NDIC

Nigeria Deposit Insurance Corporation

Protecting your bank deposits

PART THREE

CONSUMER EDUCATION

Nigeria Deposit Insurance Corporation

Protecting your bank deposits

SECTION 17

FACTS ABOUT THE DEPOSIT INSURANCE SYSTEM (DIS) IN NIGERIA

Introduction

The Nigeria Deposit Insurance Corporation (NDIC) is the government agency established to administer deposit insurance system in Nigeria. It was established through decree 22 of 1988 (now repealed and replaced with NDIC Act 16 of 2006) and commenced operation in 1989 with the mandate of deposit guarantee, bank supervision, failure resolution and liquidation.

The deposit insurance system is still not known to many of its stakeholders in Nigeria. It is therefore imperative to educate the public on the system and its benefits and limitations on continuous basis. This section therefore provides responses to the Frequently Asked Questions (FAQs) and Answers about DIS:

Question 1: What is Deposit Insurance?

Answer: Deposit Insurance is a system established by the 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: Financial institutions differ from most 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 analyze 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: 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 vehicles. 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 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 The Deposit Insurance System in Nigeria?

Answer: The NDIC is a government owned institution, established by Act 22 of 1988 (now replaced with NDIC Act No. 16 of 2006). It is 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 deposit insurance funds: the Deposit Insurance Fund (DIF) for deposit money banks (DMBs), the Special Insured Institutions Fund (SIIF) for licensed microfinance banks (MFBs) and primary mortgage banks (PMBs) and the Non-Interest Deposit Insurance Fund (NIDIF) for the Non-Interest Banks.

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) Micro-finance Banks (MFBs);
c) Primary Mortgage Banks (PMBs); and
d) Non-Interest Deposit-Taking Financial Institutions (NIDTIs).

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

Question 7: What is a Pass- through Insurance?

Answer: Pass-through Insurance (PTI) is an arrangement where the deposit insurer extends deposit insurance coverage to Pool accounts or Trust accounts. 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 Payment Systems using the pass through deposit insurance concept. The framework for the pass-through insurance scheme is being finalised by the NDIC.

Question 8: Is each mobile money account holder entitled to deposit insurance coverage in the event of bank failure?

Answer: Yes. Through the Pass-through Insurance platform each mobile account holder is entitled to deposit insurance coverage as provided for in the enabling Act.

Question 9: 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

Question 10: Which Financial Institutions are not covered by the NDIC?

Answer: 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)

Question 11: What Types 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:

Insured Deposits	Uninsured Deposits/Instruments
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 12: Whose Deposits does the NDIC Insure?

Answer: The NDIC insures bank deposits of natural persons as well as legal entities, no matter whether they are from Nigeria or from any other country.

Question 13: How Does the NDIC Assess Premium and Who Pays for the Insurance Premium?

Answer: Participating institutions are required to pay annual premiums 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 14: How Does the NDIC Protect the Deposit Insurance Fund?

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

Question 15: Does the NDIC Finance its Operations from the DIF?

Answer: No. NDIC finances all its overhead and administrative expenses from its investment income. The main source of income of the NDIC is the proceeds from investment of the DIF in securities issued by the Federal Government. The DIF 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 16: 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 17: How Does NDIC Promote Sustainable Banking?

Answer: The NDIC plays two roles in terms the implementation of sustainable banking. First as member of Bankers' Committee, it is duty bound to implement the agreement of the committee, 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 two roles, the NDIC implemented the following initiatives:

- Obtained Board buy-in for the implementation of Nigeria Sustainable Banking Principles (NSBP).
- Sensitized the Board on sustainability during the 2012 and 2013 NDIC Board Retreats.
- Set-up sustainability desk in the Managing Director's office.
- Appointed a coordinator to oversee the implementation of the NSBP in the Corporation.
- Set-up a committee on sustainability to facilitate the implementation of NSBP in the Corporation.
- Organized an awareness session on sustainable banking for staff of the NDIC in all its locations nationwide.

Question 18: Does the Supervisory functions of the NDIC Duplicate that of the Central Bank of Nigeria?

Answer: No. There is no duplication of supervisory functions, rather what exists is collaboration. For instance there is a framework whereby the NDIC collaborates effectively with the Central Bank of Nigeria through a joint committee on supervision at which both organizations are represented at very senior 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 a core function 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 19: How does the 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 Act 2006 guarantees payment of deposits up to the maximum insured sum of ₦500,000 to a depositor in DMBs and ₦200,000 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 20: How does the NDIC establish the Ownership of a 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 21: As a Depositor, must I apply for the Deposit Insurance Coverage?

Answer: No. A depositor does not need to. Under the Nigeria deposit insurance system, eligible deposit accounts in insured institutions are automatically insured at no charge to any depositor.

Question 22: When is Insured Deposit Payable?

Answer: Deposit insurance 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 23: 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.

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 24: 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 25: 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 ID 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 26: 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 the Court. The depositor would also be required to identify himself/herself with a valid identification document like National ID Card, National Voters Card, Driver's Licence or International Passport.

Question 27: 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 28: 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 have been fully reimbursed.

Question 29: What is Liquidation Dividend?

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

Question 30: 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 ₦200,000 for each depositor in MFB and PMB in 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 31: If a Depositor has an Account in the Main Office of a participating institution 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 32: 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, however, if a depositor has accounts in more than one bank, they are insured independently up to the maximum insured sum per bank.

Question 33: 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 34: 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 35: 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 36: If a husband and wife or any two or more other persons, have, in addition to the individually-owned accounts of each, a valid 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 37: 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 38: 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 to the maximum of ₦200,000 in the aggregate with respect to deposits he or she holds in the same right and capacity.

Question 39: 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 are insured and that they pay deposit insurance premium annually.

Question 40: 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 41: 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 to the maximum sum.

Question 42: 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 to the maximum insured sum. The term Independent activity means any activity other than one directed solely at increasing insurance coverage.

Question 43: 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 deposit 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 44: 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 45: 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 46: What does Open Bank Assistance (OBA) mean?

Answer: Open Bank Assistance (OBA) is a situation where a failed insured institution is allowed to continue to operate in the same name as a going concern. 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 47: 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 48: 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 49: 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 55.

Question 50: How are depositors' of failed insured institutions informed about the commencement of payment of insured deposits by 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 51: 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 55.

Question 52: 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 53: 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 daily basis. This is achieved sometimes through the conduct of investigation by NDIC Examiners.

Question 54: 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 55: 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

c. Information on NDIC and the deposit insurance system can be accessed from our website at: www.NDIC.gov.ng. You can also submit comments or questions through the website. In addition you can reach us through our toll-free line: 080063424357 (0800NDICHELP).

d. ZONAL OFFICES

i)	**Lagos**	Maman Kontagora House 23A Marina, PMB 12881 Lagos Nigeria Tel:01- 2798280
ii)	**Bauchi**	No 3 Ahmed Abdulkadir road P.M.B 0207 Tel: 09020441970 -73; 09020441975
iii)	**Benin**	28 A&B Benoni Hospital Road, Off Airport Rd, G.R.A, P.M.B 1034, Benin City Tel: 08150999600, 08150999577, 08150999588, 08150999599,
iv)	**Enugu**	10 Our Lord's Street Independence Layout, P.M.B 1210 Tel: 042– 457292; 455325; 456101; Fax:042–456770
v)	**Ilorin**	No. 12A, Sulu Gambari Road Ilorin Tel: 031 – 810789; 07098705709
vi)	**Kano**	Plot 458, Muhammad Muhammad Street Hotoro, G.R.A. Kano Tel: 08116651412, 08097756130, 08063932722, 08126657022
vii)	**Port Harcourt**	No. 104 Woji Road Off Olu Obasanjo Road G.R.A. Port Harcourt Tel: 084 – 846831; 846843
viii)	**Sokoto**	2, Gusau Road, P.M.B. 2305, Sokoto Tel:08035075514; 08055431628; 08033036055; 08035870529
ix)	**Yola**	No. 6 Numan Road P.M.B. 2227, Jimeta-Yola Adamawa State Tel:08089814004; 08089814005; 08089814006; 08089814007

SECTION 18

DIS GLOSSARY

NO.	TERMS	OTHER TERMS USED	DEFINITION
1	**Adverse Selection**		The tendency for higher-risk financial institutions to opt for deposit insurance and lower-risk ones to opt-out when membership in a deposit insurance system is voluntary.
2	**Assessment Base**		The base on which the deposit insurer charges premiums or calculates the levy needed to compensate the covered depositors.
3	**Back-up Funding**		Additional funding arrangements to supplement the deposit insurance funds in situations where the funds are insufficient to meet the liquidity needs of intervention and failure resolution which include depositor reimbursement.
4	**Insolvency**		A situation where a financial institution can no longer meet its financial obligations when due or the value of its assets is less than the total of its debts.
5	**Bank Run**		A large scale withdrawal of deposits by depositors, precipitated by fear that a financial institution may fail and depositors may suffer losses.
6	**Blanket Guarantee**		A declaration by the authorities that all deposits and perhaps other financial instruments will be fully protected.
7	**Bridge Institution**		A temporary financial institution, finance company or other entity that is established to take over and continue certain operations of a failed financial institution as part of the resolution process, pending a sale to a third party acquirer.

NO.	TERMS	OTHER TERMS USED	DEFINITION
8	**CAMELS Indicators**		An international bank-rating system where supervisors rate financial institutions according to six factors represented by the acronym "CAMELS" (Capital adequacy, Asset quality, Management capability, Earnings, Liquidity and Sensitivity to market risk).
9	**Capital Adequacy Ratios**		A measurement of the amount of a financial institution's capital expressed as a percentage of its risk weighted assets. A financial institution's capital is the "cushion" for potential losses, which protects its depositors or other creditors.
10	**Claim**		An assertion of the indebtedness of a failed financial institution to a depositor, general creditor, subordinated debt holder, or shareholder.
11	**Co-insurance**		An arrangement whereby depositors are covered for a pre-specified portion that is less than 100 percent of their covered deposits.
12	**Compulsory System**	**Mandatory System**	A system wherein all targeted financial institutions must be members of a deposit insurance system, according to law or agreement.
13	**Conservator**	**Administrator**	A person or entity, including a government agency, appointed by a regulatory authority to operate a troubled financial institution in an effort to conserve, manage, and protect the troubled institution's assets until the financial institution has stabilized or has been closed by the chartering authority.

NO.	TERMS	OTHER TERMS USED	DEFINITION
14	**Conservator-ship**		The legal procedure provided by law or agreement for the interim management of financial institutions in financial difficulties.
15	**Coverage Ratio (by account and/or depositor)**		The ratio of fully covered accounts or depositors divided by total eligible accounts or depositors.
16	**Coverage Ratio (by value)**		The ratio of covered deposits divided by total eligible deposits.
17	**Covered depositors**	**Guaranteed depositors**	Holders of deposits eligible for deposit insurance protection.
18	**Covered Deposits**	**Guaranteed deposits**	Eligible deposits that do not exceed the maximum level of coverage provided by a deposit insurance system.
19	**Cross-border Cooperation Arrangements**		Specific cooperation agreements, sanctioned by national law, that enable resolution authorities to share information and to act collectively to resolve financial institutions located in multiple jurisdictions in a more orderly and less costly manner.
20	**Deposit**		Any credit balance which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a financial institution must repay under the legal and contractual conditions applicable, any debt evidenced by a certificate issued by a financial institution, and any other funds or obligations defined or recognized as deposits by the law establishing the deposit insurance system.

NO.	TERMS	OTHER TERMS USED	DEFINITION
21*	**Deposit Insurance System**	**Deposit Guarantee Scheme**	A system referring to the deposit insurer and its relationships with the financial system safety-net participants that support deposit insurance functions and resolution processes.
22*	**Deposit Insurer**		A legal entity responsible for providing deposit insurance, deposit guarantees or similar deposit protection arrangements. In some jurisdictions this function may be assigned to another participant in the financial safety net.
23	**Deposit Payout**	**Deposit Reimburse-ment**	A resolution method for failed financial institutions that involves the reimbursement of deposits to insured depositors and the transfer of the financial institution's assets to a receiver for liquidation.
24*	**Deposit-taking Institution**		Any firm which accepts deposits or repayable funds from the public and is classified under the jurisdiction’s legal framework as a deposit-taking institution.
25	**Depositor Preference**	**Depositor Priority**	The granting of preferential treatment to depositors such that their claims against the proceeds of liquidation of the assets of an insolvent financial institution must be paid in full before remaining creditors can collect on their claims.
26	**Differential Premium System**		A levy on a member institution assessed on the basis of that institution's risk profile.

NO.	TERMS	OTHER TERMS USED	DEFINITION
27	**Early Intervention**		Remedial actions of supervisors and/or resolution authorities (e.g. raising private capital, modification of business lines, divestiture of assets) aimed at correcting irregularities at financial institutions early enough to help the financial institutions return to the normal course of business and avoid entering into a resolution stage.
28	**Early Warning System**		An empirical model that attempts to predict the likelihood of failure or financial distress of financial institutions over a fixed time horizon, based on the financial institutions' current risk profile.
29	**Eligible Deposits**	Insured Deposits; Protected Deposits; Insurable Deposits	Deposits that fall within the scope of coverage of a deposit insurance system (i.e., they meet the requirements for coverage under a deposit insurance system, and are based typically on the type(s) of depositor and/or deposit).
30	**Explicit Protection**		A system, expressly laid down by statutes or other legal instruments, that stipulates the level and limits the depositors can expect in the event of a financial institution failure, with rules concerning coverage limits, the types of instruments covered, the methods for calculating depositor claims, funding arrangements and other related matters.
31*	**Ex-ante Funding**	Hybrid Funding	The collection of premiums to accumulate a fund, - to meet future obligations and to cover the operational and related costs of the deposit insurer, -and, when necessary, the imposition ex-post assessments or levies on member institutions.

NO.	TERMS	OTHER TERMS USED	DEFINITION
32*	**Ex-post funding**		A system where funds to cover deposits insurance obligations are only collected after a member institution fails.
33*	**Financial Safety Net**		A framework that includes the functions of prudential regulation, supervision, resolution, lender of last resort and deposit insurance. In many countries, a department of government (generally a Ministry of Finance or Treasury responsible for financial sector policy) is included also in the financial system safety net.
34	**Flat-rate Premium**		A system where premiums are assessed at a uniform rate across all insured institutions.
35	**Funding**		Financing mechanisms necessary to cover the operating expenses of a deposit insurer and to ensure the prompt reimbursement of depositors' claims. It could include supplementary back-up funding for liquidity needs in case of an intervention or a failure resolution.
36*	**Governing Body**		A group of people or an entity, such as a board of directors that directs the business and affairs of an organisation. Some jurisdictions use a two-tier board structure, where the supervisory function of the board is performed by a separate entity known as a supervisory board that has no executive functions. Other countries, in contrast, use a one-tier board structure in which the board has a broader role.

NO.	TERMS	OTHER TERMS USED	DEFINITION
37	**Interim Payment**	**Advance Payment**	A partial payment made to depositors by the deposit insurer before the start of actual reimbursement, particularly, in situations when there may be extended delays in reimbursement or when the deposit insurer is of the view that insured depositors urgently require access to their funds.
38	**Intervention**		Any action, including formal corrective action, taken by supervisory, resolution authorities or deposit insurer to address concerns that may arise with a financial institution.
39	**Legal Protection**		The set of lawful mechanisms by means of which persons participating in the resolution of a failed financial institution, including current and former employees, directors, officers and lawfully delegated agents of an organization, 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.
40	**Limited-Coverage Deposit Insurance System**		A system that guarantees that the principal and/or the interest accrued on covered deposit accounts will be paid-up to a specified limit.
41*	**Liquidation**		The winding down of the business affairs and operations of a failed financial institution through the orderly disposition of its assets after it has been placed in receivership.

NO.	TERMS	OTHER TERMS USED	DEFINITION
42	**Liquidator**		The legal entity that undertakes the liquidation or winding down of the business affairs and operations of a failed financial institution.
43*	**Loss Minimizer**		A mandate where the deposit insurer actively engages in a selection from a range of least-cost resolution strategies.
44*	**Mandate**		A set of official instructions describing the roles and responsibilities of deposit insurers. There is no single mandate or set of mandates suitable for all deposit insurers. Assigning a mandate to a deposit insurer must take country specific circumstances into account.
45	**Member Institution**	**Insured Institution**	A financial institution that is protected by a deposit insurance system.
46	**Moral Hazard**		The tendency of a party (an individual or institution) with insurance to take more risks or act less carefully than they would without it because they are protected against loss.
47	**Netting Arrangement**	**Set-off Arrangement**	An arrangement where the claim of a creditor against an insolvent financial institution is to be deducted from a claim of that financial institution against the creditor.

NO.	TERMS	OTHER TERMS USED	DEFINITION
48*	**Non-viability**		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 firm's access to funding sources; (iii) the firm 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 firm's assets; (v) the firm is expected in the near future to be unable to pay liabilities as they fall due; (vi) the firm's business plan is non-viable; and/or (vii) the firm is expected in the near future to be balance-sheet insolvent.
49	**Operational Independence**		The ability of an organization to use the powers and means assigned to it to fulfil its mandate without undue influence from external parties.
50*	**Paybox**		A mandate where the deposit insurer is only responsible for the reimbursement of insured deposits.
51*	**Paybox Plus**		A mandate where the deposit insurer has additional responsibilities such as a certain resolution functions (e.g. financial support).
52	**Premium**	**Contribution**	The amount that a member institution pays for deposit insurance for a given time period such as a year.
53	**Problem (weak) Bank**		A financial institution whose liquidity or solvency is or will be impaired 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
54	**Public Awareness Program**		A program designed to inform the public on an ongoing basis about the benefits and limitations of the deposit insurance system.
55*	**Public-policy Objectives**		The objectives or goals the deposit insurance system is expected to achieve.
56	**Purchase-and-Assumption Transaction (P&A)**		A resolution method in which a healthy financial institution or a group of investors assume some or all of the obligations, and purchase some or all of the assets of the failed financial institution.
57*	**Receiver**		The legal entity that undertakes the winding down of a failed financial institution.
58*	**Receivership**		The legal procedure for winding down the affairs of a non-viable/insolvent financial institution.
59	**Resolution**		Any action by a national authority, with or without private sector involvement, intended to maintain financial stability and/or address serious problems in a financial institution that imperil its viability (e.g. a substantive condition of authorisation) where, absent resolution, the institution is no longer viable and there is no reasonable prospect of it becoming so.
60*	**Resolution Authority**		A public authority that, either alone or together with other authorities, is responsible for the failure resolution of financial institutions established in its jurisdiction (including resolution planning functions).

NO.	TERMS	OTHER TERMS USED	DEFINITION
61	**Resolution Powers**		Statutory powers available to public authorities for the purposes of resolution.
62	**Resolution Regime**		The elements of the legal framework and the policies governing the application of resolution powers.
63	**Resolution Tools**		Tools used by a resolution authority to resolve failed financial institutions. For example: purchase and assumption, bridge institution.
64*	**Risk Minimizer**		A mandate where a deposit insurer has comprehensive risk minimization functions that include risk assessment/management, a full suite of early intervention and resolution powers, and could include, as well, prudential oversight responsibilities.
65	**Scope of Coverage**		Types of deposits and depositors eligible for deposit insurance coverage.
66*	**Subrogation**		The substitution of one party (e.g. the deposit insurer) in the place of another (e.g. the insured depositor) with reference to a lawful claim, demand, or right, so that the party that is substituted succeeds to the rights of the other in relation to the debt or claim, and its rights and remedies.
67	**Systemically Important Financial Institution (SIFIs)**		A financial institution or a group that is regarded as so large, complex and interconnected that its distress or disorderly failure would cause significant disruption to the broader financial system and economic activity.

NO.	TERMS	OTHER TERMS USED	DEFINITION
68	**Systemic Risk**		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.
69*	**Target Reserve Ratio**	**Target Ratio** **Target Level**	The size of the deposit insurance fund measured as a proportion of the total assessment base.
70	**Winding Up**		The final phase in the dissolution of an organisation, in which accounts are settled and assets are liquidated so that they may be distributed.

Note: * denotes the definition of terms from the IADI Core Principles document (draft v07 Jan 2014).
Source: International Association of Deposit Insurers (IADI)

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