



Protecting Your Deposits

Deposit Protection Scheme

Highlights

Deposit Protection Systems in Africa: Issues & Challenges

Deposit protection is relatively new in Africa compared to regions such as USA and Europe. According to the International Association of Deposit Insurers (IADI) - an international association of deposit insurers which was formed in May 2002 to enhance the effectiveness of deposit protection systems by promoting guidance and international co-operation, Africa has nine explicit deposit insurance schemes namely: Algeria, Kenya, Tanzania, Zimbabwe, Nigeria, Morocco, Uganda, Libya and Sudan. Some countries including Malawi, Lesotho, Zambia and Mozambique are also working towards establishing deposit protection systems in their jurisdictions.

Establishment of deposit protection systems in most of these jurisdictions was prompted by unpleasant experiences with bank failures that left most unsophisticated depositors exposed and losing their hard earned money.

ISSUES AND CHALLENGES

Deposit insurers in Africa are affected by more or less the same problems. The main challenge in most jurisdictions is the inadequacy of preparations prior to a bank closure due to lack of adequate co-ordination and information-sharing among safety-net players which results in delays to the payout process.

In some jurisdictions there are no standardized formats by banks for keeping depositor records. In the absence of a uniform format for recording client details (single customer view concept), most deposit insurers face challenges in contacting depositors of closed banks resulting in delays to the payout process.

Legal challenges have also been noted in most jurisdictions where delays by courts in the confirmation of the deposit insurer as Liquidator delays the payout process. Some transactions such as deposits of deceased persons require court processes to be finalized which take time to conclude hence some deposits remain uncollected for a long time.

When it comes to reimbursement, some depositors do not show up quickly to collect their deposits due to economic considerations. Some depositors may have to travel long distances to collect their money and sometimes they may not have acceptable or valid identification documents resulting in some deposits remaining unclaimed for a long period of time.

Other challenges also include lack of information access as many depositors may not be informed about the financial condition and performance of their bank especially those in remote areas or outside the country. In some jurisdictions, the deposit protection cover is low.

For more information on the Deposit Protection Scheme contact:

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