



Protecting Your Deposits

# Deposit Protection Scheme Highlights

## TRENDS AND DEVELOPMENTS IN DEPOSIT INSURANCE

The International Association of Deposit Insurers (IADI) conducts annual surveys on deposit insurance systems (DIS) and financial safety net frameworks. Results from the 2020 survey indicate that many jurisdictions continue to strengthen their DIS and are moving towards closer alignment with the IADI Core Principles for Effective DIS.

The results are based on responses collected from 110 DIS across the globe, representing approximately 85% of jurisdictions globally. IADI shares its knowledge on deposit insurers' key characteristics such as mandates and governance, membership and coverage, funding, and their role in financial system crisis management and bank resolution through this survey. In the 2020 annual survey, some of the most important developments were in areas such as the ongoing evolution of mandates, coverage, and improvements in reimbursement periods, and increases in the use of differential premium systems.

### Key Survey Results:

**1. Governance and Mandates:** The majority of DIS are legislated and administered by the public sector, although around 25% are privately administered. Around 25% of deposit insurers are assigned a "pay box" mandate. Deposit insurers with a "pay box plus" mandate, which typically includes certain resolution functions (e.g. financial support and purchase and assumption powers), made up 40% of systems, while the remainder 35% function as "loss or risk-minimizers". A loss minimizer is a mandate in which the Deposit Insurer (DI) actively engages in a selection from a range of least-cost resolution strategies while a risk minimizer is a mandate in which a DI has comprehensive risk minimization functions, including risk assessment/management, a full suite of early intervention and resolution powers, and in some cases, prudential oversight responsibilities.

**2. Membership and Coverage:** In almost all jurisdictions, membership is mandatory for all deposit-taking institutions, with commercial banks being the dominant member institutions and savings and checking accounts the most common types of products eligible for coverage. Taking into account differences in the macroeconomic environments and institutional structures in which DIS operates, the coverage limits range from below US\$1,000 to US\$300,000 with a few systems still providing blanket guarantees since the 2009 financial crisis. By close of the year in 2020, the average level of coverage was around US\$70,000 per depositor per institution and has risen substantially over the last ten years. The regions with the highest average coverage levels are Europe and North America (US\$110,000), and the lowest in Africa (US\$10,000).

**3. Funding:** Over 90% of DIS are funded by ex-ante contributions from their member institutions. An increasing number of DIS (almost 40%) have shifted to differential premium systems where premiums are differentiated based on criteria such as individual bank risk profiles.

**4. Reimbursements:** Deposit insurers are devoting more resources to improving their performance on reimbursing insured deposits and this has resulted in further reductions in reimbursement periods. The average number of days to begin depositor reimbursement has been reduced to seven (7) in 60% of jurisdictions, up from 33% of jurisdictions in 2013.

**5. Resolution Frameworks:** The role of DIS in resolution decision-making is broadening. Those with loss and risk-minimizer mandates, which have increased from 21% in 2011 to 35% today, are particularly active in determining by which means a failed bank will be resolved.

For more information on the Deposit Protection Scheme contact:

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