HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

24 Oct 2000

Consultation on Enhancing Deposit Protection in Hong Kong

Our Ref. B9/62C

24 October 2000

Chief Executive of
All Authorized Institutions

Dear Sir/Madam,

Consultation on Enhancing Deposit Protection in Hong Kong

The HKMA commissioned Arthur Andersen (Consultant) to conduct a consultancy study on enhancing deposit protection in Hong Kong (Study) in April this year. The Study was aimed at making a fair and objective assessment of deposit protection in Hong Kong based on independent evaluation with due regard to international practices and local conditions. The Consultant completed the Study in July.

The Consultant has considered the relative costs and benefits of different approaches to deposit protection including maintaining the current system of priority claims protection, and concluded that the best protection for small depositors would be achieved with an insurance based system. The Consultant considers that this is most likely to have the features of liquidity and credibility which are necessary to make deposit protection effective. The Consultant further recommends that, in line with practices in most other countries, the deposit insurance scheme should be publicly administered and privately funded.

While we are generally supportive of moves to enhance deposit protection in Hong Kong, neither the Government nor the HKMA have yet formally endorsed the proposals of the Consultant. We are now in the process of fully consulting the public on this important matter. In this regard, I have pleasure in enclosing a copy of the consultation paper for your information. The full report of the Study by the Consultant can be downloaded from the HKMA's website at http://www.hkma.gov.hk. We would welcome your comments on the findings and recommendations of the Consultant and on the HKMA's consultation paper.

Yours faithfully,

(D T R Carse)
Deputy Chief Executive
Hong Kong Monetary Authority

Last revision date : 01 August 2011