\_

**Department** : \_\_\_\_\_

**Post / Title** : \_\_\_\_\_

**Telephone** : \_\_\_\_\_

**Fax** : \_\_\_\_\_

**E-mail** : \_\_\_\_\_

*Note: Please submit the scanned signed copy of this form together with the following questionnaire in pdf format to Hong Kong Deposit Protection Board (the “Board”).*

**Objective:**

This questionnaire collects information about the Scheme member's profile and any events of the Scheme member since the last questionnaire submission date that may affect the data extraction and/or information compilation processes for compliance with the Guideline on Information Required for Determining and Paying Compensation ("IS Guideline").

**Completion and submission instructions:**

1. Please answer all questions applicable to the Scheme member as at the position of 31 January of the current year ("position date").
2. Please do not attempt to modify the questionnaire template. If you have any enquiries in relation to information input or submission, please call 2878 8057 or 2878 8058.
3. The completed questionnaire should be submitted to the Board by 31 March of each calendar year or the next business day if 31 March is a non-business day.
4. Please submit the completed questionnaire to the Board in accordance with the following instructions. Information required under the Memorandum section should be submitted only by electronic means.

Submit the completed questionnaire to the Board via the STET system:

- a. save the Excel file to your PC and complete the questionnaire
- b. connect to the STET network
- c. attach i) the completed questionnaire in its original Excel format and ii) the scanned signed copy of "Covering Page" and "Questionnaire" in pdf format to an email and send it to the address: [isgaq@dps.iclnet.hk](mailto:isgaq@dps.iclnet.hk)
- d. disconnect from the STET network

If the file size of information required under the Memorandum section is less than 25MB in total, Scheme members should submit them to the Board via the STET system:

- a. connect to the STET network
- b. attach the documents to an email and send it to the address: [isgaqatt@dps.iclnet.hk](mailto:isgaqatt@dps.iclnet.hk)
- c. disconnect from the STET network

Otherwise, if the file size of information required under the Memorandum section exceeds 25MB in total, Scheme members should hand deliver the electronic data to the Board:

- a. electronic data should be stored in CD or DVD
- b. the electronic media submitted should be enclosed in sealed envelopes that do not bear any identification of your institution, and labelled as "CONFIDENTIAL" and "To be opened by Addressee only"
- c. the information should be delivered by hand to the Board
- d. if password(s) for accessing or opening, or key(s) for decrypting the files are required, they should NOT be stored with the physical files, and should be sent separately. Instruction guides should be provided to explain how to apply the password(s) or decryption key(s) to access the submitted files correctly.



**Questions**

**Answers**

1. For the in-house developed systems or off-the-shelf software packages to process deposit products and extract the information for compliance with the IS Guideline, are there any applications which have undergone significant changes, upgrades, revamps or have there been newly developed or implemented systems in the last 12 months up to the position date?

Yes	
No	

Remarks/Details (if “Yes” answer is provided):

2. Has the Scheme member undergone any major merger and acquisition activities in the last 12 months up to the position date which would affect the systems and processes in relation to deposits for compliance with the IS Guideline?

Yes	
No	

Remarks/Details (if “Yes” answer is provided):

3. Has the Scheme member introduced any major new deposit products, or launched new deposit related business lines or activities in the last 12 months up to the position date, that have not been tested through an independent assessment for compliance with the IS Guideline?

Yes	
No	

Remarks/Details (if “Yes” answer is provided):

4. Has the Scheme member taken appropriate corrective measures to remediate all non-compliance issues identified in the previous compliance review conducted by the Board and all material findings identified in the independent assessment conducted by independent assessors?

Yes	
No	

Remarks/Details (if “No” answer is provided):

5. Will the Scheme member submit any records containing Chinese characters for Part (A) of the IS Guideline? If yes, please provide in the below remarks box the encoding standard of Chinese characters<sup>1</sup> and indicate whether User-defined Chinese characters<sup>2</sup> are used.

Yes	
No	

Remarks/Details (if “Yes” answer is provided):

---

<sup>1</sup> Chinese characters in the Part (A) file should use BIG5, GB or UTF-8 encoding.

<sup>2</sup> User-defined Chinese characters are characters defined by the Scheme member for internal use and often require special configuration (e.g. customised font files) to correctly display or print on computer systems.

6. Please provide the following depositor profile information of the Scheme member:

<b>Depositor profile information</b>	<b>Number <sup>3</sup></b>	<b>Deposit balance (HK\$'000)</b>
1. Deposit accounts with positive amount of principal balance plus accrued interest		
2. Number of depositors		
3. Depositors with email address information		
4. (a) Depositors registered to receive electronic bank statement or notification whenever a new electronic statement is available by the email address maintained in the bank systems		
(b) Depositors registered to receive electronic transaction advice or alert <sup>4</sup> of electronic advice by the email address maintained in the bank systems		
(c) Depositors registered to both services of 4(a) and 4(b)		
5. Depositors with internet banking account		
6. (a) Depositors with mobile phone number maintained in the bank systems		
(b) Among 6(a) above, depositors with Hong Kong mobile phone number		
7. Depositors' address undeliverable or no address is maintained in the bank systems		
8. Depositors' address is outside of Hong Kong		
9. Depositors' address is an office of the Scheme member		
10. (a) Children Savings Accounts <sup>5</sup>		
(b) Among 10(a) above, Children Savings Accounts held in trust nature		

<sup>3</sup> For Scheme members (a) with not more than 100 depositors, exact figures should be reported; (b) with 100 to 1,000 depositors, the figures should be reported to the nearest hundred (e.g. 700 should be reported if the value is 674; (c) over 1,000 depositors, the figures should be reported to the nearest thousand (e.g. 39,000 should be reported if the value is 39,256).

<sup>4</sup> Electronic transaction advice or alert means email notification sent to keep the depositors posted of the status of banking transactions, e.g. securities trading

<sup>5</sup> Deposit accounts maintained for customers at age below 18.

**Memorandum**

Please provide the following information by electronic means only to the Board:

7. Information (Parts B, G, H and I of the IS Guideline) of the Scheme member in accordance with the requirements set out in the IS Guideline. Please anonymise the personal data in the below information items by replacing the values with “<MASKED>” before submission to the Board:
  - Residence addresses and home / mobile telephone numbers of the principally responsible persons in Part (G)(a), Part (H)(d) and Part (I)(e); and
  - ID or passport numbers of individual officers, directors and secretaries in Part (I)(b)(ii) and Part (I)(c)(ii)
  
8. Template of account opening form and terms & conditions of Children Savings Accounts<sup>5</sup>.

## **Appendix V – Sample templates of independent assessment report**

### **Report Template A – Illustrative independent assessment report to be issued by professional accountants in public practice**

#### **INDEPENDENT ASSURANCE REPORT**

#### **TO THE CHIEF EXECUTIVE OF [NAME OF THE SCHEME MEMBER]**

We have been engaged by the Chief Executive of [Name of the Scheme member] (the “Bank”) to perform a reasonable assurance engagement to report on whether or not, in all material respects, during the period from [Date] to [Date] (the “relevant period”) which the review was conducted, the Bank’s controls over the relevant processes and procedures<sup>1</sup> are in place to address the control objectives set out as the assessment criteria (“assessment criteria”) within the Independent Assessment Program and Self-Declaration for Compliance with the Guideline on Information Required for Determining and Paying Compensation (“Independent Assessment Program”) issued by the Hong Kong Deposit Protection Board (the “DPB”).

#### **Management's Responsibilities**

The Management of the Bank are responsible for the design, development, testing, implementation and maintenance of effective controls over the relevant processes and procedures to address the control objectives described in the assessment criteria for compliance with the Guideline on Information Required for Determining and Paying Compensation (“IS Guideline”) issued by the DPB.

#### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Practitioner’s Responsibilities**

It is our responsibility to express an opinion on the relevant processes and procedures established by the Bank to address the control objectives for compliance with the IS Guideline based on our work performed and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants<sup>2</sup> [or International Standard of Assurance Engagement 3000 (Revised) “Assurance Engagements other than Audit or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board, or equivalent standards in the Scheme members’

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<sup>1</sup> The relevant processes and procedures put in place by the Scheme member for compliance with the requirements set out in the IS Guideline including the information required by the DPB for determining entitlement to compensation and the manner in which such information should be submitted.

<sup>2</sup> Please note that members from the Hong Kong Institute of Certified Public Accountants should conduct the engagement in accordance with Hong Kong Standard on Assurance Engagements 3000.

home countries] and with reference to the Independent Assessment Program. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance whether the relevant processes and procedures established by the Bank complied, in all material respects, with the assessment criteria for compliance with the IS Guideline.

A reasonable assurance engagement involves performing procedures to obtain sufficient appropriate evidence whether the relevant processes and procedures established by the Bank complied, in all material respects, with the assessment criteria for compliance with the IS Guideline. The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance of the relevant processes and procedures established by the Bank with the assessment criteria for compliance with the IS Guideline. Within the scope of our work we performed amongst others the following procedures:

- reviewing relevant documentation;
- enquiring with management and relevant personnel responsible for performing the relevant control procedures;
- observing the performance of operational procedures;
- reviewing records or logs to confirm compliance with predefined policies and procedures; and
- testing extracted information and reconciling such information to the Bank's underlying books and records, as appropriate.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our [opinion / qualified opinion / adverse opinion].

### **Inherent Limitation**

We draw your attention to the fact that the procedures performed, and the report, include certain inherent limitations that can influence the reliability of the information. Internal control systems designed to address specific control objectives are subject to inherent limitations of any internal control structure, and accordingly, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the internal control systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

Option 1:

### **Opinion**

Based on the foregoing, in our opinion,

(i) the Bank's controls were suitably designed and implemented throughout the relevant period, in all material respects, in accordance with the control objectives described in the assessment criteria; and

(ii) the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the assessment criteria were achieved, operated effectively, in all material respects, throughout the relevant period.

Option 2:

### **Basis for Qualified Opinion**

As discussed in greater detail in the Appendix [ ] to this report, we noted the following material exceptions:

[Please specify the exceptions identified below reflected to Appendix [ ] to this report for details, if necessary.]

### **Qualified Opinion**

Based on the foregoing, in our opinion, with the exception of the matters described in the Basis for Qualified Opinion paragraph of the report,

(i) the Bank's controls were suitably designed and implemented throughout the relevant period, in all material respects, in accordance with the control objectives described in the assessment criteria; and

(ii) the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the assessment criteria were achieved, operated effectively, in all material respects, throughout the relevant period.

Option 3:

### **Basis for Adverse Opinion**

As discussed in greater detail in the Appendix [ ] to this report, we noted the following material exceptions:

[Please specify the exceptions identified below reflected to Appendix [ ] to this report for details, if necessary.]

### **Adverse Opinion**

Based on the foregoing, in our opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph of the report,

(i) the Bank's controls were not suitably designed and implemented throughout the relevant period in accordance with the control objectives described in the assessment criteria; and

(ii) the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the assessment criteria were not achieved, nor did they operate effectively throughout the relevant period.

### **Restriction on Use and Distribution**

Our report is intended solely for the use of the Bank. We understand and agree that a copy of this report may be provided to Hong Kong Deposit Protection Board where required to do so by them. This report may not be suitable for other purposes. This report should not be distributed to or used for any other purpose without our prior written approval.

[Name of the external compliance assessor]

**Certified Public Accountants**

[Place of issuance of the report]

[Date]

**Report Template B –  
Illustrative independent assessment report to be issued by  
independent assessors other than professional accountants in public practice**

**INDEPENDENT ASSESSMENT REPORT**

**TO THE CHIEF EXECUTIVE OF [NAME OF THE SCHEME MEMBER]**

We have been requested by the Chief Executive of [Name of the Scheme member] (the “Bank”) to perform an independent assessment to report on whether or not, in all material respects, during the period from [Date] to [Date] (the “relevant period”) which the review was conducted, the Bank’s controls over the relevant processes and procedures<sup>1</sup> are in place to address the control objectives set out as the assessment criteria (“assessment criteria”) within the Independent Assessment Program and Self-Declaration for Compliance with the Guideline on Information Required for Determining and Paying Compensation (“Independent Assessment Program”) issued by the Hong Kong Deposit Protection Board (the “DPB”).

**Management's Responsibilities**

The Management of the Bank are responsible for the design, development, testing, implementation and maintenance of effective controls over the relevant processes and procedures to address the control objectives described in the assessment criteria for compliance with the Guideline on Information Required for Determining and Paying Compensation (“IS Guideline”) issued by the DPB.

**Independent Assessor’s Responsibilities**

It is our responsibility to express a conclusion on the relevant processes and procedures established by the Bank to address the control objectives for compliance with the IS Guideline based on our work performed and to report our conclusion to you.

We conducted our work with reference to the Independent Assessment Program. An independent assessment involves performing procedures to obtain sufficient appropriate evidence whether the relevant processes and procedures established by the Bank complied, in all material respects, with the assessment criteria for compliance with the IS Guideline. The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance of the relevant processes and procedures established by the Bank with the assessment criteria for compliance with the IS Guideline. Within the scope of our work we performed amongst others the following procedures:

- reviewing relevant documentation;
- enquiring with management and relevant personnel responsible for performing the relevant control procedures;
- observing the performance of operational procedures;
- reviewing records or logs to confirm compliance with predefined policies and procedures; and
- testing extracted information and reconciling such information to the Bank’s underlying books and records, as appropriate.

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<sup>1</sup> The relevant processes and procedures put in place by the Scheme member for compliance with the requirements set out in the IS Guideline including the information required by the DPB for determining entitlement to compensation and the manner in which such information should be submitted.



We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our [opinion / qualified opinion / adverse opinion].

### **Inherent Limitation**

We draw your attention to the fact that the procedures performed, and the report, include certain inherent limitations that can influence the reliability of the information. Internal control systems designed to address specific control objectives are subject to inherent limitations of any internal control structure, and accordingly, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the internal control systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

Option 1:

### **Opinion**

Based on the foregoing, in our opinion,

(i) the Bank's controls were suitably designed and implemented throughout the relevant period in all material respects, in accordance with the control objectives described in the assessment criteria; and

(ii) the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the assessment criteria were achieved, operated effectively, in all material respects, throughout the relevant period.

Option 2:

### **Basis for Qualified Opinion**

As discussed in greater detail in the Appendix [ ] to this report, we noted the following material exceptions:

[Please specify the exceptions identified below reflected to Appendix [ ] to this report for details, if necessary.]

### **Qualified Opinion**

Based on the foregoing, in our opinion, with the exception of the matters described in the Basis for Qualified Opinion paragraph of the report,

(i) the Bank's controls were suitably designed and implemented throughout the relevant period in all material respects, in accordance with the control objectives described in the assessment criteria; and

(ii) the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the assessment criteria were achieved, operated effectively, in all material respects, throughout the relevant period.

Option 3:

### **Basis for Adverse Opinion**

As discussed in greater detail in the Appendix [ ] to this report, we noted the following material exceptions:

[Please specify the exceptions identified below reflected to Appendix [ ] to this report for details, if necessary.]

**Adverse Opinion**

Based on the foregoing, in our opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph of the report,

(i) the Bank's controls were not suitably designed and implemented throughout the relevant period in accordance with the control objectives described in the assessment criteria; and

(ii) the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the assessment criteria were not achieved, nor did they operate effectively throughout the relevant period.

**[Name and title of the independent compliance assessor]**

**[Place of issuance of the report]**

**[Date]**