

# DEPOSIT PROTECTION FUND OF UGANDA (DPF)

## Presentation at Media Editors Breakfast Meeting

Friday, December 09, 2022

**Your Deposits are Protected**

# Outline



Background of Deposit Insurance



Deposit Protection Fund - The Journey



Vision, Mission, Strategic Objectives



The Roles and Functions of DPF



Membership and Coverage



Key Achievements

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# BACKGROUND OF 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.



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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# DEPOSIT PROTECTION FUND – THE JOURNEY



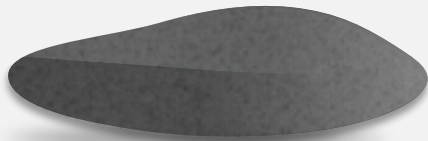
2021: the recruitment process was concluded – to date, 47 staff.



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.

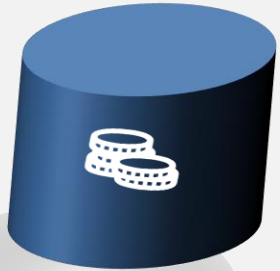


It continued in force under the Financial Institutions Act (FIA) 2004, managed by Bank of Uganda.



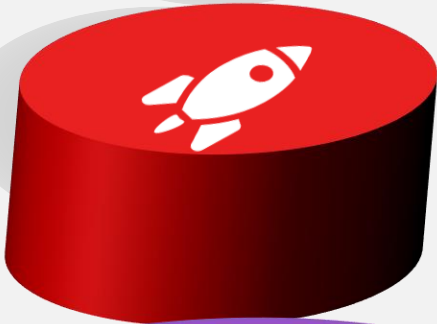
The Deposit Protection Fund (DPF) was established in 1994 following the enactment of the Financial Institutions Statute (FIS) 1993.

# VISION, MISSION AND STRATEGIC OBJECTIVES



**VALUES: (RITE)**

Respect  
Integrity  
Transparency  
Excellence



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



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


## STRATEGIC OBJECTIVES:


1. Increase public awareness
2. Pay depositors fast and conveniently
3. Grow the fund size
4. Attain an enhanced mandate
5. Improve Board and staff knowledge and skills.
6. Have motivated and engaged staff




# 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.

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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 insured to the limit of UGX 10 million per depositor per Supervised Financial Institution;



4

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

8

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## MEMBERSHIP AND COVERAGE - CONT'D

At the current insurance limit of UGX 10 million:- September 30, 2022



5

98 % of deposit accounts are fully insured - (20.9 million accounts out of 21.4 million accounts);



6

Total value of insured deposits constitutes 18.9 % of total deposits in the sector (UGX 6.5 trillion out of UGX 34.3 trillion);



7

Fund can pay off 17.1 % of total insured deposits in the sector; UGX 1.102 trillion against UGX 6.5 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

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## KEY ACHIEVEMENTS

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

Enhanced public awareness about the role of DPF.

IT pay-out system developed and being rolled out.



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## KEY ACHIEVEMENTS

Admission to the International Association of Deposit Insurers (IADI).

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

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



Strategic Partnerships (KDIC, ZDPC, NDIC, BoU).

Approval of chambers.

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

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## KEY UNDERTAKINGS

1. Rolling out the pay-out 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. Automation of systems (Premium collection, billing and computation, Single Customer View).
5. The Fund is a member of the working group on crisis management & contingency planning aimed at ensuring readiness for pay-out in crisis periods. (FSSF membership).
6. Quarterly engagements with CEOs of Contributing Institutions.
7. Public Awareness Initiatives (Talk shows across the country, advertisements).

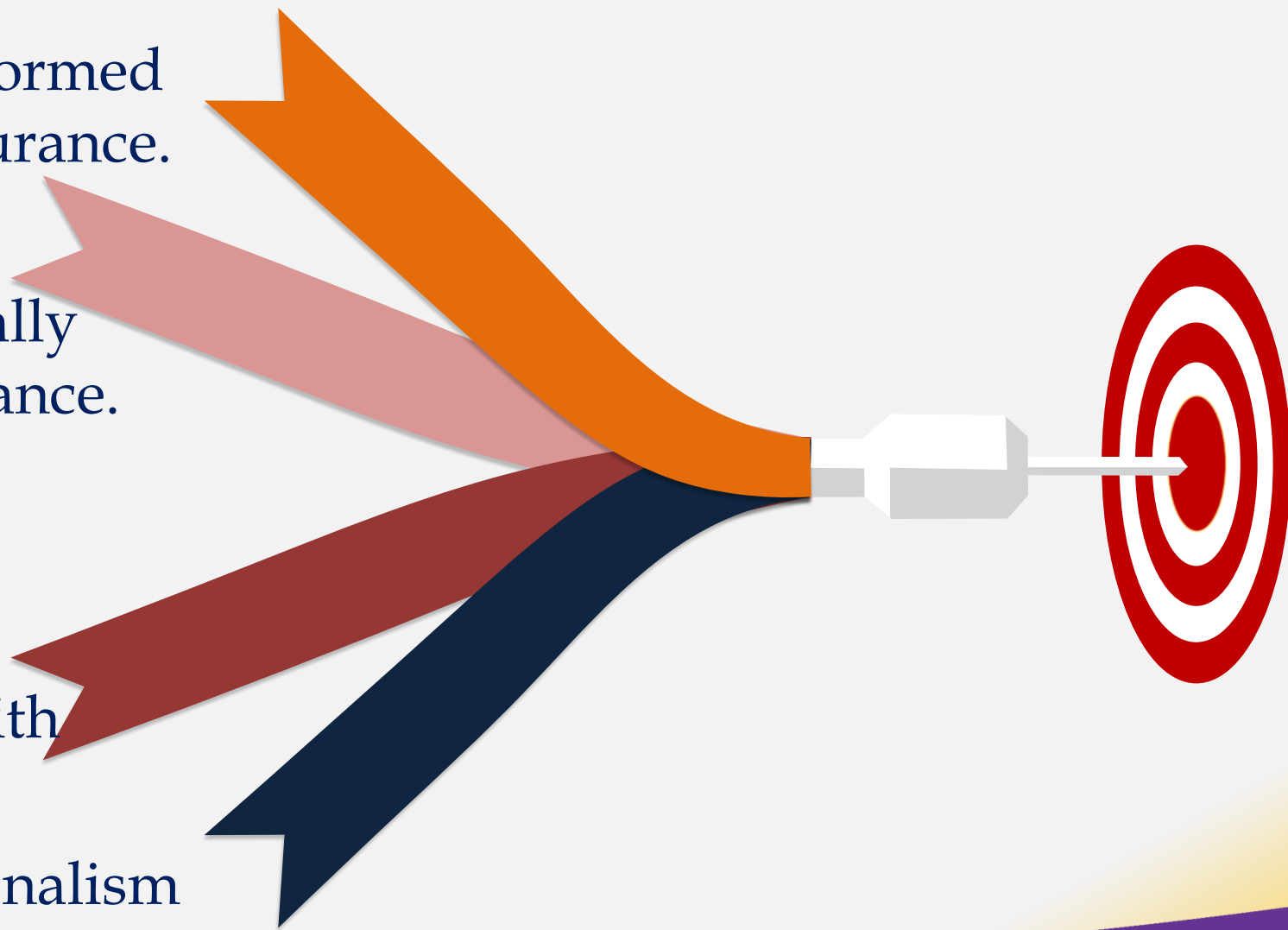
## KEY TAKE-AWAYS

Urge you to be informed  
about Deposit Insurance.

Need to report factually  
about Deposit Insurance.

Always verify any  
information about  
Deposit Insurance with  
DPF.

Avoid Sensationalism  
and Rumors.



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