

Compliance with the Deposit Protection Board’s Information System Guideline



what is the guideline about?

The Guideline on Information Required for Determining and Paying Compensation (“IS Guideline”) was issued by the Hong Kong Deposit Protection Board (“HKDPB”) and aims to ensure that member banks of the Deposit Protection Scheme (i.e. “Scheme members”) have sufficient control over their deposit information, so that they can respond to payouts promptly.

There is a strong focus on whether adequate controls are in place over the Scheme members’ information systems such that the deposit information provided is complete, accurate and prompt.

Furthermore, the HKDPB also launched a revised Compliance Review Program to strengthen self-monitoring requirements by introducing annual declarations and regular independent assessments to evaluate compliance with the IS Guideline.

The IS Guideline released in September 2013 covers the following areas:

- Availability of the required information, including the completeness and accuracy.
- How quickly the required information is made available.
- The format in which the required information is to be submitted to the HKDPB.

why is this important to my organisation?

The introduction of the new IS Guideline should encourage you to consider the following questions to gauge your current state and whether you are compliant.

Consideration	Common Practice	Best Practice for Compliance
How easily can information be gathered to determine compensation?	Data is gathered on an ad hoc basis from multiple disparate sources and formats.	Data should be collated on a regular basis in a repository using consistent formatting.
Can I meet the timeframe specified by the HKDPB in the event of a payout?	Timeframes to prepare information are not tested or verified.	The new guideline requires that simulated drills are performed at least annually.
Is the data prepared complete and accurate?	Sample checking will be performed on the number of records and record details to gain some assurance on completeness and accuracy.	Validation mechanisms such as checksums are required to be in place for the principal balance or nominal value to check completeness and accuracy on a real-time basis.
Am I ready for the next compliance review?	There is limited visibility on the current gaps.	The new guideline requires that independent assessments are to be performed every three years.

when do I need to achieve compliance?

Deadline for Scheme members to comply with the new IS Guideline.....**end of September 2014¹**

First submission of self-declaration to the HKDPB**end of March 2015**

Annual submissions of self-declaration to the HKDPB.....**end of March every year from 2015**

Independent assessments performed on a regular basis.....**every three years²**

¹ For large Scheme members of over 500,000 deposit accounts, the deadline for compliance with the new IS Guideline is the **end of December 2014**.

² Starting in 2014, the HKDPB will contact Scheme members three months in advance to perform an independent assessment.

how can KPMG help?

Option 1: Independent Assessment

We can perform the independent assessment in accordance with the framework issued by the HKDPB to provide assurance on whether the Scheme member is compliant with the IS Guideline.

The deliverables will include a detailed report of the findings and recommendations resulting from the assessment.

Option 2: Gap Analysis

We can assist you in performing a gap analysis of your current IT control environment against the new IS Guideline.

The deliverables will be a list of gaps showing the Scheme member's readiness against the IS Guideline requirements.

This will enable Scheme members to focus their resources on addressing compliance.

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