



## **BENEFITS OF DEPOSIT PROTECTION TO DEPOSITORS**

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### **Peace of Mind**

Deposit Protection Scheme (DPS) provides peace of mind to depositors in knowing that their deposits will be reimbursed in the event their contributory institution becomes illiquid or insolvent. Deposit protection reduces financial uncertainty, builds confidence in the financial system and enhances financial intermediation on a nationwide basis.

### **Free Membership**

There is no charge to depositors as banking institutions bear the cost of deposit protection. Depositors do not need to apply or fill in application forms, as deposit protection is automatic once a depositor opens an account with a member institution.

### **Financial Inclusion**

A DPS promotes inclusivity. The establishment of a DPS catering for both individual and corporate clients, as opposed to a Scheme for small depositors alone, also reduces incidences of deliberate financial exclusion.

### **Minimize Losses & Protects Majority of Depositors**

Sophisticated depositors and creditors normally invest or deposit their money with a bank after making thorough investigations as they have the skills and resources, hence are presumed to be better informed than the small ones. The establishment of a DPS therefore reduces the risks of information asymmetry between banks and depositors. A DPS with a bank resolution mandate also protects the interests of large depositors and creditors via the liquidation process and prompt orderly exit of failed institutions.

### **Public Awareness**

This is an important objective. When a bank fails, the Deposit Protection Corporation (DPC) informs depositors on how and when reimbursement will be made. Banks also have a legal obligation to inform depositors regarding the nature and extent of coverage.

## Prompt & Orderly Exit of Failed Banks

A DPS provides for the orderly exit for failed banks, prompt reimbursements and protects interests of large depositors and creditors as well via the liquidation process.

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## REMINDER:

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Compensation to depositors of the following closed banks is in progress: AfrAsia, Allied, Interfin, Royal, Trust and Genesis Investment Bank. If you have not received any reimbursement to date, kindly contact us today.