



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B9/62/2C

8 September 2010

The Chief Executive
All Licensed Banks

Dear Sir / Madam,

Representations on the Expiry of Full Deposit Guarantee

You may be aware that the full deposit guarantee introduced by the Government in October 2008 (the “Guarantee”) will expire at the end of this year. At that time, the level of protection under the on-going deposit protection arrangements in Hong Kong, the Deposit Protection Scheme (the “Scheme”), will be increased from HK\$100,000 to HK\$500,000.

On 9 December 2008, the HKMA issued a statutory guideline requiring authorized institutions to make representations in respect of the level and scope of deposit protection under the Guarantee. This statutory guideline will no longer be applicable after the Guarantee expires. Therefore, upon the expiry of the Guarantee, you should remove all guarantee signs displayed on the premises and websites of your institution, as well as any obsolete references to the Guarantee in your advertisements or promotional materials.

Misrepresentation of protection status of financial products offered by your institution could expose your institution to legal as well as reputational risks. You are therefore expected to take immediate steps to put in place proper procedures to ensure compliance with the above requirements as soon as practicable.

You are also encouraged to alert your customers of the impending expiry of the Guarantee. When doing this, it is suggested that you also highlight that your institution is a member of the Scheme and that the level of deposit protection under the Scheme will be raised from HK\$100,000 to HK\$500,000 upon the expiry of the Guarantee, i.e. on 1 January 2011, so that your customers are aware of these changes. The proposed wording can be found in the practical guidance note at the Annex to this letter.

If you have any questions on this letter, please feel free to contact Ms Eve Law at 2878-1197 or Ms Tess Leung at 2878-8280.

Yours faithfully,

Meena Datwani
Executive Director (Banking Conduct)

Encl.

**Practical Guidance on
Representation on the Expiry of Full Deposit Guarantee**

Proposed wording for informing customers about the expiry of full deposit guarantee and the enhancement to the Deposit Protection Scheme

“The guarantee provided by the Hong Kong SAR Government’s Exchange Fund for the repayment of eligible deposits taken by all authorized institutions, including [name of the institution], will expire at the end of 2010.

[Name of the institution] is a member of the Deposit Protection Scheme in Hong Kong. Eligible deposits taken by [name of the institution] are protected by the Scheme. The protection limit of the Scheme will be increased from HK\$100,000 per depositor to HK\$500,000 per depositor on 1 January 2011.”