



Protecting Your Deposits

Deposit Protection Scheme

Highlights

Recent Trends And Developments In Deposit Protection

The financial crises of 1970's, 1980's and most recently the global financial crisis of 2007/8 resulted in the insolvency of many financial institutions and ultimately set in motion fundamental changes in the role of deposit protection.

a) Higher Coverage Levels

In Zimbabwe, the cover level was increased from US\$150 to US\$500 in 2013. It is however important to take note that the cover level is linked to the size of the fund. At this level, 88.5% of depositors are covered in full, whereas an amount of \$1,000 will improve the cover level to about 90%.

b) Integrated Deposit Protection Scheme

Deregulation of financial markets over time has resulted in shifts from distinct banking, insurance and securities business to more integrated financial services offering many types of complicated financial products. Most jurisdictions in Europe, Africa and Asia have or are contemplating the introduction of Integrated Protection Schemes in response to such changes in the financial landscapes.

c) From Paybox to Risk Minimization Mandate

Traditionally most Deposit Protection Schemes (DPS) were established as paybox functions with narrow mandates mainly to reimburse depositors in the event of bank failure. In recent times, several DPS have had their mandates widened from paybox to loss minimizer, or paybox plus, or risk minimizer thereby, in the later role, assuming an explicit financial stability mandate.

d) Flat Premium Rate versus Risk Based Premium Rate

In Zimbabwe premiums are levied using a flat premium rate, which refers to premium assessed at a uniform rate across all insured institutions. A risk-adjusted premium rate regime is based on a given institution's risk profile.

e) Single Customer View Concept

One of the key deliverables of a deposit protection scheme is to ensure that depositors access their insured deposits promptly in the event of a bank failure. Single Customer View (SCV) is an aggregated, consistent and holistic representation of data known by an organization for a single depositor using unique identifiers. An effective SCV intuitively provides for ready access to a reliable and consistent view of aggregate deposits for each eligible depositor per deposit taking institution to facilitate faster payout in the event of a bank failure.

For more information on the Deposit Protection Scheme contact:

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