

# **BREAKFAST MEETING WITH CEOs OF CONTRIBUTING INSTITUTIONS**

**Kampala Serena Hotel - Monday December 19, 2022**

# Outline



Background to Deposit Insurance



Deposit Protection Fund - The Journey



Vision, Mission, Strategic Objectives



The Roles and Functions of DPF



Corporate Governance Structure



Membership and Coverage



Funding and Asset Structure



Key Achievements



DPF Major Projects



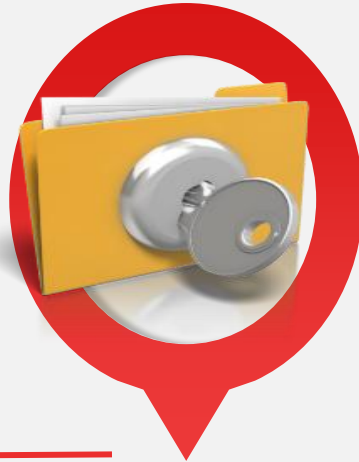
Going Forward

Your Deposits are Protected

# BACKGROUND TO DEPOSIT INSURANCE



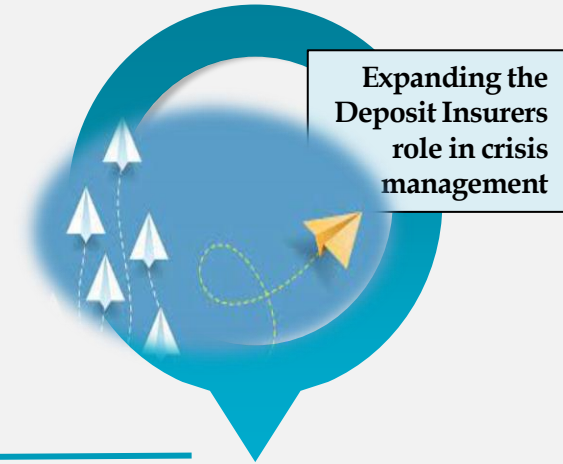
Deposit Insurance - initially developed out of the need to protect vulnerable, uninformed small depositors. It gained global prominence during the 2007/8 financial crisis which saw depositors lose confidence in the financial sector.



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



Although DI contributes to maintaining confidence in the banking sector, depositors may not access all their money and there could be delays in getting access to the same in case of a bank closure.



Expanding the Deposit Insurers role in crisis management

As such, globally there is a drive towards expanding the role of the deposit insurer to use its funds to contribute to other resolution mechanisms.



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



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## BACKGROUND TO DEPOSIT INSURANCE ---CONT'D

.. IADI - global standard setting body on deposit insurance

.. Headquarters in Basel, Switzerland.  
.. Has 92 Members, 9 Associates and 17 Partners.

.. Established in 2002 to enhance deposit insurance across the Globe

.. Issued its first Core Principles for Effective Deposit Insurance in 2009.

.. Principles were revised in 2014 in response to the global financial crisis

.. Principles provide guidance on: governance, deposit insurance mandates, funding and public awareness

IADI provides technical training on deposit insurance to its subscribers.

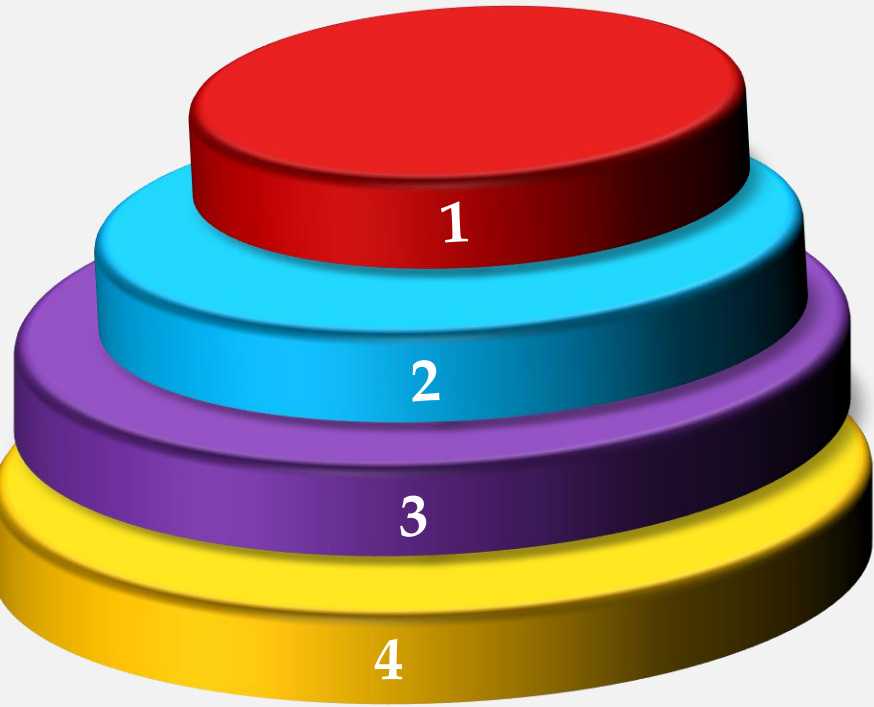


DPF is a member of IADI - admitted in April 2018.

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# BACKGROUND TO DEPOSIT INSURANCE ..CONT'D

Possible mandates of a Deposit Insurance entity;



**“Pay Box”** - Only responsible for payment of protected deposits.

**“Pay Box Plus”**- Has additional responsibilities, such as liquidations

**“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.



# DEPOSIT PROTECTION FUND - THE JOURNEY

2021: the recruitment process was concluded – to date, 47 staff.

Consequently, a team of 11 staff were seconded from Bank of Uganda to kickstart independent operations of the Fund.

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- paybox plus.

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

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

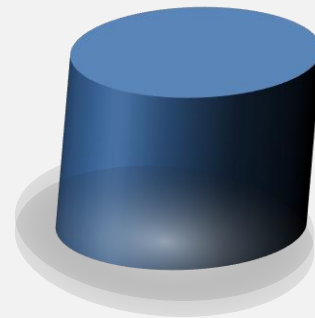
# VISION, MISSION AND CORE VALUES



**VISION:** Excellence in deposit protection for financial sector stability.



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



**CORE VALUES: (RITE)**

Respect  
Integrity  
Transparency  
Excellence



# 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.

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.

# 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;



# BOARD OF DIRECTORS



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# SENIOR MANAGEMENT TEAM



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# 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 33 members. Commercial Banks (25), 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;



98 % of deposit accounts are fully protected - (20.9 million accounts out of 21.3 million accounts as at Sept 2022);



Total value of protected deposits constitutes 19 % of total deposits in the sector (6.5 trillion out of 34 trillion);



Fund can pay off 17 % of total protected deposits in the sector; 1.1 trillion against UGX 6.4 trillion

# FUNDING AND ASSET STRUCTURE

## MAJOR SOURCES OF INCOME:

### A) Premiums

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

### B) Investment Income - from government securities



# KEY ACHIEVEMENTS

Full operationalisation of the Fund. All functions managed in-house.

Enhanced public awareness of the role of DPF.

IT pay-out system developed and being rolled out.



Policies and procedures put in place.

Increased deposit insurance limit from UGX 3 million to UGX 10 million.

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

## DPF MAJOR PROJECTS

1. Rolling out the pay-out system and premium management system to Contributing institutions.
2. DPF Stand-alone law to expand the DPF mandate (contribute to resolution funding) beyond preparing for pay-outs.
3. Inspection of Contributing Institutions.
4. Regular engagements with CEOs of Contributing Institutions.
5. Public Awareness Initiatives (engagement with CIs frontline staff, Talk shows across the country, advertisements).
6. Customer satisfaction dipstick survey

## GOING FORWARD

Enhance public awareness on the role of DPF in protecting depositors to at least 25% by 2027

Grow the fund size to at least UGX 2 trillion by 2027.

Attain a payout readiness of between 7 to 30 days

Attain an enhanced mandate in deposit insurance by 2027

Ensure that Board members and staff acquire requisite skills and competencies, and knowledge in deposit insurance by 2027.

To have stable, motivated, and engaged staff by 2027

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## KEY TAKE-AWAYS

Depositors don't pay the premium

All depositors of contributing institutions regulated by BoU are protected

Display of DPF Awareness posters in banking halls

DPF pays per depositor, not per account

Current limit is UGX 10million per depositor 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

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**QUESTIONS & COMMENTS?**

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