



Protecting Your Deposits

Deposit Protection Scheme

Highlights

CHARACTERISTICS OF AN EFFECTIVE DEPOSIT PROTECTION SCHEME

The previous article covered Core Principles number one (1) to number nine (9) which include sources and uses of funds, coverage, membership, deposit insurer's role in contingency planning and crisis management, cross border issues, relationships with other safety net participants, governance, mandate and powers and public policy objectives. This article will cover the remaining principles which are as follows:

a) Principle 10 – Public Awareness

In order to protect depositors and contribute to financial stability, it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit protection scheme.

b) Principle 11 – Legal Protection

The deposit insurer and individuals working both currently and formerly for the deposit insurer in the discharge of its mandate must be protected from liability arising from actions, claims, lawsuits or other proceedings for their decisions, actions or omissions taken in good faith in the normal course of their duties. Legal protection should be defined in legislation.

c) Principle 12 – Dealing with Parties at Fault in a Bank Failure

The deposit insurer, or other relevant authority, should be provided with the power to seek legal redress against those parties at fault in a bank failure.

d) Principle 13 – Early Detection and Timely Intervention

The deposit insurer should be part of a framework within the financial system safety-net that provides for the early detection of, and timely intervention in, troubled banks. The framework should provide for intervention before the bank becomes non-viable. Such actions should protect depositors and contribute to financial stability.

e) Principle 14 – Failure Resolution

An effective failure resolution regime should enable the deposit insurer to provide for protection of depositors and contribute to financial stability. The legal framework should include a special resolution regime.

f) Principle 15 – Reimbursing Depositors

The deposit protection system should reimburse depositors' insured funds promptly, in order to contribute to financial stability. There should be a clear and unequivocal trigger for insured depositor reimbursement.

g) Principle 16 – Recoveries

The deposit insurer should have, by law, the right to recover its claims in accordance with the statutory creditor hierarchy.

For more information on the Deposit Protection Scheme contact:

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