



Protecting Your Deposits

Deposit Protection Scheme

Highlights

DEPOSIT INSURANCE AND INFLATION

The onset of the COVID-19 pandemic and the Russia-Ukraine conflict resulted in supply chain disruptions in the global economy and rising commodity prices, which in turn fuelled rising inflationary pressures.

High levels of inflation erode incomes through a reduction in purchasing power. Deposit protection schemes are affected by high levels of inflation through its impact on coverage levels. Coverage levels are the maximum amounts that depositors receive in the event of failure of a contributory member institution. In times of high inflation, the value of these amounts is eroded and may not make economic sense to depositors.

Guidance from the International Association of Deposit Insurers (IADI) supports the review of coverage levels at least every five years in stable economic times and more frequently in times of high inflation. These reviews may or may not result in a change of the cover levels. According to IADI, the review of coverage levels may consider such approaches as inflation indexing, and ad-hoc adjustment via the country's legal frameworks. Indexing involves the determination or adjustment of the cover level based on the inflation rate or changes in another price index. The main objective is to maintain a certain level of coverage in real terms.

In Zimbabwe the Deposit Protection Corporation (DPC/Corporation) is empowered by the DPC Act [Chapter 24:29] to review the cover level as and when it deems fit. Since the onset of the COVID-19 pandemic and the Russia Ukraine conflict, Zimbabwe has experienced high inflation. In response, the DPC has revised the local currency cover level twice in order to ensure meaningful cover levels in the face of high levels of inflation.

Cover levels for contributory banking institutions were reviewed in 2022 from ZWL10,000 to ZWL120,000. They were further reviewed in 2023 from ZWL 120,000 to ZWL1,000,000. For deposit taking microfinance institutions, the cover levels were reviewed from ZWL 500 to ZWL5000 in 2022 and further to ZWL100,000 in 2023. DPC continues to review these to ensure meaningful cover levels in line with macro-economic developments. The cover levels for foreign currency denominated accounts remained USD1000 for contributory banking institutions and USD500 for deposit taking microfinance institutions.

For more information on the Deposit Protection Scheme contact:

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