

Education Bureau Circular No. 14/2015

The Choice of Bank Counterparties in Investment

[Note : This circular should be read by

- (a) Supervisors and Heads of all schools – for action; and*
- (b) Heads of Sections – for information.]*

Summary

This circular advises schools 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 circular sets out the main points in the guidance which may also be of assistance to schools with surplus funds. Education Bureau Circular No. 2/2003 is hereby cancelled.

Details

2. 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.
3. 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. Any other form of speculative investment (e.g. local equities) is not recommended because of the risk of financial loss. Supervisors and heads of schools are reminded that any such loss will not be allowed to be charged to any of the school's accounts. This is because the income of a school must be kept intact and utilised fully for educational purposes and facilities of the school. Accordingly, the liability for any loss of revenue arising from any other cause shall strictly fall on the school management responsible for incurring such a loss and shall not be allowed to be recovered as a charge against the income of the school. For aided schools and Direct Subsidy Scheme (DSS) schools, they should also follow the prevailing “Guide to Financial Management for Aided Schools Operated by Incorporated Management Committees” and EDB circular on “Use of Government and Non-government Funds in DSS Schools” respectively in making their investments.

4. 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.

Enquiries

5. If you have any enquiries on this circular or wish to have a copy of the HKMA's guidance notes, please contact Treasury Accountant (Systems) 1 at 2892 5439.

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for Permanent Secretary for Education