

Governance and Operational Independence of a Deposit Insurer (CP3)

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Discussion Overview

- ☐ Introduction
- ☐ Core Principle 3 – Governance
- ☐ KDIC Transition Roadmap
- ☐ Legal Independence
- ☐ Corporate Governance
- ☐ Operational Independence
- ☐ Challenges

“A Deposit Insurance System is like a nuclear power plant. If you build it without safety precautions, you know its going to blow you off the face of the earth. And even if you do, you can’t be sure it won’t.”

L. William Seidman, FDIC

“Close coordination and cooperation among SNP is a Panacea to problem banking”

Mohamud A. Mohamud, KDIC

❖ **Free From External Interference:**
✓ Use of legal powers to fulfil mandate.

❖ **Capacity**
✓ Human Resource capacity
✓ System capability
✓ Operating budget

❖ **Legal Framework**
✓ Legal Independence



- ❖ Accountability to higher authority
- ❖ Transparent disclosure
- ❖ Sound internal controls
- ❖ Minimal conflict of Interest
- ❖ Fit and proper persons





- ❖ Regular disclosure of information to stakeholders
- ❖ Enhanced public awareness

- ❖ Regular assessment of performance vs mandate
- ❖ Regular internal and external audit

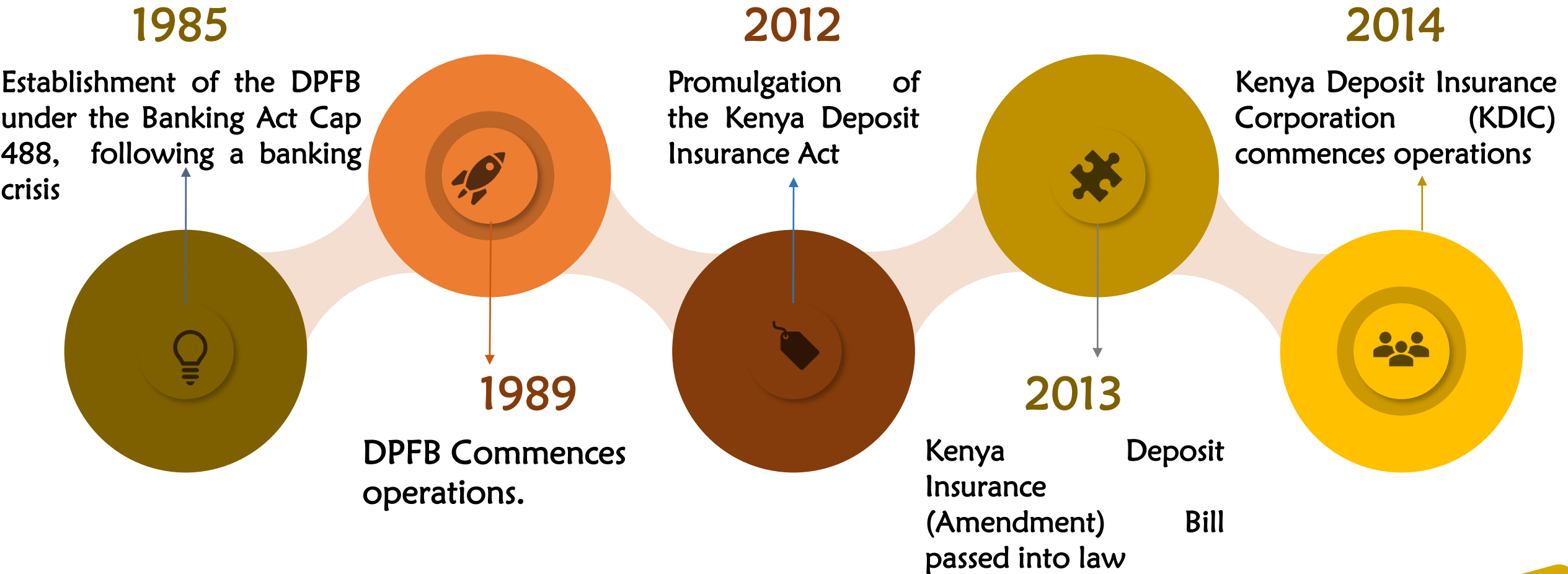


Insulation from External Interference



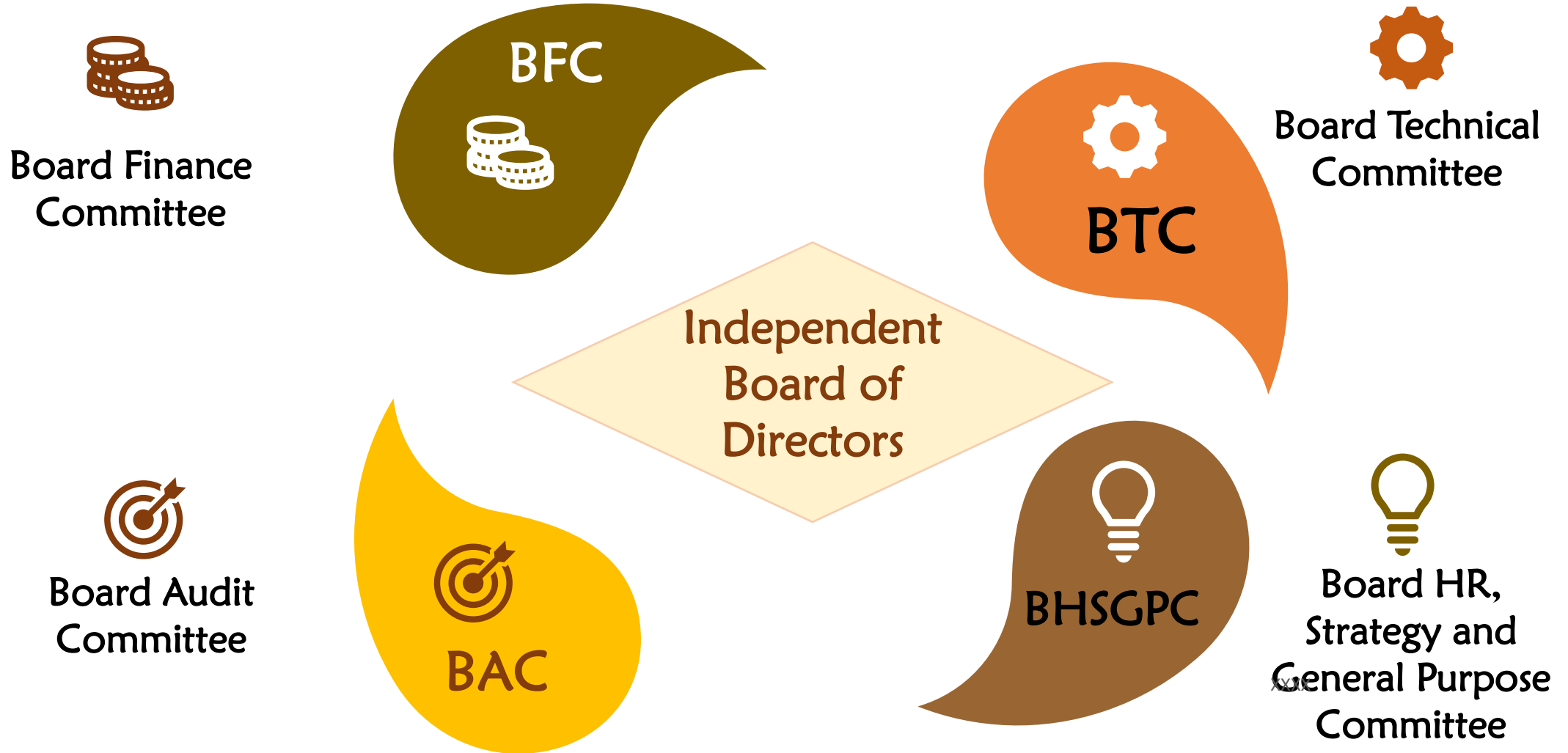
- ❖ Appointment and removal of Board of Directors
- ❖ Independence of the Board Chairman

KDIC – The Transition Roadmap



- The Deposit Protection Fund Board was established under the Banking Act.
- The Board was a department of the Central Bank of Kenya
- Operations of the Fund were governed by different laws;
 - The Central Bank Act,
 - The Banking Act and
 - The Companies Act

- Establishment of KDI Act, 2012
- Kenya Deposit Insurance (Amendment) Bill 2013, gave KDIC operational independence and anchored resolution option in the law.



- ❖ KDIC has an independent Board of Directors, Strategic Plan and operating budget
- ❖ The Organisational structure sets up 3 Directorates, i.e. Risk and Examinations, Resolutions and Corporate Services.



2014 - Operational Independence for KDIC through the KDI Act, 2012



2016 – KDIC recognized as best Deposit Insurer in the world by IADI



2018 – Implementation of QMS and receipt of ISO Certification



2018 – Successful application of Purchase and Assumption



2019 – Launch of the Differential Premium System (DPS)



- ❖ To deepen Information sharing with other SNPs
- ❖ Digital Stored Value Products
- ❖ Cross border banking
- ❖ Dynamic economic environment
- ❖ Regulatory challenges
- ❖ Credibility and accessibility of data & information
- ❖ Public awareness – visibility
- ❖ Single point entry – Holding co / Operational co.

TAKE AWAY



- “Effective information sharing mechanism will deepen financial stability”

THANK YOU



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— Protecting your deposits —