



**[By email \(dps\\_enhancements@dps.org.hk\)](mailto:dps_enhancements@dps.org.hk)**

12 October 2023

Our Ref.: C/RIF, M138426

Hong Kong Deposit Protection Board  
Room 1812-1810  
18/F Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

Dear Sirs,

**[Consultation Paper – Enhancements to the Deposit Protection Scheme in Hong Kong](#)**

Thank you for your invitation to the Hong Kong Institute of Certified Public Accountants (“the Institute”) to comment on the above consultation paper (“CP”) issued by the Hong Kong Deposit Protection Board (“the Board”) on enhancements to the Deposit Protection Scheme (“DPS”) in Hong Kong.

We have sought views from relevant groups within the Institute, including Restructuring and Insolvency Faculty Executive Committee and Banking Regulatory Advisory Panel. Broadly speaking, we are supportive of the Board’s proposals to enhance the DPS to strengthen protection to depositors and the financial stability of Hong Kong, which include:

- (i) Raising the protection limit from the current HK\$500,000 to HK\$800,000.
- (ii) Switching back to the build-up levy to cater for a higher protection limit, with the build-up levy rates kept unchanged.
- (iii) Providing enhanced coverage to affected depositors for six months upon a bank merger
- (iv) Requiring the display of the DPS membership sign on the digital channels of DPS members and streamlining the disclosure requirements on non-protected deposits for private banking customers.

Regarding the protection limit, the current limit has been in place for 12 years, so it is appropriate to review it, particularly given that the coverage ratio has declined from fully protecting around 91% of depositors in 2011 to around 88-89% now. As the CP (paragraph 8) indicates, the new proposed limit “will reasonably enhance depositors’ protection against inflation and meet international standards by fully protecting about 92% of depositors while keeping the associated costs at a manageable level.” We note also that the Board has made reference to various criteria in determining the appropriate increase in the limit, including the coverage of total deposits, cumulative inflation since 2011, and what is, as we are informed, another commonly used



indicator, the protection limit as a percentage of per capita gross domestic product. In relation to inflation, it seems sensible to go beyond the cumulative inflation figure of 39% since 2011, in order to ensure that the new limit does not fall below that threshold again within a short space of time. These criteria all tend to point to the reasonableness of the proposed new limit of HK\$800,000.

We agree with the Board's aim to strike a reasonable balance between enhancing depositor protection and minimising the costs involved, which may ultimately be borne by bank customers.

We also agree with the statement in paragraph 6 of the CP that "apart from deposit protection, other building blocks of the financial safety net, such as prudential regulation, sound supervision, banks' risk management, and resolution regime, also play an important (if not more important) role in preventing a bank failure and mitigating the impact of such bank failure on the financial system. Therefore, one cannot simply rely on deposit protection to address all financial stability concerns." This is clearly not the aim of deposit protection schemes generally, nor can they serve that purpose. They represent only one piece in the jigsaw in terms of building trust and confidence in the banking system. In this regard, it is worth noting that, even after the increase in the protection limit, deposit protection in Hong Kong will cover only around 25% of total deposits (albeit up from the current 20%).

While we generally support the proposals, we would also suggest that, at some point in the future, there should be more a more extensive review the DPS scheme to ensure that it remains fit for purpose and takes into consideration any significant new developments in corresponding schemes elsewhere around the world.

Should you have any questions on this submission, please feel free to contact me at the Institute on 2287 7084 or at <[peter@hkicpa.org.hk](mailto:peter@hkicpa.org.hk)>.

Yours faithfully,

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Director, Advocacy & Practice Development

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