



Protecting Your Deposits

## Deposit Protection Scheme Highlights

### CORE PRINCIPLE 8 - COVERAGE

According to the International Association of Deposit Insurers (IADI) Core Principles for Effective deposit insurance, it is the responsibility of policy makers to clearly define the coverage level limit and scope of deposit insurance. The coverage level refers to the percentage of depositors with deposits equal or below the protection limit. International best practice benchmarks range from 90% to 99% of depositors by number. Some jurisdictions make use of the per capita income, while in others the cover level is stipulated by law, for example in EU and the United States.

In setting the coverage level limit, it is imperative to note that it should satisfy the following conditions, that is; it should be limited, credible and cover the majority of depositors in number whilst leaving a significant amount of deposits exposed to market discipline.

The coverage level determines the effectiveness of the deposit protection scheme. Thus, the deposit insurance coverage level should be aligned to the deposit insurer's public policy objectives and design features.

It is important that the law should clearly prescribe the insured deposits as some deposits are excluded from deposit insurance such as inter-bank deposits. In addition, the law should state the level and scope of coverage. This is important to achieve efficiency when reimbursement becomes necessary.

The reason why the scope and level should be limited and credible is to minimize the risk of bank runs and promote market discipline. Leaving a significant amount of deposits unprotected helps to minimize moral hazard.

#### **Other important features are that:**

- The level and scope of coverage are applied equally among contributory institutions.
- There is need for a periodic review of the coverage level and scope to meet public policy objectives.
- The residency status or nationality of depositors has no effect on coverage.

**UP NEXT...Core Principle 9 - Sources & Uses of Funds.**

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](mailto:claims@dpcorp.co.zw) | w: [www.dpcorp.co.zw](http://www.dpcorp.co.zw) | t: +263 242 252 336



0716 801 310

/dpczw

@dpczw

Postal Partner

**ZIMPOST**  
DELIVERING POSSIBILITIES