

Enhancements to the Deposit Protection Scheme

Consultation Conclusions

Financial Services and the Treasury Bureau
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May 2015

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Purpose

This paper summarises the submissions received from the consultation on the proposed enhancements to the Deposit Protection Scheme (DPS), and sets out the Government's responses, which will form the basis of the proposed amendments to the Deposit Protection Scheme Ordinance (DPS Ordinance) (Cap. 581).

Background

2. The Financial Services and the Treasury Bureau (FSTB) and the Hong Kong Monetary Authority (HKMA) jointly launched, on 12 September 2014, a three-month consultation on the proposed enhancements to the DPS for improving payout efficiency. The proposals included –
 - (a) adopting a “gross payout” approach to determine DPS compensation (i.e. a depositor will be compensated an amount up to the DPS protection limit, without setting off the depositor's liabilities against his/her deposits owed to the same bank at the time of the payout determination and distribution);
 - (b) providing more certainty to determine the reference date used for calculating the deposit compensation amount; and
 - (c) enabling the use of electronic communication channels by the Hong Kong Deposit Protection Board¹ (HKDPB), in addition to conventional paper-form communication, to notify depositors of the compensation arrangements, in case the DPS is triggered.

Consultation Feedback

3. A total of 17 submissions were received. The respondents comprised a variety of industry associations (including the Hong Kong Association of Banks (HKAB) and the DTC Association), the

¹ The DPS is operated by the Hong Kong Deposit Protection Board, a statutory body established under the DPS Ordinance.

Consumer Council, professional bodies, financial institutions, banks, accountancy firms, and individuals. A list of the respondents is at **Annex 1**.

4. All respondents indicate support for the proposals, in view of the benefits of prompt payouts to depositors, the banking industry, and Hong Kong as an international financial centre. Some respondents seek clarifications or offer suggestions on certain operational details of the DPS. The key comments received and our responses are set out in the following paragraphs. Details of specific comments together with our feedback are elaborated in **Annex 2**.

Major Comments Received and Our Responses

(A) Gross Payout

Proposal

5. To remove the impediment to a swifter compensation for depositors and to enhance the function of the DPS in contributing to banking stability, we propose adopting a gross payout approach, i.e. a depositor will be compensated an amount up to the DPS protection limit (currently \$500,000), without setting off the depositor's liabilities against his/her deposits owed to the same bank at the time of payout determination and distribution. This would not only enhance the protection for depositors but also mitigate the potential of contagion in the event of a banking crisis. When the gross payout approach is adopted, the basis for the recovery of compensation paid by the DPS will be aligned with the basis for compensation determination, i.e. also on a gross basis. While the size of protected deposits may possibly increase moderately when calculated on a gross basis, we do not propose any change to the target size of the DPS Fund and the premium rates currently applicable to Scheme members so that the contributions payable by Scheme members will not increase significantly. That said, set-off of a depositor's liabilities against his/her deposits will still be applicable to deposits exceeding the DPS protection limit. Also, the existing creditor hierarchy in the case of any insolvency of a bank will continue to apply.

Issue under consultation:

- (1) Do you agree that it is appropriate to adopt the proposed gross payout approach to enable rapid compensation by the DPS? If not, what other approaches are recommended to reduce hurdles to DPS compensation determination arising from the set-off requirements so as to ensure a fast payout?*

Views from the consultation

6. All respondents support the adoption of the gross payout approach. They agree that the application of the gross payout approach would enable depositors to have quicker access to deposit compensation payments, which will help maintain depositor confidence and

promote banking stability.

7. While some respondents note from a liquidator's perspective that the time and effort for recovering outstanding debts from depositors may increase because of the potentially higher number and amount of debts to recover as a result of the disapplication of set-off up to the DPS protection limit, they agree that the benefits of the gross payout approach would outweigh any additional cost associated with its impact, expected to be limited, on the liquidation regime. A respondent points out that, if a liquidator of an insolvent bank chooses to sell the whole loan portfolio of that bank to a third party, instead of recovering each loan individually, the adoption of the gross approach will save the liquidator's resources to reconcile the outstanding balances of the loans under the net payout approach with the original loan value.
8. A respondent mentions the situation in which a depositor after receiving the deposit compensation defaults on a loan that has not been set off, as this may reduce the liquidated assets available for distribution to other creditors (including the subrogated claims of the HKDPB after payout to depositors of the bank concerned). Hence, the respondent suggests considering imposing a condition to require the depositor to return any compensation received from the DPS if he or she subsequently fails to meet the debt repayment obligation owed to the relevant bank.
9. The banking industry notes that the proposed gross payout approach will streamline Scheme members' work on submission of information and record management as the provision of depositors' liability-related information will no longer be necessary. It also seeks clarification whether the annual contribution payable by Scheme members would be kept unchanged and whether the premium rates would be lowered upon implementation of the gross approach.

The Government's response

10. We are pleased that the proposed adoption of the gross payout approach has received broad support from respondents. Regarding the views about the insolvency regime, it has been our intention to limit the potential implications of the proposed enhancement for liquidation costs. The additional liquidation costs potentially arising from the gross payout would be limited given that the set-off against

depositors' liabilities will continue to apply to deposits in excess of \$500,000. Moreover, given that the difference in value between protected deposits calculated on the net versus gross bases is not very material, and the charge off rates have been chronically low, we envisage the risk of incurring additional liquidation costs from gross payout to be contained. As echoed by the respondents, the benefits derived from greater depositor confidence, faster access to deposits by depositors, lower contagion risk and simplified hence more efficient banking reporting requirements, would outweigh any additional costs.

11. There is a suggestion that the HKDPB should be empowered to demand the return of DPS compensation paid to a depositor to the DPS upon occurrence of a loan default. It should be noted that a liquidator of the bank concerned is empowered to recover a depositor's outstanding loans. Unless the compensation is sufficient to cover the entire amount of the loan, the liquidator will still have to request the depositor's repayment of any outstanding liability owed to the bank concerned. In fact, in situations where the depositor has insufficient funds for loan repayment even after receiving DPS compensation (more likely when the DPS compensation amount is small relative to the outstanding debt balance), the extra effort in recovering any sums may in any event be futile.
12. On cost implications for Scheme members, the premium rates chargeable on banks and the target size of the DPS Fund will be kept unchanged under the proposed gross approach to minimise any cost consequences to Scheme members. Although it is possible that the annual contributions of some Scheme members might increase as a result of a higher level of protected deposits when calculated on a gross basis, the increase is estimated to be moderate. If the absolute amount of contribution payment is required to be maintained at the present level, this will effectively mean a reduction in the premium rates payable. In fact, the existing premium rates are lower than the level at the inception of the DPS in 2006², any further reduction of the premium rates would lead to delay in the DPS Fund reaching its target fund size and compromise the loss absorption ability of the DPS. Therefore, we consider it appropriate to proceed with the adoption of the gross payout approach without any adjustments to the premium rates.

² The annual contribution rates were reduced in 2011 when the limit of total amount of compensation for each depositor per bank was raised from \$100,000 to \$500,000, to keep the annual contribution of Scheme members unchanged at the then level.

(B) Quantification Date

Proposal

13. We propose that the specific quantification date (QD), in relation to a Scheme member, be defined to be the Trigger Date (TD)³ or the date of appointment of provisional liquidator (PLD), whichever is the earlier, in order to remove any uncertainty for the HKDPB to determine the reference date for DPS compensation calculation in case there is a time gap between the appointment of provisional liquidator and the triggering of the DPS. This can kick start the commencement of the DPS payout process at the earliest instance.

Issue under consultation:

- (2) Do you agree that we should remove the uncertainties in the reference date (i.e. the QD) for determination of compensation payment by amending the definition of the QD as the date of the TD and the PLD, whichever is earlier? If not, are there any other alternatives to the use of the TD and the PLD which may help address the same issue?*

Views from the consultation

14. All respondents support the proposal to amend the definition of the QD to remove any uncertainties in DPS compensation determination, hence enabling a faster payout to restore depositor confidence in a banking crisis.

The Government's response

15. The proposed revision set out in the consultation paper is intended to automate the determination of the QD upon the triggering of the DPS or the appointment of a provisional liquidator, whichever event occurs earlier. Having further considered the proposal in terms of fulfilling the purpose of removing any uncertainty in the reference date, we propose to make a corresponding modification to our original proposal to define the QD as the TD directly in order to streamline the compensation determination process.

³ Precisely, the TD is the date of a specified event under section 22 of the DPSO, meaning the date on which a winding-up order has been made by the Court of First Instance in respect of a Scheme member, or the date on which the Monetary Authority has served a notice on the HKDPB to trigger the DPS, whichever is the earlier.

(C) Electronic Notice

Proposal

16. We propose that the HKDPB be empowered to send notice to a depositor on compensation decision by electronic means, as and when the HKDPB can satisfy itself that a notice sent by such means will reasonably come to the attention of that depositor having regard to the circumstances. The proposal will benefit depositors by shortening the time for them to receive details about their compensation payments. Those depositors who do not maintain an e-banking account or other electronic contacts with the bank will continue to be notified through paper notices. After the settling of payments, depositors who are notified electronically will still receive a paper notice for a complete record. Practically, we envisage that the flexibility will enable the HKDPB to provide notification to depositors through electronic means, in addition to paper notices, hence reducing potential operational stress during a banking crisis.

Issue under consultation:

- (3) *Do you agree that we should enable the HKDPB to have the flexibility of using electronic notice, in addition to paper notice, to handle the payout process more effectively? Do you have any other suggestions on the use of electronic notice to communicate with depositors?*

Views from the consultation

17. All respondents support the proposal to include an option for the HKDPB to issue electronic notices to depositors who maintain active email contacts with the bank concerned. Several respondents express the view that proper safeguards should be put in place to ensure information security and data privacy of electronic communications with depositors and suggest that appropriate contingency plans should be developed. Some suggest sending an email together with a SMS reminder to reduce the chance of depositors overlooking the notification from the HKDPB.
18. A respondent would like to clarify whether the electronic notice would be supplementary to a written notice rather than a replacement

of it. To ensure that depositors would not have overlooked the electronic notice, there are requests that written notices should be retained. To assist depositors who might encounter problems when reading an electronic notice, some suggest establishing a hotline to handle enquiries.

The Government's response

19. We note the support for this proposal. The information security and data privacy factor will be among the most important considerations in choosing the appropriate electronic channels for information transmission. In particular, the effectiveness of safeguards to ensure secure communication through electronic channels will be duly evaluated. It is contemplated that email notifications would be issued to depositors supplemented by SMS reminders to further facilitate the notification process. A hotline will operate during a payout to provide assistance to depositors, for handling general enquiries as well as issues that may arise from receiving or reading the notices. The electronic notices will contain the essential payment detail and, subject to the readiness or reliability of relevant payment technologies, an e-cheque⁴ or any other forms of payment facilities to effect the compensation. Contingency measures with due consideration of information security, data privacy and operational risks for sending notifications through electronic means will be formally put in place.
20. Some respondents seem to be under the impression that written notice would not be issued to depositors who would receive electronic notice. We wish to emphasise that, a written notice will still be sent to all depositors affected when the DPS is triggered, including those receiving electronic notice in the first instance, for better record keeping. Depositors who are not active users of e-banking facilities or do not communicate with the bank concerned electronically will continue to receive a paper notice from the HKDPB, and hence will not be affected by the proposal at all.
21. In view of the support for the use of electronic notices in addition to paper notices, we will implement the proposal.

⁴ The Electronic Transactions Ordinance (Amendment of Schedule 1) Order 2014 has granted e-cheque the same legal status as paper cheque.

Other comments received

22. We have received some comments not directly related to the proposed enhancements in the consultation paper. Two submissions suggest increasing the DPS protection limit. There is also a suggestion to extend the DPS coverage to deposits placed with restricted licence banks (RLBs) and deposit-taking companies (DTCs) because some depositors might not realise that deposits with these institutions are not protected by the DPS.
23. While the coverage limit and membership of the DPS are not covered in this consultation, these issues have been kept under review from time to time to ensure the continual efficiency and effectiveness of the DPS. Based on the recent survey results, about 90% of depositors are fully protected by the DPS. We understand that some depositors may generally welcome a higher coverage limit but the resulting cost, moral hazard, as well as other relevant factors need to be considered. It should be noted that, in the case for the DPS of Hong Kong, the marginal increase in the depositors fully covered is not very sensitive to the upward adjustment in the protection limit, whereas this will naturally lead to concerns in relation to moral hazard and the sustainability of the premium rates currently applicable to Scheme members. However, the HKDPB has been monitoring the percentage of depositors fully covered by the DPS to ensure the effectiveness of its coverage. Our policy objective based on current international best practice is to ensure that the vast majority of depositors (currently at 90%) are fully covered.
24. Regarding the membership issue, as most RLBs and DTCs are not engaged in the retail business and their aggregate deposit base is less than 1% of the market total, the extension of the DPS to cover their depositors would not contribute materially to increasing the percentage of depositors protected. Hence, there appears to be limited immediate benefits in expanding the scope of membership to cover RLBs and DTCs. To assure the public of the adequacy of DPS protection, the HKDPB will continue to educate the public about the protection coverage offered by the DPS and its applicability to deposits placed with Scheme members.

Way Forward

25. With support for the proposed enhancements, we will proceed with preparing a bill to amend the DPS Ordinance. We will also continue to engage relevant stakeholders as we prepare the bill. The HKDPB will allow time for Scheme members to make the required adjustments to their systems or procedures to ensure a smooth implementation of the relevant legislative changes. We aim to introduce an amendment bill into the Legislative Council within the current legislative term.

List of Respondents

1. BDO Limited
2. Consumer Council
3. FKM Group
4. Hang Seng Bank Limited
5. Hong Kong Bar Association
6. Hong Kong Institute of Certified Public Accountants
7. Industrial and Commercial Bank of China (Asia) Limited
8. Institute of Financial Planners of Hong Kong
9. PricewaterhouseCoopers Limited
10. RSM Nelson Wheeler Corporate Advisory Limited
11. Taiwan Business Bank Hong Kong Branch
12. Taiwan Cooperative Bank, Limited
13. The Hong Kong Association of Banks
14. The DTC Association
15. The Law Society of Hong Kong
16. Sammy Koo
17. Undisclosed respondent

Summary of Comments and the Government's Responses

Respondents' views and comments	The Government's responses
(1) GROSS PAYOUT	
<ul style="list-style-type: none"> • Overall, all respondents support the proposed gross payout approach to improve the speed of payout. In particular, the use of gross payout approach will enable depositors to have quicker access to deposit compensation payments, which will help maintain depositor confidence and promote financial stability. • As deposits not exceeding the DPS protection limit will no longer be subject to set-off under the proposed gross approach, some respondents see a potential increase in liquidation costs or reduction in liquidated assets to be recovered by the liquidators in case of default in loan repayment by a depositor after he/she has received a compensation from the DPS. That said, overall, these respondents feel that the potential benefits from gross payout to depositors, banking industry and reputation of Hong Kong as an international financial centre would outweigh the potential costs associated with its impact, expected to be limited, on the liquidation regime. 	<ul style="list-style-type: none"> • Noted. • We hope to minimise the potential implication for liquidation costs. The additional liquidation costs arising from gross payout would be limited given that the set-off arrangement will remain for deposits exceeding \$500,000, and that the historical loan default rates of bank customers were not high. Moreover, given that the difference between protected deposits calculated on the net versus gross bases is not material, the risk of incurring additional liquidation costs from gross payout is expected to be contained. We envisage that the benefits derived from simplification of bank reporting systems, depositor confidence, faster access to deposits or liquidity by depositors and lower contagion risk would outweigh any additional

Respondents' views and comments	The Government's responses
<ul style="list-style-type: none"> • One respondent notes that, if the liquidator adopts a strategy to sell out the whole loan portfolio rather than to recover each loan on a one-by-one basis, the adoption of the gross approach will save the liquidator's resources to reconcile the outstanding balances of the loans under the net payout approach with the original loan value. • To mitigate the possible costs arising from recovery of loans from depositors, one respondent suggests considering imposition of a condition to require a depositor to return any compensation received from the DPS if he or she defaults on repayment of the outstanding loan to the liquidator. • A respondent seeks clarification on the following: 	<p>costs.</p> <ul style="list-style-type: none"> • Noted. • If a condition to require a depositor to return compensation received from the DPS upon loan default is imposed, the effort to be spent on demanding repayment of DPS compensation would likely duplicate that of the liquidator unless the compensation is sufficient to cover the entire amount of the loan. In fact, in situations where the depositor has insufficient funds for loan repayment even after receiving DPS compensation, any extra effort in recovering any sums may in any event be futile. • We have the following comments:

Respondents' views and comments	The Government's responses
<p>(a) whether the Information System Guideline and Compliance Review Programme of the HKDPB would be reviewed and details of the change to the gross payout approach would be provided to all Scheme members in advance to allow sufficient lead time to make necessary system changes;</p> <p>(b) whether the total annual contributions payable by Scheme members in the industry would be kept unchanged; and</p>	<p>(a) Under the proposed gross payout approach, customer liabilities information currently required by the HKDPB under the Information System Guideline will no longer be relevant to the determination of compensation under the DPS. As such, it is expected that the current information requirements will be simplified. Scheme members will be consulted by the HKDPB beforehand.</p> <p>(b) The proposed gross approach minimises any significant cost consequences for Scheme members as the current premium rates will not be increased.</p> <p>Although the premium rates chargeable on banks will be kept unchanged under the gross approach, it is possible that the annual contributions of some Scheme members might increase as a result of a higher level of relevant deposits when calculated on a gross basis.</p> <p>If the amount of contribution payment remains unchanged, this would effectively mean a reduction in the premium rates payable. We do not consider it appropriate at this stage to adjust the premium rate having regard to the financial position of the DPS Fund.</p>

Respondents' views and comments	The Government's responses
<p>(c) whether there would be any reduction of the premium rates for calculating contribution as the size of the “relevant deposits” would be increased under the gross payout approach.</p> <ul style="list-style-type: none"> • A respondent comments that the proposed change needs to be aligned with the proposed resolution regime. • A respondent notes the need for an assessment of any worse-off scenarios for depositors and the accuracy of payment to each depositor under the gross payout 	<p>In addition, it is expected that Scheme members would benefit from reduction in IT and compliance costs due to simplified data maintenance, reporting and verification requirements after adoption of the gross approach. Overall, the cost impact should generally be moderate.</p> <p>(c) Any further reduction of the premium rates could unduly affect the soundness of the DPS Fund. Moreover, the prevailing premium rates of the DPS are among the lowest of deposit insurance schemes around the world. It is not our intention to reduce the current premium level at this stage.</p> <ul style="list-style-type: none"> • The proposed gross payout approach is in line with the different resolution tools being put in place internationally. We will continue to ensure close and effective coordination with the proposals to establish a resolution regime in Hong Kong. • We have carefully evaluated the potential impact on depositors under different scenarios of deposit and liability balances under the gross payout approach. The accuracy of

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<p>approach.</p>	<p>compensation determination is a major focus of HKDPB's operations and substantial effort will continue to be made to ensure accuracy through rehearsal, simulation exercises and system upgrades. Since the gross approach is relatively straight forward in comparison with the net approach, the calculation should be less complicated.</p>

Respondents' views and comments	The Government's responses
(2) QUANTIFICATION DATE	
<ul style="list-style-type: none"> • All respondents support the proposal that the specific QD, in relation to a Scheme member, be defined to be the TD or the PLD, whichever is the earlier, to enhance the certainty of calculation. • A respondent suggests that further study should be conducted to avoid the proposed amendment giving rise to any legal controversy in the period between the TD and the PLD which might create uncertainty for the bank concerned and the payout process. • A respondent notes that, where deposits are denominated in foreign currencies, the issue of discrepancies between the compensation payments by the DPS and the recovery of compensation from the liquidators would remain. 	<ul style="list-style-type: none"> • Noted. Having further considered the proposal in terms of fulfilling the purpose of removing uncertainties in the reference date, our original proposal on the QD will be refined such that the QD is defined to mean directly the TD under the DPSO (i.e. the DPS is triggered upon occurrence of the issuance of a winding-up order in respect of a bank or when the MA has served on the HKDPB a notice under section 22(2) of the DPSO). • Having further considered the proposal in terms of fulfilling the purpose of removing uncertainties in the reference date, the determination of the QD is intended to be automated upon triggering of the DPS in order to streamline the compensation determination process. • The proposed amendment mainly aims at removing the uncertainties in determining the reference date for compensation payment by amending the definition of the QD. The proposed amendment will not further aggravate the exchange risk exposure in the existing compensation arrangement.

Respondents' views and comments	The Government's responses
(3) ELECTRONIC NOTICE	
<ul style="list-style-type: none"> • All respondents support the proposal that the HKDPB be empowered to send notice to a depositor on compensation decision by any electronic means, in addition to paper notice, with a view to expediting the notification for the affected depositors. • Some respondents express the view that the HKDPB should take into account the information security and data privacy of transmitting information via electronic channels and ensure that a proper contingency plan will be in place. • A few respondents also suggest 	<ul style="list-style-type: none"> • Noted. • Information security and data privacy will be among the most important considerations in offering the appropriate electronic channels for information transmission. In particular, the effectiveness of safeguards to ensure secured communication through electronic channels will be duly evaluated. Contingency measures with due regard to information security, data privacy and operational risks for sending notifications through electronic means will be put in place. There will also be policies and procedures prescribed by the HKDPB for preservation of confidentiality of personal data for the operation. • We will ensure the validity of

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<p>considering making reference to the Electronic Transactions Ordinance (Cap. 553) (ETO) to ensure the validity of electronic communications and records.</p> <ul style="list-style-type: none"> • Some respondents express the view that the existing channel for written notice should be maintained as certain groups of customers such as the elderly, vulnerable customers and corporations, might be unable or reluctant to provide electronic means of contact at the time of account opening. • A respondent asks whether the payment notice to depositors will be delivered via a Scheme member's platform and, whether this may cause operational burdens to the Scheme member and confuse depositors. A respondent also suggests that all communication should come directly from the HKDPB and should include relevant contact details, in case there are enquiries about the communication. • A respondent notes that email address is not mandatory customer 	<p>electronic notices to be issued by the HKDPB. This will be dealt with when we prepare the relevant legislative amendments.</p> <ul style="list-style-type: none"> • The existing channel for written notice will be retained to cater for the needs of the depositors who do not use electronic communication channels. For those depositors receiving the electronic notice, a written notice will still be sent to them for record. • The HKDPB will not make use of the relevant bank's system platform to issue payment notices to depositors. Instead, the HKDPB will obtain the contact details of depositors from the bank concerned for issuance of notices. To handle depositors' enquiries, the HKDPB will set up a dedicated hotline with trained call operators to respond to enquiries in respect of the payment notices. • It is understandable that not all customers provide their email

Respondents' views and comments	The Government's responses
<p>information and may not be available in some Scheme members' records. Scheme members should only be required to provide electronic contact information of depositors on record according to their prevailing practice.</p> <ul style="list-style-type: none"> • Another respondent suggests creating a web application for depositors to update their contact information to ensure notification can reach the designated depositors. • A respondent is concerned about the extent of details that could be communicated through electronic channels as not much information / contents can be included in SMS. Another respondent recommends the information to be delivered via electronic means be thorough and 	<p>contacts to Scheme members or update them regularly. The HKDPB will only require Scheme members to provide the HKDPB with electronic contacts of depositors already maintained in their systems under their usual practice. In case the DPS is triggered, the HKDPB will assess the availability of the email contacts as well as the extent of their usage when deciding whether to issue electronic notices to depositors.</p> <ul style="list-style-type: none"> • The web application suggestion has been studied but is not pursued at the moment due to the high set-up and maintenance costs. Depositor records maintained at banks for frequent communication purposes (e.g. issuance of monthly bank statements) are relatively more updated. • Noted. The HKDPB will take into account a number of objective factors, including reliability, information security, message content and cost-effectiveness, when deciding the most appropriate type of means for notifying

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<p>the same as any written notice to be sent to depositors.</p> <ul style="list-style-type: none"> Some respondents suggest the modes of electronic communication to be used, e.g. sending compensation details or encrypted link for retrieving compensation details from web application through SMS and/or email. Other suggestions include adopting various channels e.g. SMS and email, to better ensure depositors could effectively receive the electronic notice at the earliest instance. 	<p>relevant depositors.</p> <ul style="list-style-type: none"> We welcome the suggestions and will consider different modes and combinations of electronic communication / types of electronic channels to be used taking into account factors such as the particulars of the information to be transmitted and other factors from an operational, technical and security perspective.

Respondents' views and comments	The Government's responses
(4) Others	
<ul style="list-style-type: none"> • Some respondents express the view that the current protection limits of overseas jurisdictions generally offer a more advanced security level to depositors and suggest reviews of the protection limit of the DPS be conducted periodically to ensure its effectiveness in safeguarding the interests of depositors in HK. • A respondent proposes an extension of DPS to cover deposits placed with RLBs and DTCs as depositors might be attracted to deposit their money with these institutions for higher interest rate, without realising that their deposits are not protected. 	<ul style="list-style-type: none"> • The protection limit is under review from time to time to ensure the effectiveness of the DPS. We last consulted the public on the protection limit in 2009 and consider that the relevant consultation conclusions remain valid. We will keep in view developments in this aspect. • We consider that, as most RLBs and DTCs are not engaged in the retail business and their aggregate deposit base is less than 1% of the market total, the extension of the DPS to their depositors will not materially increase the level of depositor protection in Hong Kong. The HKDPB will continue to educate the public about the scope of the protection offered by the DPS.