

## **The Choice of Bank Counterparties**

This is to restate the prevailing guidance for schools in respect of the choice of bank counterparties.

- (a) Schools are advised to place surplus funds which are not immediately required for use in bank deposits. The Hong Kong Monetary Authority (HKMA) has provided guidance on the choice of banks for use by government bureaux/departments. This document sets out the main points in the guidance which may also be of assistance to schools with surplus funds.
- (b) To protect the interest of schools, all income derived by schools should be kept in a manner that involves the minimum risk regardless of whether such income is derived from the Government or any other source.
- (c) Surplus funds which are not immediately required for use by schools may be placed in time deposits or savings accounts with banks licensed under the Banking Ordinance.
- (d) Having regard to the guidance of HKMA, it would be appropriate for schools to spread their bank deposits among several licensed banks to ensure that the deposit exposures are split between two or three banks, with the exposure to any one bank not exceeding say 50% of the funds. For fund size of over \$5 million, deposits with any one bank should be subject to a maximum exposure equivalent to 20% of the total funds under management.