



Protecting Your Deposits

Deposit Protection Scheme

Highlights

OBJECTIVES OF DEPOSIT PROTECTION

- 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 (DPC) Act Chapter 24:29. The need for deposit protection in Zimbabwe was underscored by bank failures in the market between 1995-2000 (mainly United Merchant Bank, Universal Merchant Bank, Zimbabwe Building Society and First National Building Society). The current design of the country's Deposit Protection Scheme (DPS) is in conformity with the Public Policy Objectives and the
- International Association of Deposit Insurers (IADI) Core Principles for Effective Deposit Insurance. The principal objectives of the Deposit Protection Corporation's statutory responsibilities entail the following:

a) PROTECTING DEPOSITORS.

This is done by providing an orderly means of compensation in the event of failure of a member institution.

b) CONTRIBUTING TOWARDS THE CONFIDENCE AND 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 IN CONTRIBUTORY INSTITUTIONS.

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.

Deposit Protection Corporation assesses and monitors 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 curatorship, investigations and liquidation of failed banks.

For more information on the Deposit Protection Scheme contact:

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