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# PART THREE

## CONSUMER EDUCATION

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## SECTION 16

### FACTS ABOUT THE DEPOSIT INSURANCE SYSTEM IN NIGERIA

#### 16.0 INTRODUCTION

The Nigeria Deposit Insurance Corporation (NDIC) commenced operation in 1989 as an agency of government with the mandate of Deposit Guarantee, Bank Supervision, Distress Resolution and Liquidation.

Although the NDIC existed for over two decades and came up with a lot of initiatives to educate the banking public on the concept of deposit insurance, it is still not well known to many of its stakeholders in Nigeria. It therefore becomes necessary to educate the public on the benefits and limitations of Deposit Insurance System (DIS) on a continuous basis. This section presents a set of Frequently Asked Questions (FAQs) and Answers that would give more insights on the concept of DIS and its practice in Nigeria.

#### **Question 1: What is Deposit Insurance?**

**Answer:** Deposit Insurance is a system established by government to protect depositors against the loss of their insured deposits placed with member institutions in the event that a member institution is unable to meet its obligations to depositors. Deposit insurance ensures that the depositor does not lose all his/her money in the event of a bank failure. It also engenders public confidence in, and promotes the stability of, the banking system by assuring savers of the safety of their funds. Deposit insurance makes bank failure an isolated event, hence it eliminates the danger that unfounded rumours will start a contagious bank run.

#### **Question 2: Why is Deposit Insurance Necessary?**

**Answer:** Deposit-Taking Financial institutions differ from industrial and commercial enterprises in that they depend mainly on deposits mobilized from the public for their working capital and are highly leveraged. If a financial institution is unable to meet its obligation to depositors due to operational problems or business failure, anxious depositors may cause a run on the bank as well as other healthy institutions. The stability of the financial system and social order in general would also be at risk. Moreover, most depositors have small deposit amounts and therefore cannot cost-effectively collect and analyse information on the financial institutions they do business with. The government has therefore established a deposit insurance mechanism, under which the NDIC is empowered to provide protection for small depositors and contribute to financial and social order.

**Question 3: How Does Deposit Insurance Maintain Financial System Stability?**

**Answer:** Deposit-Taking Financial institutions play an important role in regulating the supply and demand of capital and promoting economic development. They accept deposits, which are a highly liquid form of debt, yet most of their assets are tied up in long-term illiquid forms. Deposit-Taking Financial institutions therefore have a hard time realizing their assets for cash, when their business runs into problems, so depositors may lose confidence, triggering a bank run. The limited liquidity of deposit-taking financial institutions also encourages a perception among depositors that making an early withdrawal is the only way to get their money back. This fear can exacerbate a bank run and also have a chain reaction that leads to runs on other banks as well. DIS is usually established to prevent this by providing assurance of deposit repayment to the great majority of depositors. In doing so, the system also prevents systemic risk and ensures the stability of the financial system.

**Question 4: Who Administers Deposit Insurance System in Nigeria?**

**Answer:** The NDIC is the agency empowered to administer the DIS in Nigeria, thereby protecting depositors of deposit-taking financial institutions. The NDIC provides incentives for sound risk management in the Nigerian banking system as well as contributes to the stability of the financial system. The NDIC manages three Insurance Funds: the Deposit Insurance Fund (DIF) for DMBs, the Special Insured Institutions Fund (SIIF) for MFBs and PMBs and the Non-Interest Deposit Insurance Fund (NIDIF) for the Non-Interest Banks and windows of non-interest banking.

**Question 5: Is Deposit Insurance the same as Conventional Insurance?**

**Answer:** No. Deposit insurance is different from conventional insurance in several respects. Some of the differences include the following:

- a. Deposit insurance is a regulatory tool aimed at ensuring the safety, soundness and stability of a nation's financial system, thereby protecting the macro-economy at large. It is one of the components of a financial safety-net, with other components being effective regulation/supervision and lender-of-last-resort role of the central bank. On the other hand, conventional insurance policy is designed only to protect the micro-interest of the policyholder.
- b. Deposit insurance is usually a tripartite arrangement involving the deposit insurer, the participating institutions and the depositors, whereas conventional insurance is a bilateral agreement between the insurance company and the insured (policy holder).
- c. Under deposit insurance, the participating institution pays the premium while the direct beneficiary of the protection offered is

the depositor who does not pay any premium. In the case of conventional insurance, the beneficiary, who is the insured, pays the premium.

- d. Best practice dictates that participation in deposit insurance should be compulsory, participation in conventional insurance contract is generally voluntary.
- e. Under deposit insurance, best practice prescribes that the amount of coverage should be limited, whereas in the case of conventional insurance, coverage may be full.

**Question 6: Who are the Insured Institutions under the Deposit Insurance System in Nigeria?**

**Answer:** Insured institutions are all deposit-taking financial institutions licensed by the Central Bank of Nigeria (CBN) such as:-

- a) Deposit Money Banks (DMBs);
- b) Microfinance Banks (MFBs);
- c) Primary Mortgage Banks (PMBs); and
- d) Non-Interest Banks.

Membership is compulsory as provided under the NDIC Act No 16 of 2006.

**Question 7: What is Pass-through Deposit Insurance (PTDI)?**

**Answer:** It is an arrangement where the deposit insurer extends deposit insurance coverage to Pool accounts or Trust accounts domiciled in deposit-taking financial institutions and operated by MMOs. Pool accounts and Trust accounts have many contributors to the funds. Rather than insure the pool account up to the maximum as provided by law, the balances of each contributor in that pool account is insured. The NDIC will provide deposit insurance coverage to subscribers of Mobile Money Operators using the pass-through-deposit-insurance concept.

**Question 8: What are the eligibility criteria for pass-through-deposit insurance cover?**

**Answer:** The conditions for eligibility as contained in the framework are as follows:

- i. The relationship between the MMOs and their subscribers shall be based on Bare Trust arrangement.
- ii. MMOs must take Fidelity Bond Insurance.
- iii. The records of the Trust (pool) account must clearly indicate that the funds belong to individual subscribers and not the agent or custodian
- iv. The identities of the subscribers must fulfil all KYC requirements specified by the CBN
- v. The interests of the subscribers must be disclosed properly in records maintained by the insured institutions, MMOs and Agents.

**Question 9: What is the maximum cover for subscribers under the Pass-Through-Deposit Insurance Scheme?**

**Answer:** The subscribers of MMOs will be insured up to the maximum coverage level of ₦500,000 (Five Hundred Thousand Naira) per subscriber per DMB or the applicable coverage level for depositors in line with the NDIC Act.

**Question 10: Are all MMOs covered under Pass-Through-Deposit Insurance (PTDI)?**

**Answer:** No. MMOs are not covered under the PTDI but their corporate account in the bank is covered up to the maximum interest amount.

**Question 11: Where can complaints against an MMO be lodged?**

**Answer:** All grievances or queries concerning the Pass-Through Deposit Insurance coverage could be channelled through the NDIC HELP DESK toll free line on 0800-6342-4357 (0800-NDIC-HELP) or send email to [helpdesk@ndic.gov.ng](mailto:helpdesk@ndic.gov.ng) and [info@ndic.gov.ng](mailto:info@ndic.gov.ng).

**Question 12: Who is an Agent and Custodian?**

**Answer:** An agent is an individual or organisation authorised by a MMO to transact business on its behalf in certain locations, while a custodian is a MMO with the responsibility for safeguarding, holding and managing subscribers' funds on their behalf. It is usually a bank licensed by the CBN. The MMO exercises legal authority over the funds.

**Question 13: What is a Pool (trust) account?**

**Answer:** An account opened and operated by a MMO in an insured institution on behalf of its subscribers.

**Question 14: What is a bare Trust?**

**Answer:** This is a situation where each beneficiary of an account holds a separate share and is entitled to protection within the parameters of the scheme. The MMOs shall maintain an account in an insured institution on a trust basis that clearly indicates the interest of all beneficiaries in the Trust (pool) accounts.

**Question 15: How can the Public find out if a Financial Institution is insured by the NDIC?**

**Answer:** To identify insured financial institutions, look out for an NDIC decal (sticker) displayed in the Head Offices and Branches of all insured institutions or call our **HELP DESK LINE – 0800-6342-4357 (0800 – NDIC - HELP)**; and 234-9-4601030 or visit our website: [www.ndic.gov.ng](http://www.ndic.gov.ng)

**Question 16: Which Financial Institutions are not covered by the NDIC?**

- Answer:** The financial institutions not covered by the NDIC include:
- a) Development Finance Institutions such as Bank of Industry, Federal Mortgage Bank, Bank of Agriculture and Infrastructure Bank
  - b) Discount Houses
  - c) Finance Companies
  - d) Investment Firms
  - e) Unit Trusts/Mutual Funds
  - f) Insurance Companies
  - g) Pension Fund Administrators (PFAs)
  - h) Stockbroking firms

**Question 17: What Type of Deposits are insured by the NDIC?**

**Answer:** Not all deposits in insured institutions are covered by the NDIC. The following table lists deposits that are insured and those that are not insured:

<b>Insured Deposits</b>	<b>Uninsured Deposits/Instruments</b>
Current Account Deposits	Inter-bank placements
Savings Account Deposits	Insider deposits (i.e. deposits made by staff, directors and other connected parties)  Deposits held as collateral for loans
Time or Term Deposits	Investment in: Stocks, Bonds, Mutual Funds, Annuities, Commercial Papers and Debentures
Foreign Currency Deposits	Federal Government Treasury Bills, Bonds and Notes

Insurance covers the balance of each eligible account, Naira-for-Naira, up to the insurance limit, including principal and any accrued interest up to the date of the insured institution's closure.

**Question 18: Whose Deposits does the NDIC Insure?**

**Answer:** The NDIC insures bank deposits of natural persons as well as legal entities, whether they are from Nigeria or from any other country but resident in Nigeria.

**Question 19: How does the NDIC Assess Premium and Who Pays for the Insurance Premium?**

**Answer:** Participating institutions are required to pay annual premium to the deposit insurance system administered by the NDIC. The premium is assessed based on participating institutions' total assessable deposit liabilities as at 31st December of the preceding year. The assessable deposit liabilities are total deposits with the exception of some deposits listed in Section 16 of the NDIC Act 2006. The NDIC Act 2006 (Section 16(2)), has given the NDIC the power to adopt any premium assessment system to reflect developments in the industry in particular and the economy in general. The NDIC has adopted Differential Premium Assessment System (DPAS).

**Question 20: How does the NDIC Protect the Insurance Fund?**

**Answer:** The NDIC protects the Insurance Fund by investing the Fund in safe but liquid financial instruments such as Treasury Bills, Federal Government Bonds and instruments of similar nature.

**Question 21: Does the NDIC Finance its Operations from the Insurance Fund?**

**Answer:** No. NDIC finances all its overhead and administrative expenses from its investment income. The main source of income for the NDIC is the proceeds from investment of the insurance fund in securities issued by the Federal Government. The insurance fund is used only for paying insured deposits when an insured institution fails as well as for granting financial assistance to deserving participating institutions. The NDIC does not enjoy subvention from the government.

**Question 22: What is Sustainable Banking?**

**Answer:** Sustainable banking is a value system, which ensures that a bank's commercial activities do not only benefit its staff and shareholders, but also its customers and the wider economy, while at the same time prevent or at least minimize any undue effects on society and natural environment. Sustainable banking requires banks to be proactive and take steps to improve society and the environment. Sustainable banking is about preserving the environment and biodiversity for future generations and about being cautious with natural resources and climate. Sustainability is about guaranteeing human rights and a life in dignity, free from want and poverty for all people living today. Sustainable banking has many labels: corporate social responsibility, corporate responsibility, corporate citizenship, environmental and social governance.



In Nigeria, the Bankers' committee, which the Central Bank of Nigeria (CBN), NDIC and all the banks in the country are members, pledged to embrace the concept of sustainable banking and went ahead to develop a set of principles called Nigeria Sustainable Banking Principles (NSBP). Part of the pledge also was that every member of the Bankers' Committee including regulators (CBN and NDIC) should adopt and implement the principles.

**Question 23: How does NDIC Promote Sustainable Banking?**

**Answer:** The NDIC plays two roles in terms of the implementation of sustainable banking. First as a member of Bankers' Committee, it is duty bound to implement the agreements of the committee, one of which is that every member of the committee should adopt the sustainable banking principles. Secondly, as a supervisor in the banking industry, the NDIC has the duty of ensuring that operators in the system comply with the pledge to adopt the principles in their institutions. As part of its efforts at achieving the implementation and integration process, the NDIC came up with the following initiatives:

- i. Set-up sustainability desk in the Managing Director's office.
- ii. Set-up a committee on sustainability to facilitate the implementation of NSBP in the NDIC.
- iii. In its effort to integrate environmental and social considerations the NDIC commenced the implementation of energy efficiency initiatives in all its locations nationwide.
- iv. The NDIC has invested hugely in ICT to drive most of its work processes e.g. Human Manager, Dispatch Management System, Document Management System, E-learning etc.
- v. To further integrate Sustainable Banking and ensure compliance with the principles, an Inter Departmental Committee was constituted to drive the implementation of a paperless environment in the NDIC. Paperless environment not only increases productivity, eliminates storage space, reduces cost and expenses (printing costs, photocopier costs) but also leads to improved ability to work remotely, increased security, improved disaster recovery, reduction in environmental impact.
- vi. The NDIC continued to comply with the principles through promotion of Financial Inclusion and Financial Literacy, Collaboration with other stakeholders to promote and expand the Sustainable Banking space, implementation of sustainability principles in its On-site examination processes, training and capacity building for staff on environmental and social risks etc.

**Question 24: What is Cryptocurrency?**

**Answer:** A cryptocurrency is a medium of exchange like normal currencies such as Naira and USD, but designed for the purpose of exchanging digital information through a process made possible by certain principles of cryptography. Unlike centralized banking, like the Federal Reserve System and the Central Bank of Nigeria, where governments control the value of a currency through the process of printing fiat money, in cryptocurrencies government has no control over their operations as they are fully decentralized. The first cryptocurrency is the Bitcoin created in 2009.

**Question 25: Is Bitcoin and other Cryptocurrencies Legal Tender in Nigeria?**

**Answer:** No. The Central Bank of Nigeria (CBN) does not recognise Bitcoin or any other form of cryptocurrencies as legal tender in the country.

**Question 26: What is Single Customer View?**

**Answer:** A Single Customer View is an aggregated, consistent and holistic representation of the data known by an organisation about its customer. In terms of deposit insurance, it is the collation of all the information on a depositor (all his bank information in every bank across the country) and considered as a single identity. In Nigeria, the Bank verification Number (BVN) system has now created a database where all bank customers are captured and their accounts are linked. The initiative will aid the speed of making pay-out of insured sums to depositors after an insured institution is liquidated.

**Question 27: Does the Supervisory Functions of the NDIC duplicate that of the Central Bank of Nigeria?**

**Answer:** No. There is no duplication of supervisory functions between the two agencies, rather what exists is collaboration. For instance there is a framework whereby the NDIC collaborates effectively with the Central Bank of Nigeria through joint committees on supervision at both executive and technical levels and the two are represented at each level. Secondly, in order to avoid duplication of supervisory functions, the two institutions share banks for examination purposes on an annual basis and when such examinations are concluded, the examination reports are exchanged. The supervisory efforts of the two institutions are sometimes conducted jointly when the need arises. Indeed, the involvement of the NDIC in bank supervision has reduced the examination cycle from about once in two years to once a year.

The NDIC supervise banks basically, to protect depositors. Banking supervision is one of the core functions of the NDIC as it seeks to reduce

the potential risk of failure and ensures that unsafe and unsound banking practices do not go unchecked. It also provides the oversight required to preserve the integrity of, and promote public confidence in the banking system. The NDIC carries out its supervisory responsibilities through on-site examination and off-site surveillance of insured institutions.

**Question 28: How does NDIC Protect Bank Depositors against Loss?**

**Answer:** The NDIC protects bank depositors against loss through:

**a) Deposit Guarantee**

This is the most significant and distinct role of the NDIC. As a deposit insurer, the NDIC guarantees payment of deposits up to the maximum insured sum of N500,000 to a depositor in DMBs and N200,000 to a depositor in MFBs and PMBs in the event of failure of a participating financial institution. Balances in all deposit accounts held in the same right and capacity by a depositor in all branches of the closed insured institution, net of outstanding debts, are aggregated to determine the maximum insured amount.

**b) Bank Supervision**

The NDIC supervises banks to protect depositors, ensure monetary stability and effective/efficient payment system as well as to promote competition and innovation in the banking system. Banking supervision seeks to reduce the potential risk of failure and ensures that unsafe and unsound banking practices do not go unchecked. It also provides the oversight functions required to preserve the integrity of and promote public confidence in the banking system.

**c) Failure Resolution**

The NDIC is empowered to provide financial and technical assistance to failing or distressed banks in the interest of depositors. The financial assistance can take the form of loans, guarantee for loan taken by the bank or acceptance of accommodation bills. On the other hand, the technical assistance may take the following forms: take-over of management and control of the bank; change in management; and/or assisted merger with another viable institution.

**Question 29: How does NDIC Establish Ownership of a Bank Deposit?**

**Answer:** The NDIC relies on deposit account records kept by a failed bank as well as on the proofs presented by the depositor.

**Question 30: As a Depositor, Must I Apply for a Deposit Insurance Cover?**

**Answer:** No. A depositor does not need to. Under the deposit insurance system,

eligible deposit accounts in insured institutions are automatically insured at no charge to any depositor.

**Question 31: When is Insured Deposit Payable?**

**Answer:** Insured deposit is payable only when an insured institution has been closed as a result of action taken by the Central Bank of Nigeria or when there is suspension of payment by a bank.

**Question 32: What Methods of Payment Does the NDIC Use in Meeting its Obligations to Depositors of a Failed Institution?**

**Answer:** The NDIC could pay depositors of a failed insured institution either by transfer to a financial institution with instructions to effect payments to depositors on its behalf, or directly by means of issuing cheques up to the insured limit which will be collected at the NDIC's designated centres, usually the closed bank's offices or by directly crediting the depositor's account using e-payment platform.

Payments could also be made through Purchase and Assumption, whereby a healthy bank assumes part or all of the deposit liabilities of a failed insured bank.

**Question 33: What does a Deposit Transfer Involve?**

**Answer:** The NDIC transfers an amount equivalent to the total insured deposits of a failed insured institution to another financial institution under an agreement which will enable depositors of the failed insured institution to collect their entitlements from the financial institution.

**Question 34: How are the Insured Sums Collected?**

**Answer:** Insured sums are collected by depositors on filing their claims through the completion of relevant forms provided by the NDIC. In addition, they have to furnish the NDIC with account documents such as unused cheque books, old cheque stubs, passbooks, fixed deposit certificates, etc. Each depositor would also be required to identify him/herself with a valid identification document such as National Identity Card, Driver's Licence or International Passport. After verification of ownership of the account as well as the account balance, the depositor would be duly paid the insured sum by cheque or deposit transfer through an Agent Bank or Acquiring Bank.

**Question 35: What should a Depositor of a Failed Bank do if he or she Loses Passbook or Savings Documents?**

**Answer:** The depositor would be required to present a Police report along with a

sworn affidavit duly certified by a Court. The depositor would also be required to identify himself/herself with a valid identification document like National Identity Card, National Voters Card, Driver's Licence or International Passport.

**Question 36: Can a Depositor Leave his/her Deposits with the Transferee Institution?**

**Answer:** Yes. A depositor, if he/she wishes, can open an account with the transferee institution for the full amount or part of his/her deposits.

**Question 37: Does the NDIC Protect the Interests of Creditors or Shareholders of a Bank?**

**Answer:** The primary mandate of the NDIC is to protect depositors. However, through supervision to ensure safety and soundness of banking institutions, the interest of creditors and shareholders are also protected. In the event of bank failure, creditors and shareholders could be paid liquidation dividends after depositors had been fully reimbursed.

**Question 38: What is Liquidation Dividend?**

**Answer:** This is a payment made to a depositor of a failed insured institution in excess of the insured sum. While the insured sums are paid from the DIF, SIIF or NIDIF as the case may be liquidation dividends are paid from funds realized from the sale of the assets and recoveries of debts owed to the failed insured institution.

**Question 39: What is the Current Insured Limit and why is it limited to a Fixed Sum?**

**Answer:** The insured limit is currently a maximum of ₦500,000 for each depositor in respect of deposits held in each insured deposit money bank and Primary Mortgage Bank and ₦200,000 for depositor in MFB in the same right and capacity. The amount to be reimbursed has to be definite. Limited coverage is to minimize moral hazard through excessive risk-taking by bank management and depositors. Unlimited coverage could constitute a perverse incentive for excessive risk-taking.

**Question 40: If a Depositor has an Account in the Main Office of a Bank and also at a Branch Office, are these Accounts Separately Insured?**

**Answer:** No. The main office and all branches are considered to be one institution. Therefore, the accounts would be added together and covered up to the maximum insured sum.

**Question 41: If a Depositor has Deposit Accounts in Different Insured Banks, will the Deposits be Added Together for the Purpose of Determining Insurance Coverage?**

**Answer:** No. The maximum insurance limit is applicable to deposits in each of the participating banks. In the case of a bank having one or more branches,

the main office and all branch offices are considered as one bank. In summary, if a person has many accounts in one bank, all the deposits are taken together as one account even if the deposits are in various branches of the same bank. On the contrary, if a depositor has accounts in more than one bank, they are insured independently up to the maximum insured sum per bank.

**Question 42: Is the Insurance Protection Increased by Placing Funds in Two or More Types of Deposit Accounts in the Same Participating Institution?**

**Answer:** No. Deposit insurance is not increased merely by dividing funds held in the same right and capacity among the different types of deposits available. For example, demand, time and savings accounts held by the same depositor in the same right and capacity are added together and insured up to the maximum insured sum.

**Question 43: Is there any Arrangement in Place by the NDIC to Waive or Reduce Premium Payable over Time for Insured Institutions?**

**Answer:** Section 12 of the NDIC Act 16 of 2006 provides that subject to stated conditions, part of the NDIC's surplus can be applied to reduce premium payable by insured institutions. Furthermore, the NDIC would consider adopting differential premium assessment for the MFBs and PMBs such that premium payable by such Institutions would be based on their risk profile.

**Question 44: Would Funds Released by Federal Mortgage Bank for NHF Loans and Other Poverty Alleviation Funds, Donor Funds, Deposit for Shares with PMBs/MFBs be Included as Deposits when Computing the Deposit Insurance Premium?**

**Answer:** No. Special funds such as Donor funds or other funds that are for onward disbursement to beneficiaries are excluded from assessable deposits. The onus is on the insured institutions to ensure proper classification of such funds in their books.

**Question 45: If a Husband and Wife or any Two or more Persons, have, in addition to their individual Accounts, a Joint Account in the Same Insured Bank, is each Account Separately Insured?**

**Answer:** Yes. If each of the co-owners has personally signed a valid mandate card and has a right of withdrawal on the same basis as the other co-owners, the joint account and each of the individually-owned accounts are separately insured up to the insured maximum sum.

**Question 46: If a Person has an Interest in more than One Joint Account, what is the Extent of his or her Insurance Coverage?**

**Answer:** As long as the combination of the joint accounts is not the same, the account will be insured separately up to the maximum insured limit. Where the joint accounts are owned by the same combination of individuals then the accounts will be added and the total insured up to the maximum insured sum.

**Question 47: What is the Status of Depositors in a Case where an Insured Micro Finance Bank or Primary Mortgage Bank is Acquired by another Insured MFB or PMB?**

**Answer:** The depositors of the acquired insured MFB or PMB will continue to be insured up to the maximum of ₦200,000 for MFBs and ₦500,000 for PMBs in the aggregate with respect to deposits he or she holds in the same right and capacity.

**Question 48: Can Insured-Status Of A Licensed MFB Or PMB Be Terminated?**

**Answer:** Yes. But notice is always given to depositors before termination of insurance. Depositors should take precaution to verify that the MFB or PMB they are dealing with is insured and pay deposit insurance premium annually.

**Question 49: Are Accounts Held by a Person as Executor, Administrator, Guardian, Custodian, or in Some Other Similar Fiduciary Capacity Insured Separately from his or her Individual Account?**

**Answer:** Yes. If the records of the bank indicate that the person is depositing the funds in a fiduciary capacity such funds are insured separately from the fiduciary's individually-owned account. Funds in an account held by an Executor or Administrator are insured as funds of the deceased's estate. Funds in accounts held by guardians, conservators or custodians (whether court-appointed or not) are insured as funds owned by the ward and are added to any individual accounts of the ward in determining the maximum coverage. Account in which the funds are intended to pass on the death of the owner to a named beneficiary, are considered testamentary accounts and are insured as a form of individual account. If the beneficiary is a spouse, child or grand-child of the owner, the funds are insured for each owner up to a total of the maximum insured sum separately from any other individual accounts of the owner. In the case of a Revocable Trust Account, the person who holds the power of revocation is considered the owner of the funds in the account.



**Question 50: When an Account is held by a Person Designated as Agent for the True Owner of the Funds, how is the Account Insured?**

**Answer:** The account is insured as an account of the principal or true owner. The funds in the account are added to any other accounts owned by the owner and the total is insured up to the maximum sum.

**Question 51: Is an Account held by either a Company or Partnership, Insured Separately from the Individual Accounts of Shareholders or Partners?**

**Answer:** Yes. If the Company or Partnership is engaged in an independent activity, its account is separately insured up to the maximum insured sum. The term Independent activity means any activity other than one directed solely at increasing insurance coverage.

**Question 52: If a Depositor has more than the Maximum Insured Amount as Deposit in a Closed Bank, is he entitled to any further Claim for the Amount of his Deposits in Excess of the Maximum Insurance Paid by the NDIC?**

**Answer:** Yes. In a situation where the amount of depositors' fund in a closed bank exceeds the maximum insured amount, the owners of such accounts will share, on a pro-rata basis, in any proceeds from the liquidation of the bank's assets with other general creditors, including the NDIC.

**Question 53: Does the Borrower's Obligations to the Institution Continue after the Institution is closed?**

**Answer:** Yes. When acting as Liquidator of a closed institution, the NDIC is acting on behalf of all creditors of that institution and its obligation is to collect all loans promptly and efficiently along with other assets of the institution.

**Question 54: What does Purchase and Assumption (P&A) Mean?**

**Answer:** Purchase and Assumption (P&A) is a failure resolution mechanism which involves purchasing the assets of a failed bank and assuming its liabilities by another healthy insured bank(s).

**Question 55: What does Open Bank Assistance (OBA) Mean?**

**Answer:** Open Bank Assistance (OBA) is a situation where a failing insured institution is allowed to continue to operate in the same name on a going concern basis. It may involve change in ownership and management of the bank; injection of fresh funds in the form of equity and/or loan capital; and re-organisation and overhauling of the bank including rationalization of staff and branches.



**Question 56: Can Someone Retrieve the Insured Funds of a Deceased Relative from a Failed Bank in-Liquidation?**

**Answer:** Yes. To process such claims, a Letter of Administration and a Probate from a Court of Law would be required to be presented to NDIC in addition to all other documents which are to serve as proof of ownership of such account.

**Question 57: What is a Bridge Bank?**

**Answer:** A bridge bank is a temporary bank established and operated usually by a deposit insurer to acquire the assets and assume the liabilities of a failed bank until a final resolution is accomplished. The bridge bank would permit continuity of banking services to all customers and fully protect all the depositors and creditors of the failed bank pending final resolution. A bridge bank is usually set up for a specified period of time within which the Deposit Insurer would find an interested investor.

**Question 58: How do Clients of Defunct Banks (Such As All States Trust Bank) Claim their Deposits from the Acquiring Banks (Such as Ecobank Plc)?**

**Answer:** The client of the defunct bank should contact the acquiring bank. In case of unresolved claims, contact NDIC through any of the channels provided in the answer to Question 64.

**Question 59: How are Depositors' of Failed Insured Institutions Informed about the Commencement of Payment of Insured Deposits by the NDIC?**

**Answer:** Announcements would be made through the media (television, radio, newspapers) and NDIC posters at the Head Office and branches of the closed bank as to when the payment of deposits would commence.

**Question 60: How can a Depositor, Whose Name was omitted from the Deposit Register of a Failed Institution Make a Claim?**

**Answer:** The depositor should contact NDIC through any of the channels provided in the answer to Question 64.

**Question 61: How does NDIC Promote Financial Inclusion?**

**Answer:** The NDIC supports financial inclusion through guaranteeing deposits, especially small savers. Deposit insurance is vital to financial inclusion because the poor need assurance that the services of the depository institutions are safe and available at all times they desire.

The NDIC as a bank supervisor enhances financial inclusion by providing consumer protection and ensuring that bank's affairs are conducted in a safe and sound manner and prosecuting erring Directors and Management of banks.

**Question 62: What is NDIC Doing in Relation to Consumer Protection?**

**Answer:** The NDIC undertakes supervision of insured institutions with the objective of protecting consumers. It established consumer protection desks in order to promptly respond to series of complaints it receives against banks and other financial institutions on a daily basis. This is achieved sometimes through the conduct of investigations by the NDIC Examiners.

**Question 63: What is NDIC Doing in Promoting Financial Literacy?**

**Answer:** The NDIC publishes and distributes books on deposit insurance and banking to enlighten the public. Recently, a book on basic knowledge on banking and deposit insurance was distributed to all secondary schools nation-wide with the aim of catching them young. The NDIC also undertook a study on financial literacy, the report of which was published in book form in order to facilitate readership within the banking public and to assist stakeholders address the challenges of financial literacy.

**Question 64: How can the Public Contact NDIC about Questions and Suggestions Regarding Deposit Insurance?**

**Answer:** NDIC has set up the following contact channels to provide customer service to the public:

- a) To obtain quick answers to your questions, call our Help Desk Line: 0800-6342-4357; and 09 – 460 - 1030.
- b) You can also send comments to NDIC by mail to: The Managing Director/Chief Executive Officer, Nigeria Deposit Insurance Corporation, Plot 447/448 Constitution Avenue, Central Business District, Airport Road, P.M.B. 284, Garki, Abuja.  
**E-mail – [ibrahimu@ndic.gov.ng](mailto:ibrahimu@ndic.gov.ng)**
- c) Information on NDIC and the deposit insurance system can be accessed from our website at: [www.ndic.gov.ng](http://www.ndic.gov.ng). You can also submit comments or questions through the web site. In addition you can reach us through our toll-free line: 080063424357 (0800NDICHELP).

**d. ZONAL OFFICES**

- i) **Lagos**  
NECOM House  
15 Marina Street  
PMB 12881, Lagos - Nigeria  
Tel: 01- 2719010, 2719011

- ii) Bauchi** No 3 Ahmed Abdulkadir Road,  
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## SECTION 17

### IADI GLOSSARY OF TERMS AND DEFINITIONS

NO.	TERMS	OTHER TERMS USED	DEFINITION
1	<b>Acquiring Bank</b>		A <b>Bank</b> that purchases some or all of the assets and/or assumes some or all of the liabilities of a failed bank in a <b>Purchase and Assumption</b> transaction.
2	<b>Adverse Selection</b>		The tendency for higher-risk <b>Banks</b> to opt for <b>Deposit Insurance</b> and lower-risk ones to opt-out when membership in a <b>Deposit Insurance System</b> is voluntary.
3	<b>Aggregation</b>		The act of consolidating information from depositors' different individual accounts into one (usually for the purpose of reimbursement).
4	<b>Amalgamation</b>		A combination under a single entity of all or part of the assets and liabilities of two or more business units.
5	<b>Assessment Base</b>	<b>Tariff Base</b>	The monetary basis (i.e. insured deposits, total liabilities, assets) on which the <b>Deposit Insurer</b> charges <b>Premiums</b> to a <b>Member Bank</b> or calculates the levy needed to compensate the <b>Insured Depositors</b> .
6	<b>Bail-in within Resolution**</b>		Restructuring mechanisms to recapitalise a <b>Bank in Resolution</b> or effectively capitalise a <b>Bridge Bank</b> , under specified conditions, through the write-down, conversion or exchange of debt instruments and other senior or subordinated unsecured liabilities of the <b>Bank in Resolution</b> into, or for, equity or other instruments in that bank, the parent company of that <b>Bank</b> or a newly formed <b>Bridge Bank</b> , as appropriate to legal frameworks and market capacity.
7	<b>Bailout**</b>	<b>Extra-ordinary Public Financial Support</b>	Any transfer of funds from public sources to a failing or failed bank or a commitment by a public authority to provide funds with a view to sustaining the institution (e.g., by way of guarantees) that results in benefit to the shareholders or uninsured creditors of that <b>Bank</b> , or the assumption of risks by the public authority that would otherwise be borne by the <b>Bank</b> and its shareholders, where the funds transferred are not recouped from the institution, its unsecured creditors or, if necessary, the financial system more widely, or the national authority is not reimbursed for the risks assumed.
8	<b>Bank Run</b>		A rapid and significant withdrawal of <b>Deposits</b> by depositors following a loss of confidence, precipitated by fear that a <b>Bank</b> may fail and depositors may suffer losses.
9	<b>Bank*</b>	<b>Deposit-taking Institution</b>	Any entity which accepts <b>Deposits</b> or repayable funds from the public and is classified under the jurisdiction's legal framework as a deposit-taking institution.

NO.	TERMS	OTHER TERMS USED	DEFINITION
10	<b>Blanket Guarantee*</b>	<b>Blanket Coverage Full deposit coverage</b>	A declaration by authorities that in addition to the protection provided by limited coverage deposit insurance or other arrangements, certain <b>Deposits</b> and perhaps other financial instruments will be protected.
11	<b>Bridge Bank</b>	<b>Bridge Institution</b>	An entity that is established to temporarily take over and maintain certain assets, liabilities and operations of a failed bank as part of the resolution process.
12	<b>CAMELS Rating</b>		A rating system where supervisors rate <b>Banks</b> according to six factors represented by the acronym "CAMELS" (Capital adequacy, Asset quality, Management capability, Earnings, Liquidity and Sensitivity to market risk).
13	<b>Capital Adequacy Ratios</b>		A measurement of the amount of a bank's capital typically expressed as a percentage of its risk weighted assets.
14	<b>Claim</b>		An assertion of the indebtedness of a failed bank, or the entitlement of a depositor to general creditor, subordinated debt holder, or shareholder.
15	<b>Co-insurance</b>		A "loss sharing" arrangement whereby depositors are covered for a pre-specified portion of <b>Deposits</b> that is less than 100 percent of their <b>Insured Deposits</b> .
16	<b>Collateralisation</b>		The act wherein a creditor takes claim on any assets of a debtor (mortgage, pledge, charge or other form of security) as recourse in the event the debtor defaults on the original loan/obligation.
17	<b>Compulsory Membership</b>	<b>Mandatory Membership</b>	A system wherein all designated <b>Banks</b> must be members of a <b>Deposit Insurance System</b> , according to law or agreement.
18	<b>Conservator</b>	<b>Administrator</b>	A person or entity, appointed by a regulatory authority to operate a troubled bank in an effort to conserve, manage, and protect the institution's assets until the institution has been restored to viability or has been closed by the chartering authority.
19	<b>Conservatorship</b>		The legal procedure provided by law or agreement for the interim management of troubled banks.
20	<b>Contagion</b>		The spread of financial problems of a <b>Bank</b> to other <b>Banks</b> or Financial Institutions usually within the same jurisdiction or the spread of economic and financial disturbances within a jurisdiction or across jurisdictions.
21	<b>Corporate Governance</b>		The systems (strategies, policies, processes and controls) by which an organisation is directed, administered or controlled, and includes the relationships among stakeholders and the goals for which the organisation is governed.
22	<b>Coverage Limit</b>	<b>Coverage Level Maximum Coverage Compensation Limit</b>	The maximum amount a depositor can claim from or be reimbursed by a <b>Deposit Insurer</b> in the event of a bank failure.

NO.	TERMS	OTHER TERMS USED	DEFINITION
24	Coverage Ratio (by value)		The ratio of the value of Insured Deposits divided by the total value of Eligible Deposits.
25	Cross-border Cooperation Arrangements**	Cross-border Resolution Arrangements	Specific cooperation agreements, sanctioned by national law, that enable Resolution Authorities to share information and to act collectively to resolve banks located in multiple jurisdictions in a more orderly and less costly manner.
26	De Minimis Clause in Reimbursement		A deposit level threshold below which a Deposit Insurer is not obligated to pay (i.e. low value deposits that would not be reimbursed because the administrative costs would exceed the amount of reimbursement).
27	Deposit		Any credit balance deriving from normal banking transactions and which a Bank must repay at par under the legal and contractual conditions applicable, any debt evidenced by a certificate issued by a Bank, and any other funds or obligations defined or recognised as deposits by the law establishing the Deposit Insurance System.
28	Deposit Insurance System*	Deposit Guarantee Scheme Deposit Protection Scheme	Refers to the Deposit Insurer and its relationships with the Financial Safety-Net participants that support Deposit Insurance functions and resolution processes.
29	Deposit Insurance*	Deposit Guarantee Deposit Protection	A system established to protect depositors against the loss of their Insured Deposits in the event that a Bank is unable to meet its obligations to the Depositors.
30	Deposit Insurer*	Deposit Insurance Agency	A specific legal entity responsible for providing Deposit Insurance, deposit guarantees or similar deposit protection arrangements.
31	Deposit Reimbursement	Deposit Payout	A resolution method that involves the reimbursement of Deposits to Insured Depositors.
32	Depositor Preference*	Depositor Priority	Granting deposit liabilities a higher claim class than other general creditors against the proceeds of liquidation of an insolvent bank's assets. Depositors must be paid in full before remaining creditors can collect on their claims. Depositor preference can take a number of different forms. For example: <ul style="list-style-type: none"> <li>• national (or domestic) depositor preference gives priority to deposit liabilities booked and payable within the domestic jurisdiction and does not extend to deposits in foreign branches abroad;</li> <li>• eligible depositor preference gives preference to all deposits meeting the eligibility requirements for deposit insurance coverage;</li> <li>• insured depositor preference gives preference to insured depositors (and the deposit insurer under subrogation);</li> </ul>

NO.	TERMS	OTHER TERMS USED	DEFINITION
			<ul style="list-style-type: none"> <li>a two-tiered depositor preference concept, in which eligible, but uninsured deposits have a higher ranking than claims of ordinary unsecured, non-preferred creditors, and insured depositors have a higher ranking than eligible depositors; and</li> <li>general depositor preference, in which all deposits have a higher ranking than claims of ordinary unsecured, non-preferred creditors, regardless of their status (insured/uninsured or eligible/not eligible).</li> </ul>
33	<b>Differential Premium System</b>	<b>Risk-based Premium System</b> <b>Risk-adjusted Premium System</b>	A premium assessment system which seeks to differentiate premiums on the basis of criteria such as individual bank risk profiles.
34	<b>Due Diligence</b>		An <b>On-site Inspection</b> of the books and records of a failing bank by a potential purchaser, a supervisor, a <b>Resolution Authority</b> or their agents for a valuation/estimation of assets and liabilities.
35	<b>E- money</b>	<b>Electronic Money</b>	An electronic store of monetary value on a technical device that may be widely used for making payments to entities other than the e -money issuer. The device acts as a pre-paid bearer instrument which does not necessarily involve bank accounts in transactions.
36	<b>Early Intervention**</b>		Any actions, including formal corrective action, taken by supervisory or <b>Resolution Authorities</b> in response to weaknesses in a <b>Bank</b> prior to entry into <b>Resolution</b> .
37	<b>Early Warning System</b>	<b>Early Detection System</b>	A model that attempts to predict the likelihood of failure or financial distress of <b>Banks</b> over a fixed time horizon, based on the banks' current risk profile.
38	<b>Eligible Deposits**</b>	<b>Insurable Deposits</b>	<b>Deposits</b> that fall within the scope of coverage of a <b>Deposit Insurance System</b> (i.e. they meet the requirements for coverage under a <b>Deposit Insurance System</b> , and are based typically on the type(s) of depositor and/or <b>Deposit</b> ). Eligible deposits are also referred to as Insurable Deposits.
39	<b>Enterprise Risk Management (ERM)</b>		The processes and activities used to identify, assess, measure, monitor, control and mitigate risks in respect of the <b>Deposit Insurer's</b> enterprise as a whole.
40	<b>Entry into Resolution**</b>	<b>Resolution Trigger</b>	The formal determination by the relevant authority or authorities that a <b>Bank</b> meets the conditions for <b>Resolution</b> and that it will be subject to resolution measures.
41	<b>Ex-ante Funding*</b>		The regular collection of premiums, with the aim of accumulating a fund to meet future obligations (e.g. reimbursing depositors) and cover the operational and related costs of the <b>Deposit Insurer</b> .
42	<b>Expected Losses (EL)</b>		The average losses that a <b>Deposit Insurance Fund</b> may incur under normal circumstances of a deposit insurer's business. Mathematically defined as the mean of the <b>Deposit Insurance fund's</b> loss distribution.



NO.	TERMS	OTHER TERMS USED	DEFINITION
43	<b>Explicit Protection</b>		A system, expressly laid down by statutes or other legal instruments that stipulates the amount of reimbursement depositors can expect in the event of a bank failure, with rules concerning coverage limits, the types of instruments covered, the methods for calculating depositor claims, funding arrangements and other related matters.
44	<b>Ex-post Funding</b>		A system where funds to cover deposits insurance obligations are only collected from surviving banks after a bank failure.
45	<b>Extraordinary Contribution</b>	<b>Additional Contribution</b>	Additional <b>Premiums/levies</b> which can be collected <b>Ex-post</b> from members of a <b>Deposit Insurance System</b> if the <b>Ex-ante</b> funding of the system may be insufficient to meet its obligations.
46	<b>Financial Assistance</b>		An assistance provided to a <b>Troubled Bank</b> by third parties, such as government agencies, <b>Resolution Authorities</b> or <b>Deposit Insurers</b> . This may, among others, take the form of loans, guarantees, subsidies, tax allowance, contribution, purchase of assets, subscription of debts, capital injections, or cost - sharing arrangements.
47	<b>Financial Inclusion*</b>		The extent to which individuals and entities have access to and utilise formal financial services.
48	<b>Financial Institution</b>	<b>Financial Firm Financial Entity Institution</b>	Any entity wherein the principal business involves the provision of financial services or the conduct of financial activities, including deposit-taking, credit intermediation, insurance, investment or securities business or operating <b>Financial Market Infrastructure</b> .
49	<b>Financial Market Infrastructure**</b>		A multilateral system among participating <b>Financial Institutions</b> , including the operator of the system, used for the purposes of, clearing, settling or recording payments, securities, derivatives or other financial transactions. It includes payment systems, central securities depositories, securities settlement systems, central counterparties, and trade repositories.
50	<b>Financial Safety-Net*</b>		A framework that includes the functions of prudential regulation, supervision, <b>Resolution</b> , lender of last resort and <b>Deposit Insurance</b> . In many jurisdictions, a department of government (generally a Ministry of Finance or Treasury responsible for financial sector policy) is included also in the financial safety-net.
51	<b>Fit and Proper*</b>		Fitness tests that usually seek to assess the competence of managers and directors and their capacity to fulfil the responsibilities of their positions while propriety tests seek to assess their integrity and suitability. Formal qualifications, previous experience and track record are some of the elements focused on by authorities when determining competence. To assess integrity and suitability, elements considered include: criminal records, financial position, civil actions against individuals to pursue personal debts, refusal of admission to, or expulsion from, professional bodies, sanctions applied by regulators of other similar industries, and previous questionable business practices.

NO.	TERMS	OTHER TERMS USED	DEFINITION
52	Flat-rate Premium	Flat-rate Levy	A <b>Premium</b> payable to a <b>Deposit Insurer</b> assessed at a uniform rate across all <b>Member Banks</b> .
53	Forbearance		The granting of exemptions or delaying intervention action in relation to <b>Banks</b> from compliance with minimum regulatory requirements or intervention criteria.
54	Foreign Bank Branch	Overseas Bank Branch	An establishment of a foreign bank that is not a separate legal entity in a <b>Host Jurisdiction</b> .
55	Foreign Bank Subsidiary	Overseas Bank Subsidiary	A separate legal entity of a bank incorporated outside the <b>Home Jurisdiction</b> .
56	Funding		Financing mechanisms necessary to cover the operating expenses and obligations of a <b>Deposit Insurer</b> .
57	Global Systemically Important Bank (G-SIB)		A <b>Bank</b> designated by the Financial Stability Board as globally systemically important.
58	Governing Body		A group of people or an entity, such as a board of directors that directs the business and affairs of an organisation.
59	Home Jurisdiction**		The jurisdiction where the operations of a financial group are supervised on a consolidated basis.
60	Host Jurisdiction		Any jurisdiction other than the <b>Home Jurisdiction</b> in which a <b>Bank</b> conducts business activities.
61	Implicit Protection	Implicit Guarantee	An expectation that some form of Government protection would be provided in the event of a financial institution failure. Implicit protection is, by definition, never formally specified. There are no statutory rules regarding the eligibility of financial institution liabilities, the level of protection provided or the form which reimbursement will take.
62	Indemnification		A collateral contract or assurance under which one entity agrees to secure another entity against either anticipated financial losses or potential adverse legal consequences (e.g. damages and costs).
63	Indexed Coverage		The limited coverage level which is determined by the inflation rate or the change in other relevant price index of a jurisdiction.
64	Insolvency		A situation where a <b>Bank</b> can no longer meet its financial obligations when due and/or the value of its assets is less than the total of its liabilities.
65	Insured Depositors	Guaranteed Depositors Protected Depositors Covered Depositors	Holders of <b>Eligible Deposits</b> that do not exceed the maximum level of coverage provided by a <b>Deposit Insurance System</b> .
66	Insured Deposits	Guaranteed Deposits Protected Deposits Covered Deposits	<b>Eligible Deposits</b> that do not exceed the maximum level of coverage provided by a <b>Deposit Insurance System</b> .

NO.	TERMS	OTHER TERMS USED	DEFINITION
67	<b>Integrated Protection Scheme (IPS)</b>		A system where a single agency, usually a pre-existing <b>Deposit Insurer</b> , provides guarantee or protection to investors in securities firms, and/or policy holders of insurance companies, in addition to depositors in <b>Banks</b> , for the loss of insured funds or unsatisfied claims in the event of a <b>Member Institution's</b> failure.
68	<b>Interim Payment**</b>	<b>Advance Payment</b> <b>Provisional Payment</b> <b>Emergency Partial Payment</b>	A partial payment made to depositors by a <b>Deposit Insurer</b> before the start of actual reimbursement. This could be particularly useful in situations when there may be extended delays in reimbursement or when the <b>Deposit Insurer</b> is of the opinion that <b>Insured Depositors</b> urgently require access to their funds.
69	<b>Intervention**</b>		Any actions, including formal corrective action, taken by supervisory, <b>Resolution Authorities</b> or <b>Deposit Insurers</b> to address concerns that may arise with a <b>Bank</b> .
70	<b>Joint Account</b>		An account opened in the names of two or more individuals who have rights of access to the account.
71	<b>Least-cost Resolution</b>	<b>Least-cost Rule</b>	A procedure that requires the <b>Resolution Authority</b> to implement the resolution option, including <b>Liquidation</b> of the failed bank, that is least costly to the <b>Resolution</b> , the financial system or the <b>Deposit Insurance System</b> .
72	<b>Legal Framework**</b>		The comprehensive legal system for a jurisdiction established by any combination of the following: a constitution; primary legislation enacted by a legislative body that has authority in respect of that jurisdiction; subsidiary legislation (including legally binding regulations or rules) adopted under the primary legislation of that jurisdiction; or legal precedent and legal procedures of that jurisdiction.
73	<b>Legal Protection</b>	<b>Legal Immunity</b>	The set of legal mechanisms by means of which persons participating in the <b>Resolution</b> of a failed bank, including current and former employees, directors, officers and lawfully delegated agents of an organisation, are covered from the effects of claims and procedures initiated against them for alleged acts and omissions executed in good faith, that occur within the scope of such persons' mandate.
74	<b>Limited-Coverage Deposit Insurance System</b>		A system that guarantees that the principal and/or the interest accrued on <b>Insured Deposit</b> accounts will be paid, up to a specified limit, in the event of bank insolvency.
75	<b>Liquidation*</b>	<b>Receivership</b>	The winding down (or winding up, as used in some jurisdictions) of the business affairs and operations of a failed bank through the orderly disposition of its assets after its license has been revoked and it has been placed in receivership. In some jurisdictions, it is synonymous with "receivership".
76	<b>Liquidator*</b>	<b>Receiver</b>	The legal entity that undertakes the winding down of the failed bank and the disposition of its assets.

NO.	TERMS	OTHER TERMS USED	DEFINITION
77	<b>Liquidity Funding</b>	<b>Emergency Funding Back-up Funding</b>	Additional funding arrangements to supplement the deposit insurance funds in situations where the cumulated funds are insufficient to meet the needs of intervention and failure resolution, including depositor reimbursement.
78	<b>Loss Minimiser*</b>		A <b>Mandate</b> where the <b>Deposit Insurer</b> actively engages in a selection from a range of least-cost resolution strategies.
79	<b>Loss-given Default (LGD)</b>		The non-recoverable share of resource exposure (non-returnable to deposit insurance fund) from the bankruptcy estate of a liquidated <b>Member Institution</b> . Typically expressed as a percentage of the total exposure.
80	<b>Loss-sharing Agreement</b>	<b>Loss-sharing Arrangement</b>	An agreement in a financial transaction in which the <b>Resolution Authority</b> or the <b>Liquidator</b> agrees to share with the acquirer losses on certain types of loans. Loss sharing may be offered in connection with the sale of classified or non-performing loans that otherwise might not be sold to an acquirer at the time of <b>Resolution</b> .
81	<b>Mandate*</b>		A set of official instructions describing the <b>Deposit Insurer's</b> roles and responsibilities. There is no single mandate or set of mandates suitable for all <b>Deposit Insurers</b> . When assigning a mandate to a deposit insurer jurisdiction-specific circumstances must be taken into account. Mandates can range from narrow "pay box" systems to those with extensive responsibilities, such as preventive action and loss or risk -minimisation/ management, with a variety of combinations in between. These can be broadly classified into four categories namely a <b>Paybox</b> , a <b>Paybox plus</b> , a <b>Loss Minimiser</b> and a <b>Risk Minimiser</b> .
82	<b>Market Discipline</b>		A situation where depositors or creditors assess the risk characteristics of a <b>Bank</b> and can influence Bank risk-taking behaviour by threatening to withdraw funds from the institution.
83	<b>Member Bank</b>	<b>Insured Institution Participant Firm Member Institution</b>	A <b>Bank</b> that is a member of a <b>Deposit Insurance System</b> .
84	<b>Moral Hazard*</b>		Arises when parties have incentives to accept more risk because the costs that arise from the risk, are borne, in whole or in part, by others.
85	<b>Non-viability</b>		Refers to a situation before institutional insolvency, and may also include circumstances where: (i) regulatory capital or required liquidity falls below specified minimum levels; (ii) there is a serious impairment of the <b>Bank's</b> access to funding sources; (iii) the <b>Bank</b> depends on official sector financial assistance to sustain operations or would be dependent in the absence of resolution; (iv) there is a significant deterioration in the value of the <b>Bank's</b> assets; (v) the <b>Bank</b> is expected in the near future to be unable to pay liabilities as they fall due; (vi) the <b>Bank's</b> business plan is non-viable; and/or (vii) the <b>Bank</b> is expected in the near future to be balance-sheet insolvent.

NO.	TERMS	OTHER TERMS USED	DEFINITION
86	<b>On-site Inspection</b>	<b>On-site Appraisal/ Examination</b>	An appraisal by the banking supervisor or the <b>Deposit Insurer</b> on the premises of the <b>Bank</b> which includes an examination of the books, records and internal controls of a <b>Bank</b> .
87	<b>Open-bank Assistance</b>		A resolution method taken by the <b>Resolution Authority</b> in which a <b>Bank</b> in danger of failing receives assistance in the form of a direct loan, an assisted merger, a purchase of assets, or other means.
88	<b>Operational Independence</b>		The ability of an organisation to fulfil its <b>Mandate</b> using the legislated powers and means assigned to it without undue influence from external parties.
89	<b>Paybox Plus*</b>		A <b>Mandate</b> where the <b>Deposit Insurer</b> has additional responsibilities such as a certain <b>Resolution</b> functions (e.g. financial support).
90	<b>Paybox*</b>		A <b>Mandate</b> where the <b>Deposit Insurer</b> is only responsible for the reimbursement of <b>Insured Deposits</b> .
91	<b>Payment Agent</b>	<b>Paying Agent</b>	Entities (e.g. <b>Banks</b> , postal banks, government support payments) authorised by a <b>Deposit Insurer</b> to reimburse <b>Insured Depositors</b> on its behalf. <b>Deposit Insurers</b> would need to identify and select its payment agents and to address issues such as cost arrangements, depositor information transfer protocols, and procedures, as well as the timelines for making payments before a reimbursement takes place.
92	<b>Premium</b>	<b>Contribution Levy</b>	The amount that a member institution pays for <b>Deposit Insurance</b> for a given time period.
93	<b>Probability of Default</b>		The probability that a <b>Bank</b> will not be able to meet its obligations over a particular time horizon.
94	<b>Prompt Corrective Action (PCA)</b>		A set of progressive corrective actions taken by the supervisory authorities against <b>Financial Institutions</b> exhibiting progressively deteriorating financial performance or behaviours. The goals of many PCA schemes are to identify and address financial or operational weaknesses that threaten the viability of a financial institution when the problems are still small enough to manage.
95	<b>Public Awareness Program</b>	<b>Consumer Awareness</b>	A comprehensive program designed to disseminate information to the public regarding the benefits and limitations of a <b>Deposit Insurance System</b> , including how and when depositors can gain access to their funds in case of a bank failure.
96	<b>Public-policy Objectives</b>		Refers to the goals which the <b>Deposit Insurance System</b> is expected to achieve.
97	<b>Purchase-and-Assumption Transaction (P&amp;A)</b>	<b>Full or Partial Transfer of Business</b>	A resolution method in which a healthy bank or a group of investors assume some or all of the obligations, and purchase some or all of the assets of the failed bank.
98	<b>Rebate</b>		The return of part of a deposit insurance premium payment, representing some deduction from the full amount previously paid.
99	<b>Recovery</b>		The amount of collections on the assets of a failed bank.

NO.	TERMS	OTHER TERMS USED	DEFINITION
100	Recovery Plan**		A plan to guide to the recovery of a distressed <b>Bank</b> . In the recovery phase, the <b>Bank</b> has not entered into a <b>Resolution</b> and therefore remains under the control of its management, although the supervisory authorities may be able to order or enforce the implementation of recovery measures through ordinary supervisory powers. The Recovery Plan is produced by the <b>Bank</b> and includes measures to decrease the risk profile of a bank and conserve capital, as well as strategic options such as the divestiture of business lines and restructuring of liabilities.
101	Recovery Rate		The ratio of collections to the book-value of a failed bank's assets.
102	Resolution Authority*		A public authority that, either alone or together with other authorities, is responsible for the resolution of financial institutions established in its jurisdiction (including resolution planning functions).
103	Resolution Costs		For a given resolution method, the sum of the expenditures and obligations incurred by the <b>Resolution Authority</b> , including any immediate or long-term obligations and any direct or contingent liabilities for future payment, less the recoveries on assets of a failed <b>Bank</b> .
104	Resolution Plan**	Living Will	A plan intended to facilitate the effective use of the <b>Resolution Authority's</b> resolution powers with the aim to make feasible the resolution of any financial institution without severe systemic disruption and exposure of taxpayers to loss while protecting systemically important functions. It serves as a guide to the authorities for achieving an orderly <b>Resolution</b> , in the event that recovery measures are not feasible or have proven ineffective.
105	Resolution Powers	Resolution Tools	Powers available to the <b>Resolution Authorities</b> under the <b>Resolution Regime</b> or broader legal framework for the purposes of <b>Resolution</b> .
106	Resolution Regime**		The elements of the legal framework and the policies governing resolution planning and preparing for, carrying out and coordinating <b>Resolution</b> , including the application of <b>Resolution Powers</b> .
107	Resolution*		A disposition plan and process for a non-viable bank. Resolution may include: liquidation and depositor reimbursement, transfer and/or sale of assets and liabilities, the establishment of a temporary bridge institution and the write-down or conversion of debt to equity. Resolution may also include the application of procedures under insolvency law to parts of an entity in resolution, in conjunction with the exercise of <b>Resolution Powers</b> .
108	Risk Minimiser*		A <b>Mandate</b> where a <b>Deposit Insurer</b> has comprehensive risk minimisation functions that include risk assessment/management, a full suite of <b>Early Intervention</b> and <b>Resolution Powers</b> , and in some cases, prudential oversight responsibilities.
109	Scope of Coverage		Types of <b>Deposits</b> and depositors eligible for deposit insurance coverage.
110	Set-off Arrangement	Netting Arrangement	An arrangement where the claim of a creditor against an insolvent bank is to be deducted from a claim of that bank against the same creditor.



NO.	TERMS	OTHER TERMS USED	DEFINITION
111	<b>Situational Analysis</b>		An examination that <b>Deposit Insurers</b> undertake to assess macroeconomic factors such as: the state of the economy, current monetary and fiscal policies, the state and structure of the banking system, public attitudes and expectations, the legal, prudential regulatory and supervisory framework and accounting and disclosure regimes.
112	<b>Start-up Funding</b>	<b>Seed Funding</b>	The funding received by a newly established <b>Deposit Insurance System</b> as initial contributions typically from <b>Financial Institutions</b> , government, and/or the central bank.
113	<b>Statute of Limitation</b>		The law that sets a concrete date after which no claims can be submitted by the claimant against the debtor.
114	<b>Stress Testing</b>		A range of simulation techniques used to assess the vulnerability of a <b>Bank's</b> financial position under different scenarios, such as major changes to the macroeconomic environment or to exceptional but plausible events.
115	<b>Subordinated Debt</b>		A debt instrument that ranks lower than other ordinary claims or instruments in the priority of its claim on the issuer's assets.
116	<b>Subrogation*</b>	<b>Legal Assignment or Transfer</b>	The substitution of one party (e.g. the <b>Deposit Insurer</b> ) for another (e.g. the <b>Insured Depositor</b> ) with reference to a lawful claim, demand, or right, so that the party which substitutes succeeds to the rights of the other in relation to the debt or claim, and its rights and remedies.
117	<b>Systemic Risk</b>		A risk of disruption to financial services that is caused by an impairment of all or parts of the financial system and has the potential to have serious negative consequences for the real economy.
118	<b>Systemically Important Financial Institution (SIFIs)</b>		A financial institution or a group that, because of its size, complexity and systemic interconnectedness would, in the view of the relevant authorities, cause significant disruption to the domestic or broader financial system and economic activity, if it were to fail in a disorderly manner.
119	<b>Target Fund Size*</b>	<b>Target Reserve Ratio</b>	The size of the <b>Ex-ante</b> deposit insurance fund, typically measured as a proportion of the assessment base (e.g. total or insured deposits), sufficient to meet the expected future obligations and cover the operational and related costs of the <b>Deposit Insurer</b> .
120	<b>Termination of Deposit Insurance Membership</b>		The power of a <b>Deposit Insurer</b> to terminate the membership of a <b>Member Institution</b> if it does not meet some specific qualifications set by the <b>Deposit Insurer</b> . Existing insured deposits remain covered.
121	<b>Too-big-to-fail</b>		The belief that an institution is so systemically important that it cannot be allowed to fail as its failure would cause instability across the financial system as a whole and to the economy at large.
122	<b>Troubled Bank</b>	<b>Weak Bank Problem Bank Distressed Bank</b>	A <b>Bank</b> that has, or will have, impaired liquidity or solvency unless there is a major improvement in its financial resources, risk profile, strategic business direction, risk management capabilities and /or quality of management.

NO.	TERMS	OTHER TERMS USED	DEFINITION
123	<b>Unexpected Losses</b>		Extraordinary (unexpected) losses of the <b>Deposit Insurance</b> fund that can occur under unlikely, yet possible circumstances with unfavourable outcomes. Mathematically defined as the deviations from the average <b>-Expected Losses</b> – with a certain level of probability, i.e. within a certain level of confidence.
124	<b>Uninsured Deposits</b>		The types or amount of <b>Deposits</b> that are not covered by a <b>Deposit Insurance System</b> .
125	<b>Winding Up</b>	<b>Winding Down</b>	The final phase in the dissolution of a failed bank, in which accounts are settled and assets are liquidated so that the proceeds may be distributed.
126	<b>Withheld Deposits</b>		<b>Deposits</b> that are temporarily suspended from payment by the <b>Deposit Insurer</b> due, in part, to insufficient information during reimbursement.





