



Protecting Your Deposits

Deposit Protection Scheme

Highlights

OBJECTIVES OF DEPOSIT PROTECTION.

What is Deposit Protection?

Deposit protection refers to a bank deposit guarantee scheme which ensures depositors are reimbursed part or all of their deposits in the unlikely event of a deposit taking institution's failure. Deposit protection in Zimbabwe is mandatory. The Deposit Protection Fund was established on July 1 2003, in terms of Section 66 of the Banking Act Chapter 24:20 as read with Section 4 of the Deposit Protection Corporation Act Chapter 24:29.

Objectives of Deposit Protection

a) Protecting depositors

This is done by providing an orderly means of compensation in the event of failure of a member institution. At the current cover of US\$1000, about 92.98%, which represents about 1.5 million depositors are covered in full, in line with the public policy objective of covering at least 90% of insured depositors in full in the event of a bank failure.

b) Contributing towards the stability of Zimbabwe's financial system.

By insuring the deposits, DPC fosters confidence in the banking system, prevents self-fulfilling panics or bank runs thereby reducing the likelihood of contagion and cascading defaults. Deposit protection reduces financial uncertainty, thereby promoting financial intermediation and enhancing economic and financial stability.

c) Enhancing competition between different sectors and institutions in Zimbabwe's financial system.

Larger banks due to their size, track record and brand visibility have an edge over smaller contributory institutions in attracting deposits at lower interest rates. Offering deposit protection to every bank including small banks makes depositors of such institutions feel safe and protected hence neutralize the advantages.

d) Promoting sound business practices.

DPC monitors the business and activities of contributory institutions to promote sound risk management practices, good corporate governance and consumer protection.

e) Protecting the Fund against loss

DPC monitors and assesses contributory institutions for safety and soundness via off-site surveillance.

f) Participating in problem-bank resolution

DPC is involved in managing and resolving failed contributory institutions including investigations and liquidation of failed banks.

For more information on the Deposit Protection Scheme contact:

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