



Protecting Your Deposits

# Deposit Protection Scheme

Highlights

## EFFECTIVE BANK RESOLUTION

There are material deficiencies in the current problem bank resolution framework in Zimbabwe militating against attainment of finality and speedy resolution of failing or failed institutions. That is the reason why some banks take a long time to resolve and the cost of resolution increases.

In some countries for example, legal challenges by former shareholders does not result in the suspension of corrective remedial and enforcement actions instituted by regulatory authorities. Critical elements of effective resolution include early intervention before insolvency and a wide spectrum of resolution tools.

### Bank Resolution Tools:

a) Reimbursement (payout) of protected depositors. A depositor reimbursement or payout resolution may be accomplished by the deposit insurer directly paying depositors their protected balances or by transferring the accounts to another bank that makes the protected balances available to the depositors.

### b) Purchase and Assumption

A purchase and assumption transaction or resolution is one in which a healthy bank or group of investors assume some or all of the obligations and purchase some or all of the assets of the failed or failing bank.

### c) Bridge Banks

This is a temporary bank established and operated by the deposit insurer to acquire the assets and assume the liabilities of a failed bank until a final resolution can be accomplished.

### d) Open-Bank Assistance

This is a resolution method in which a protected bank in danger of failing receives assistance in the form of a direct loan, an assisted merger or a purchase of assets. It is normally adopted if the failure of a bank poses an extremely serious threat to the stability of the financial system and local and/or national economies.

### e) Asset Purchases

Asset Purchases occurs when the deposit insurer or the supervisory agency is granted authority to purchase assets from failed banks.

## Systemically Important Institutions

Resolution of systemically important institutions is beyond the mandate of the deposit insurer. This requires the involvement of several safety-net players, including the Government.

For more information on the Deposit Protection Scheme contact:

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