



Protecting Your Deposits

Deposit Protection Scheme

Highlights

CORE PRINCIPLE 16 - RECOVERIES

For a Deposit Protection Scheme (DPS) to be able to fully recover its claims in accordance with the statutory creditor hierarchy, the right must be clearly and formally stated in the law. In Zimbabwe, legislation empowers the Deposit Protection Corporation ("DPC" / "the Corporation") to recover its claims in accordance with the statutory creditor hierarchy from the liquidation process. Section 46(2) (a), as read with section 63 (2) of the DPC Act, empowers the DPC to step into the shoes of the depositor and to assume all the rights of the depositor through subrogation. Section 46 (1) of the DPC Act provides that the DPC shall be subrogated up to the amount of the compensation. Subrogation refers to the substitution of one party (e.g. the DPS) for another (e.g. the insured depositor) with reference to a lawful claim, demand or right, so that the party that substitutes succeeds to the rights of the other in relation to the debt or claim, and its rights and remedies. This practice is common in most jurisdictions.

The Corporation is a preferred creditor in terms of section 46 (3) of the DPC Act. No payment is made to a depositor or its liquidator unless full satisfaction has been given for any amount which the Corporation has paid to the depositor.

To monitor the liquidation process, the DPS in its capacity as a creditor has the right to information from the liquidator. Section 37 of the DPC Act provides for appointment of the Corporation by the Reserve Bank of Zimbabwe as the liquidator, whereas section 17 and 18 of the DPC Regulations provide for access to all liquidation information by DPC. Should a bank opt for voluntary liquidation, the law requires the bank opting for voluntary liquidation to guarantee full compensation to the depositors and creditors first before it is liquidated.

To avoid conflict of interest, employees of the DPS, financial safety-net agencies, and third-party professional service providers providing resolution services are not allowed to acquire or purchase assets of the failed institution. Currently there are gaps in the insolvency regime for banking institutions due to the repeal of the old Insolvency Act and Companies Act. The liquidation of banking institutions is no longer governed by the new Insolvency Act [Chapter 6:07] and the new Companies & Other Business Entities Act [Chapter 24:31].

Section 38 of the DPC Act empowers the DPC to engage consultants to perform services of a specialized, technical, or professional nature. There is no restriction in the law for the DPC to be a member of a committee of creditors.

For more information on the Deposit Protection Scheme contact:

PUBLIC RELATIONS DEPARTMENT

Evelyn House, 26 Fife Avenue/Cnr Blakiston Street, P.O. Box 7390, Harare.
e: claims@dpcorp.co.zw | w: www.dpcorp.co.zw | t: +263 242 252 336



0716 801 310

/dpczw

@dpczw

Postal Partner

ZIMPOST
DELIVERING POSSIBILITIES