

ENGAGEMENT WITH CONTRIBUTING INSTITUTIONS

Mestil Hotel & Residences

Friday May 27, 2022

PRESENTATION OUTLINE

Background to Deposit Insurance



Genesis of the DPF in Uganda



Vision and Mission



The Roles and Functions of DPF



Corporate Governance Structure



Membership and Coverage



Funding and Asset Structure



Key Achievements and
Developments



CSR interventions



Way Forward



Take Home messages



Your Deposits are Protected

BACKGROUND TO DEPOSIT INSURANCE

Deposit insurance initially developed out of the need to protect vulnerable, uninformed small depositors.



It gained global prominence after the 2007/8 financial crisis which saw depositors lose confidence in the financial sector.



Deposit insurance then started playing a key role in the global financial stability framework.



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DEPOSITORS OF NORTHERN ROCK BANK QUEUING AT A BRANCH (DURING THE 2007/2008 FINANCIAL CRISIS)



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INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS (IADI)

1. IADI is a global standard setting body on deposit insurance which is headquartered in Basel, Switzerland. It has 85 Members, 8 Associates, and 16 Partners.
2. It was established in 2002 to enhance deposit insurance across the Globe.
3. In response to the global financial crisis, IADI issued its first set of '*Core Principles for Effective Deposit Insurance Systems*' (2009).
4. These principles provided guidance on: governance, deposit insurance mandates, funding and public awareness to be undertaken by Deposit Insurance entities.
5. IADI provides technical training on deposit insurance to its subscribers.
6. DPF is one of the most recent members of IADI having been admitted in April 2018.

INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS (IADI)..CONT'D

According to IADI, a Deposit insurance entity can execute any of the following mandates:

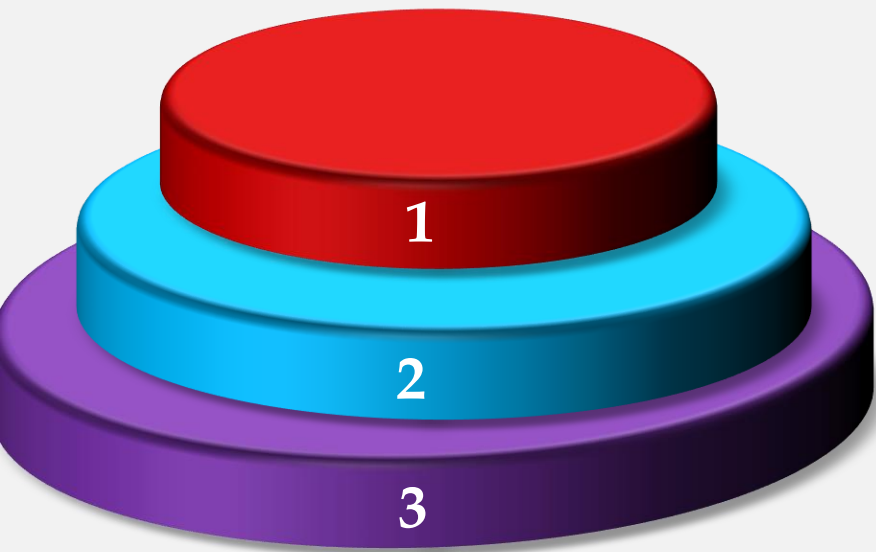
- “Pay Box” - Only responsible for payment of protected deposits.
- “Pay Box Plus” - Has additional responsibilities, such as liquidation
- “Loss Minimizer” - deposit insurer actively engages in the selection of the least cost resolution strategies.
- “Risk Minimizer” – Has resolution powers and in some cases prudential oversight responsibilities.

GENESIS OF THE DPF

The Deposit Protection Fund (DPF) was established in 1994 following the enactment of the Financial Institutions Statute (FIS) 1993.

It continued in force under the Financial Institutions Act (FIA) 2004, managed by Bank of Uganda

In 2016, the FIA 2004 was amended. Section 108 of the amended law provided for the DPF to operate as a legal entity, separate from the Central Bank.



VISION, MISSION AND STRATEGIC OBJECTIVES



VISION: Excellence in deposit protection for financial sector stability.



MISSION: To foster public confidence through protection of depositors in institutions regulated by the Bank of Uganda.



VALUES:
Respect
Integrity
Transparency
Excellence

STRATEGIC OBJECTIVES

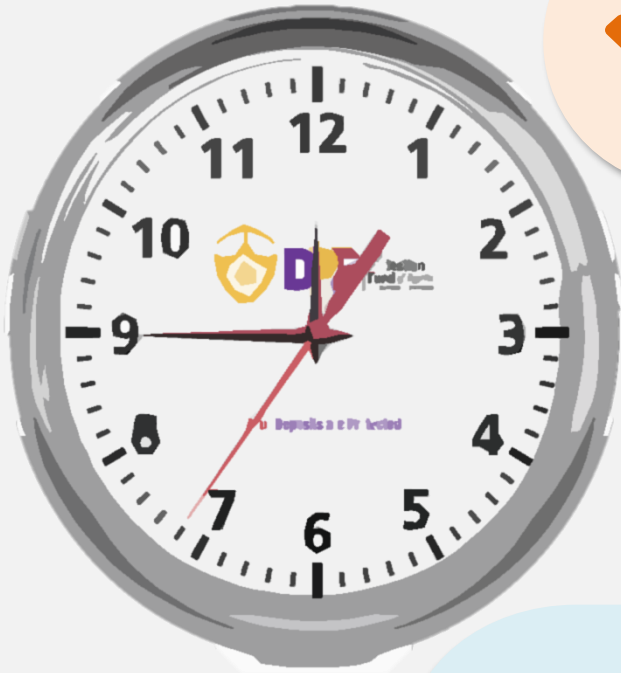
1. Enhance public awareness on the role of DPF in protecting depositors
2. Grow the fund size
3. Attain a payout readiness of between 7 to 30 days
4. Attain an enhanced mandate in deposit insurance
5. Ensure that Board members and staff acquire requisite skills and competencies, and knowledge in deposit insurance
6. To have stable, motivated, and engaged staff

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THE ROLES AND FUNCTIONS OF DPF

Section 109 of the FIA, 2004, as amended provides for DPF to:



✓ Pay depositors of protected deposits, in the event of closure of a financial institution;

✓ Act as receiver or liquidator if appointed by Bank of Uganda;

✓ Perform any other duty as may be conferred by law.

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THE ROLE AND FUNCTIONS OF DPF – CONT'D

DPF contributes to financial stability by ensuring that depositors are:



Aware that their deposits are protected



Paid as fast as possible if there is need for depositor payout

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CORPORATE GOVERNANCE STRUCTURE

01

In line with the provisions of the FIA 2004 , as amended, the DPF is governed by a board of seven members;

02

Out of these, two (2) members represent contributing institutions and another two (2) represent the public interests;

03

The Board upholds best corporate governance principles which are spelt out in the Board Charter and Code of conduct;

04

At the request of DPF Board, the Governor, BoU seconded 11 staff to spearhead the process of operationalizing DPF.



03

Governance Principles

02

Member Representat

01

Board of Seven Member

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BOARD OF DIRECTORS



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EXECUTIVE COMMITTEE



BOARD, MANAGEMENT & STAFF



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MEMBERSHIP AND COVERAGE



1

Membership is compulsory for all BOU Supervised Deposit Taking Institutions;



2

Currently, there are 34 members. Commercial Banks (26), Credit Institutions (04) and MDIs (04);



3

Deposits are currently protected to the limit of UGX 10million per depositor per Supervised Financial Institution;



4

The Protection limit was reviewed from UGX 3m to UGX 10m in Sept. 2019

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MEMBERSHIP AND COVERAGE – CONT'D

At the current protection limit of UGX 10 million:- March 31,2022



98 % of deposit accounts are fully protected - (19.6 million accounts out of 20 million accounts);



Total value of protected deposits constitutes 17.8 % of total deposits in the sector (5.7 trillion out of 32 trillion);



Fund can pay off 18.4 % of total protected deposits in the sector; 1.05 trillion against UGX 5.7 trillion

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FUNDING AND ASSET STRUCTURE

A) Premiums

Annual Premiums - at least 0.2% of the average deposit liabilities of the previous financial year

Risk Adjusted Premiums - additional 0.1 percent and 0.2 percent of the average weighted deposit liabilities on a quarterly basis for institutions rated marginal and unsatisfactory respectively.

B) Investment Income – from government securities

MAJOR SOURCES
OF INCOME:

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RATIONALE FOR CHANGE FROM UGX 3M TO UGX 10M



The deposit protection limit of UGX 3 million had been in place for over 20 years. Despite the fact that there had been significant changes in the economy and the banking sector, which warranted re-assessment of the adequacy of the limit.



Aggregate deposits in contributing institutions had grown from about UGX 565 billion in 1997 to over UGX 20 trillion as at September 30, 2018.



The exchange rate had depreciated with the value of the USD standing at approximately UGX 3,700 compared to UGX 1,000 in 1997.



This implied that at the time the deposit protection limit was put in place it was equivalent to USD 3,000, which reduced to USD 810 at the currency rate at the time.

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ACHIEVEMENTS



Legal Framework (The Financial Institutions (Deposit Protection Fund) Regulations, 2019; The Financial Institutions (Protected Deposit) Instrument, 2019; The Deposit Protection Fund Bill, 2020)

Human Resources (Staff Recruitment, Policies and Procedures)

Admission to the International Association of Deposit Insurers (IADI)

Business automation (Premium collection, billing and computation; Single Customer View System (CVS) Integration Guidelines)

Public Awareness Campaigns (Sensitization Meetings, Online Presence,)

Official Launch of the Deposit Protection Fund & the Office at AHA Towers

ACHIEVEMENTS CONT'D



Hosting of the International Association of Deposit Insurers (IADI)
– Africa Regional Committee (ARC) Conference

Professional Development Programs

Strategic Partnerships (KDIC, ZDPC, NDIC, BOU)

Corporate Social Responsibility

Approval of chambers

Investment Management

FiRE Awards

Admission to the Institute of Corporate Governance of Uganda
(ICGU)

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CSR – Responding to social needs

WAY FORWARD

1. Public awareness
2. Joint Inspections with Bank of Uganda
3. Regulatory framework to expand the DPF mandate
4. Single Customer View
5. Automation of systems
6. Quarterly engagements with CEOs of Contributing Institutions

Depositors don't pay the premium

All depositors of contributing institutions regulated by BoU are protected

Display of DPF Awareness posters

Avoid rumours

Current limit is UGX 10million per customer per bank

Dollar accounts are protected but first converted to UGX

Computations for payment are per depositor (less any non-performing loans).

DPF does not handle depositor complaints

*Don't Forget
to Remember*



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QUESTIONS & COMMENTS?

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