



## Full Deposit Protection (until the end of 2010)

### At which types of institution are deposits protected?

Deposits held with all Authorized Institutions in Hong Kong, including Licensed Banks, Restricted Licence Banks and Deposit-Taking Companies, are protected.

Deposits at	Protection limit	Protected by
Licensed Banks	First HK\$100,000	Hong Kong Deposit Protection Board
	Above HK\$100,000 (Until the end of 2010)	Hong Kong SAR Government's Exchange Fund
Restricted Licence Banks and Deposit-Taking Companies	Full amount (Until the end of 2010)	Hong Kong SAR Government's Exchange Fund

List of Authorized Institutions under the supervision of the Hong Kong Monetary Authority

### Which types of deposit are protected?

Following the principles of the Deposit Protection Scheme, both Hong Kong dollar and foreign currency deposits are protected. However, certain deposits such as time deposits with a maturity longer than five years, structured deposits (such as foreign currency-linked and equity-linked deposits), secured deposits (such as deposits used as collateral to secure a banking facility), bearer instruments (such as bearer certificates of deposit) and offshore deposits are not protected. Other financial products such as bonds, stocks, warrants, mutual funds, unit trusts and insurance policies are also not protected.

Frequently asked questions on financial products protected under the principles of the Deposit Protection Scheme

### Which types of depositor are protected?

Both individuals and companies are protected.

Frequently asked questions on depositors being protected under the principles of the Deposit Protection Scheme

### How do you know whether a deposit is protected?

If a financial product is described as a deposit but is not protected by any of the current deposit protection arrangements, the Authorized Institution offering the product will notify you that the product is not protected either before you open an account for the product or before you decide to purchase the product. You can find out from your Authorized Institution whether your deposits are covered.

Frequently asked questions on disclosure and representation requirements under the principles of the Deposit Protection Scheme

### When will compensation be paid?

If an Authorized Institution fails, the Hong Kong Deposit Protection Board will be responsible for making compensation under the Deposit Protection Scheme to the affected depositors, and assist in making compensation under the guarantee of the Exchange Fund. Affected depositors will be notified when compensation becomes payable.

### How is the compensation amount calculated?

The compensation amount is the sum of eligible deposits less any money you owe the Authorized Institution. Both the principals and the interests of deposits and liabilities will be

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included in the calculation, and money owed to the bank includes loans (such as credit card balances and mortgage loans), unpaid fees and charges.

For joint deposits, holders of the account are normally deemed to have an equal share in the deposit.

**Example** (All amounts include principal and interest)

Depositor	Details	Amount(HK\$)
<u>Eligible deposits</u>		
Mr Lee and Mrs Lee (a joint account)	Time Deposit	160,000
Mrs Lee (a single depositor account)	Savings Account	120,000
<u>Liabilities to the bank</u>		
Mr Lee	Personal Loan	30,000
<u>Mr Lee</u>		
Compensation amount	160,000/2 - 30,000	<b>50,000</b>
<u>Mrs Lee</u>		
Compensation amount	160,000/2 + 120,000	<b>200,000</b>

#### **If an Authorized Institution fails, what should depositors do?**

Depositors do not need to file claims. Depositors' eligibility for compensation and compensation entitlements will be determined based on records obtained from the failed Authorized Institution.

Eligible depositors will be compensated as soon as possible. If it is deemed necessary, interim payments will be made.

#### **Where do the funds for compensating depositors come from?**

The funds for compensating depositors come from a standby credit facility provided by the Exchange Fund.

#### **Related press releases (14 October 2008)**

FS' opening statement at press conference to announce measures to safeguard banking stability in HK (Issued by Financial Secretary's Office)

Financial Secretary announces new measures to support confidence in the Hong Kong banking system (Issued by the Hong Kong Monetary Authority)

#### **Guideline and circular (9 December 2008)**

Representation on Eligible Deposits by Authorized Institutions

A Guideline issued by the Monetary Authority under section 7(3) of the Banking Ordinance

#### **Information leaflet**

