Deposit Protection Fund *of Uganda*

YOUR DEPOSITS ARE PROTECTED

CONSUMER EDUCATION (FAQs)

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ESTABLISHMENT

The Deposit Protection Fund of Uganda (DPF), which is also referred to as the Fund, was established as a legal entity following the enactment of the Financial Institutions (Amendment) Act, 2016.

The process of operationalizing the Fund commenced in April 2017 with the inauguration of the Board of Directors by Honourable Minister of Finance, Planning and Economic Development.

VISION

Excellence in Deposit Protection for Public Confidence.

MISSION

To foster public confidence in the financial system through protection of depositors of contributing institutions.

FREQUENTLY ASKED QUESTIONS (FAQS)

1. What is the Deposit Protection Fund of Uganda (DPF)?

The DPF is a legal entity created by the Government of Uganda to ensure that depositors are paid their protected deposits in the event of failure of a contributing institution.

2. What is the mandate of the DPF?

- To contribute to financial sector stability by ensuring that protected deposits are paid on time in the event of failure of a contributing institution, hence building public confidence in the financial sector.

- To act as a receiver or liquidator of any closed contributing institution if appointed by Bank of Uganda.

3. What is a contributing institution?

A contributing institution is one, which is licensed by Bank of Uganda and periodically makes a financial contribution to the DPF. These include; Commercial banks, Credit Institutions, and Micro finance Deposit Taking Institutions .

4. How is the DPF funded?

- **Annual Premium.** All contributing institutions make an annual premium payment to the DPF.
- **Investment Income.** The contributions are invested in Government of Uganda treasury instruments and this helps to grow the fund size.

5. How does the DPF compute and collect the annual premiums?

- Annually, DPF serves contributing institutions with a notice specifying the expected annual premium amount and the period within which it should be paid.
- The annual premium is at least 0.2% of the average weighted deposit liabilities of the contributing institution over the previous financial year.

- The annual premium should be paid to the Fund in the period not more than 21 days after the date of service of the notice.
- A contributing institution, which for any reason fails to pay its premium to the Fund within the period of 21 days, is liable to pay a civil penalty interest of one-half per cent of the unpaid amount for every day outside the notice period on which the amount remains unpaid.

6. How does the DPF compute and collect the Risk Adjusted Premiums?

If the Central Bank ascertains that the affairs of a contributing institution are being conducted in a manner, which is detrimental to the interests of depositors, it may, by notice, increase the contributions of that contributing institution beyond the annual contribution stated above.

The increased contributions are referred as Risk Adjusted Premiums. These are based on the quarterly ratings from Bank of Uganda.

A Contributing institution whose overall performance shows an unsatisfactory or marginal rating shall be charged on a quarterly basis as follows:

- **Marginal:** additional charge of 0.1 percent of the average weighted deposit liabilities on top of the annual contribution.

- **Unsatisfactory:** additional charge of 0.2 percent of the average weighted deposit liabilities on top of the annual contribution.

7. Where does the DPF keep the money it receives from contributing institutions?

- The money received from contributing institutions is deposited in an account held at Bank of Uganda.

  These monies are then invested in assets with minimal risks such as government of Uganda treasury bills and treasury bonds. Income from the investment is reinvested.

- In the event of failure of a Contributing Institution, and subsequent receivership, a depositor of that contributing institution can lodge a claim with DPF. Claim forms will be readily available to the public.

8. Who are covered by the Deposit Protection Fund of Uganda?

All depositors of contributing institutions.
The coverage is per depositor per contributing institution. Joint accounts holders are treated as separate persons for the purposes of payment of protected deposits.

9. Are all financial institutions in Uganda members of the Deposit Protection Fund of Uganda?

No. Only those financial institutions licensed and supervised by Bank of Uganda are members of the DPF.

10. How much compensation am I entitled to when a contributing institution closes?

- Currently, the limit is up to ten million Uganda Shillings per depositor per contributing institution.

- It should be noted that DPF determines the 'protected deposit' for payment purposes, by getting the total deposits of an individual in a particular contributing institution and deducting any liability of that individual to the institution.

11. How soon can the customer get his money from a contributing institution, which has been closed?

According to the Financial Institutions Act, 2004 as amended, depositors will be paid within ninety (90) days of closure of the contributing institution. DPF will nevertheless, ensure that depositors get their money earlier than the time provided for in the law.

12. Do depositors need to pay money to the Deposit Protection Fund of Uganda?

No. It is only contributing institutions that are required to pay money to the DPF.

13. How do I know if my deposits are insured?

As long as your deposits are with a contributing institution, which is regulated by Bank of Uganda, and the amount is within the current protected limit of ten million Uganda shillings, they are protected.

14. What happens to the rest of my money?

Deposits above the insured limit will be paid by the liquidator after the assets of the closed institution have been sold off. The amount paid out will depend on the recoveries made.

15. What kinds of deposits are covered by the Deposit Protection Fund of Uganda?

- All types of deposits received by a contributing institution in the normal course of business are protected. These include savings, current accounts and fixed deposits.
- It also includes foreign currency deposits though these will be converted to Uganda shillings using BoU determined closing mid-exchange rate on the day the institution was closed.

16. How does the DPF contribute to financial sector stability?

- DPF protects a large percentage of retail depositors. More than 90 percent of the depositors in the sector are fully covered by the UGX 10,000,000 limit.

- DPF creates confidence in the financial sector by ensuring that customers are paid their deposits in time in the event a contributing institution is closed.
- Contributing institutions endeavour to put in place adequate risk management systems in order to avoid penalties levied by the DPF.

17. At what point might DPF be called upon to pay insured deposits?

In ensuring financial sector stability, the DPF works closely with the Bank of Uganda. BoU has a range of options it can use to ensure that contributing institutions exit the sector without inconveniencing depositors.

As such, the Bank of Uganda would advise DPF to pay depositors out of the fund, as the very the last option. This is in line with the International Best Practice.