



HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

09 Dec 2008

Representation on Eligible Deposits by Authorized Institutions - A Guideline issued by the Monetary Authority under section 7(3) of the Banking Ordinance

9 December 2008

The Chief Executive
All authorized institutions

Dear Sir/Madam,

Representation on Eligible Deposits by Authorized Institutions A Guideline issued by the Monetary Authority under section 7(3) of the Banking Ordinance

I am writing to draw to your attention that the above Guideline will be published in the Gazette in December 2008.

The Financial Secretary announced on 14 October 2008 the use of the Exchange Fund to immediately guarantee the repayment of all customer deposits held with all authorized institutions in Hong Kong (Deposit Guarantee), until the end of 2010. The Deposit Guarantee will cover the amount of deposits at licensed banks in excess of that protected by the Deposit Protection Scheme (DPS) and all customer deposits held with restricted licence banks and deposit-taking companies.

Currently, licensed banks that are members of the DPS are required by a set of statutory rules issued under DPS Ordinance to make proper representations on whether financial products offered by them are protected by the DPS. The Guideline to be gazetted specifies how AIs should make similar representations in respect of the deposits protected by the Deposit Guarantee. The Guideline shall come into operation on 1 April 2009 and will remain effective until 31 December 2010.

To facilitate the majority of AIs to achieve compliance, the requirements in the Guideline have been set in line with those applicable to members of the DPS. Nevertheless, as the scope of protection of the Deposit Guarantee is more comprehensive than that of the DPS, AIs are required to take additional steps to bring to the attention of customers holding deposit products not eligible for protection that such products are not protected. AIs are also reminded to be ready to respond to customers' enquiries.

Misrepresentation of protection status of financial products under the DPS and the Deposit Guarantee may bring about a high level of reputation risk to an AI and undermine public

confidence in the AI. The Monetary Authority therefore sees it very important for AIs to put in place proper procedures to ensure compliance with the requirements in the Guideline.

Yours faithfully,

Y.K. Choi
Deputy Chief Executive

Encl. [Representation on Eligible Deposits by Authorized Institutions - A Guideline issued by the Monetary Authority under section 7\(3\) \(PDF file, 146KB\)](#)

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