



PART THREE

CONSUMER EDUCATION



SECTION 16

FACTS ABOUT THE DEPOSIT INSURANCE SYSTEM IN NIGERIA

16.0 INTRODUCTION

The Nigeria Deposit Insurance Corporation (NDIC) is an independent government agency established to administer deposit insurance system in Nigeria. Decree 22 of 1988 (now repealed and replaced with NDIC Act 16 of 2006) established the NDIC as a vital component of the financial safety-net in the country, to ensure the stability of the banking system as well as the macro economy. The NDIC commenced operation in 1989 to provide additional layer of protection in the system by insuring the deposit liabilities of banks and other deposit-taking financial institutions licensed by the Central Bank of Nigeria.

Notwithstanding the efforts of the NDIC in educating the banking public on the concept of deposit insurance, it is still not known to many of its stakeholders in Nigeria. Educating the public on the system and its benefits and limitations on a continuous basis therefore becomes imperative. This section therefore presents a set of Frequently Asked Questions (FAQs) and Answers about Deposit Insurance System 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:
- The relationship between the MMOs and their subscribers shall be based on Bare Trust arrangement.
 - MMOs must take Fidelity Bond Insurance.
 - The records of the Trust (pool) account must clearly indicate that the funds belong to individual subscribers and not the agent or custodian
 - The identities of the subscribers must fulfil all KYC requirements specified by the CBN
 - The interests of the subscribers must be disclosed properly in records maintained by the insured institutions, MMOs and Agents.

Question 9: How much is the maximum cover for Subscribers under Pass-Through-Deposit Insurance Framework?

- 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 do I lodge a complaint against a MMO?

- 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, 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

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 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 18: 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 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 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 NDIC.
- Set-up a committee on sustainability to facilitate the implementation of NSBP in the NDIC.
- Organized an awareness session and subsequently further training on sustainable banking for the staff of the NDIC.

Question 24: 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 25: 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 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 26: 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 27: As a Depositor must I apply for the Deposit Insurance Coverage?

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 28: 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 29: 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 30: 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 31: 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 32: 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 33: 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 34: 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 35: 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 36: 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 37: 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 38: 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 39: 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 40: 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 41: 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 42: 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 43: 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 44: 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 in the aggregate with respect to deposits he or she holds in the same right and capacity.

Question 45: 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 46: 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 47: 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 48: 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 49: 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 50: 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 51: 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 52: 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 53: 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 54: 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 55: 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 61.

Question 56: 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 57: 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 61.

Question 58: 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 59: 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 60: 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 61: 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 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, 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](tel:08089814004); 08089814005; 08089814006;
08089814007

SECTION 17

IADI GLOSSARY OF TERMS AND DEFINITIONS

NO.	TERMS	OTHER TERMS USED	DEFINITION
1	Acquiring Bank		A Bank that purchases some or all of the assets and/or assumes some or all of the liabilities of a failed bank in a Purchase and Assumption transaction.
2	Adverse Selection		The tendency for higher-risk Banks to opt for Deposit Insurance and lower-risk ones to opt-out when membership in a Deposit Insurance System is voluntary.
3	Aggregation		The act of consolidating information from depositors' different individual accounts into one (usually for the purpose of reimbursement).
4	Amalgamation		A combination under a single entity of all or part of the assets and liabilities of two or more business units.
5	Assessment Base	Tariff Base	The monetary basis (i.e. insured deposits, total liabilities, assets) on which the Deposit Insurer charges Premiums to a Member Bank or calculates the levy needed to compensate the Insured Depositors .
6	Bail-in within Resolution		Restructuring mechanisms to recapitalise a Bank in Resolution or effectively capitalise a Bridge Bank , under specified conditions, through the write-down, conversion or exchange of debt instruments and other senior or subordinated unsecured liabilities of the Bank in Resolution into, or for, equity or other instruments in that bank, the parent company of that Bank or a newly formed Bridge Bank , as appropriate to legal frameworks and market capacity.
7	Bailout	Extra-ordinary Public Financial Support	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 Bank , or the assumption of risks by the public authority that would otherwise be borne by the Bank 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	Bank Run		A rapid and significant withdrawal of Deposits by depositors following a loss of confidence, precipitated by fear that a Bank may fail and depositors may suffer losses.
9	Bank	Deposit-taking Institution	Any entity which accepts Deposits 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	Blanket Guarantee	Blanket Coverage Full deposit coverage	A declaration by authorities that in addition to the protection provided by limited coverage deposit insurance or other arrangements, certain Deposits and perhaps other financial instruments will be protected.
11	Bridge Bank	Bridge Institution	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	CAMELS Rating		A rating system where supervisors rate Banks according to six factors represented by the acronym “CAMELS” (Capital adequacy, Asset quality, Management capability, Earnings, Liquidity and Sensitivity to market risk).
13	Capital Adequacy Ratios		A measurement of the amount of a bank's capital typically expressed as a percentage of its risk weighted assets.
14	Claim		An assertion of the indebtedness of a failed bank, or the entitlement of a depositor to general creditor, subordinated debt holder, or shareholder.
15	Co-insurance		A “loss sharing” arrangement whereby depositors are covered for a pre-specified portion of Deposits that is less than 100 percent of their Insured Deposits .
16	Collateralisation		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	Compulsory Membership	Mandatory Membership	A system wherein all designated Banks must be members of a Deposit Insurance System , according to law or agreement.
18	Conservator	Administrator	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	Conservatorship		The legal procedure provided by law or agreement for the interim management of troubled banks.
20	Contagion		The spread of financial problems of a Bank to other Banks or Financial Institutions usually within the same jurisdiction or the spread of economic and financial disturbances within a jurisdiction or across jurisdictions.
21	Corporate Governance		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	Coverage Limit	Coverage Level Maximum Coverage Compensation Limit	The maximum amount a depositor can claim from or be reimbursed by a Deposit Insurer 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	<p>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:</p> <ul style="list-style-type: none"> • 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; • eligible depositor preference gives preference to all deposits meeting the eligibility requirements for deposit insurance coverage; • insured depositor preference gives preference to insured depositors (and the deposit insurer under subrogation);

NO.	TERMS	OTHER TERMS USED	DEFINITION
			<ul style="list-style-type: none"> 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 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).
33	Differential Premium System	Risk-based Premium System Risk-adjusted Premium System	A premium assessment system which seeks to differentiate premiums on the basis of criteria such as individual bank risk profiles.
34	Due Diligence		An On-site Inspection of the books and records of a failing bank by a potential purchaser, a supervisor, a Resolution Authority or their agents for a valuation/estimation of assets and liabilities.
35	E- money	Electronic Money	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	Early Intervention		Any actions, including formal corrective action, taken by supervisory or Resolution Authorities in response to weaknesses in a Bank prior to entry into Resolution .
37	Early Warning System	Early Detection System	A model that attempts to predict the likelihood of failure or financial distress of Banks over a fixed time horizon, based on the banks' current risk profile.
38	Eligible 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). Eligible deposits are also referred to as Insurable Deposits.
39	Enterprise Risk Management (ERM)		The processes and activities used to identify, assess, measure, monitor, control and mitigate risks in respect of the Deposit Insurer's enterprise as a whole.
40	Entry into Resolution	Resolution Trigger	The formal determination by the relevant authority or authorities that a Bank meets the conditions for Resolution and that it will be subject to resolution measures.
41	Ex-ante Funding		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 Deposit Insurer .
42	Expected Losses (EL)		The average losses that a Deposit Insurance Fund may incur under normal circumstances of a deposit insurer's business. Mathematically defined as the mean of the Deposit Insurance fund's loss distribution.

NO.	TERMS	OTHER TERMS USED	DEFINITION
43	Explicit Protection		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	Ex-post Funding		A system where funds to cover deposits insurance obligations are only collected from surviving banks after a bank failure.
45	Extraordinary Contribution	Additional Contribution	Additional Premiums /levies which can be collected Ex-post from members of a Deposit Insurance System if the Ex-ante funding of the system may be insufficient to meet its obligations.
46	Financial Assistance		An assistance provided to a Troubled Bank by third parties, such as government agencies, Resolution Authorities or Deposit Insurers . 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	Financial Inclusion		The extent to which individuals and entities have access to and utilise formal financial services.
48	Financial Institution	Financial Firm Financial Entity Institution	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 Financial Market Infrastructure .
49	Financial Market Infrastructure		A multilateral system among participating Financial Institutions , 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	Financial Safety-Net		A framework that includes the functions of prudential regulation, supervision, Resolution , lender of last resort and Deposit Insurance . 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	Fit and Proper		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 Premium payable to a Deposit Insurer assessed at a uniform rate across all Member Banks .
53	Forbearance		The granting of exemptions or delaying intervention action in relation to Banks 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 Host Jurisdiction .
55	Foreign Bank Subsidiary	Overseas Bank Subsidiary	A separate legal entity of a bank incorporated outside the Home Jurisdiction .
56	Funding		Financing mechanisms necessary to cover the operating expenses and obligations of a Deposit Insurer .
57	Global Systemically Important Bank (G-SIB)		A Bank 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 Home Jurisdiction in which a Bank 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 Bank 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 Eligible Deposits that do not exceed the maximum level of coverage provided by a Deposit Insurance System .
66	Insured Deposits	Guaranteed Deposits Protected Deposits Covered Deposits	Eligible Deposits that do not exceed the maximum level of coverage provided by a Deposit Insurance System .

NO.	TERMS	OTHER TERMS USED	DEFINITION
67	Integrated Protection Scheme (IPS)		A system where a single agency, usually a pre-existing Deposit Insurer , provides guarantee or protection to investors in securities firms, and/or policy holders of insurance companies, in addition to depositors in Banks , for the loss of insured funds or unsatisfied claims in the event of a Member Institution's failure.
68	Interim Payment	Advance Payment Provisional Payment Emergency Partial Payment	A partial payment made to depositors by a Deposit Insurer before the start of actual reimbursement. This could be particularly useful in situations when there may be extended delays in reimbursement or when the Deposit Insurer is of the opinion that Insured Depositors urgently require access to their funds.
69	Intervention		Any actions, including formal corrective action, taken by supervisory, Resolution Authorities or Deposit Insurers to address concerns that may arise with a Bank .
70	Joint Account		An account opened in the names of two or more individuals who have rights of access to the account.
71	Least-cost Resolution	Least-cost Rule	A procedure that requires the Resolution Authority to implement the resolution option, including Liquidation of the failed bank, that is least costly to the Resolution , the financial system or the Deposit Insurance System .
72	Legal Framework		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	Legal Protection	Legal Immunity	The set of legal mechanisms by means of which persons participating in the Resolution 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	Limited-Coverage Deposit Insurance System		A system that guarantees that the principal and/or the interest accrued on Insured Deposit accounts will be paid, up to a specified limit, in the event of bank insolvency.
75	Liquidation	Receivership	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	Liquidator	Receiver	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	Liquidity Funding	Emergency Funding Back-up Funding	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	Loss Minimiser		A Mandate where the Deposit Insurer actively engages in a selection from a range of least-cost resolution strategies.
79	Loss-given Default (LGD)		The non-recoverable share of resource exposure (non-returnable to deposit insurance fund) from the bankruptcy estate of a liquidated Member Institution . Typically expressed as a percentage of the total exposure.
80	Loss-sharing Agreement	Loss-sharing Arrangement	An agreement in a financial transaction in which the Resolution Authority or the Liquidator 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 Resolution .
81	Mandate		A set of official instructions describing the Deposit Insurer's roles and responsibilities. There is no single mandate or set of mandates suitable for all Deposit Insurers . 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 Paybox , a Paybox plus , a Loss Minimiser and a Risk Minimiser .
82	Market Discipline		A situation where depositors or creditors assess the risk characteristics of a Bank and can influence Bank risk-taking behaviour by threatening to withdraw funds from the institution.
83	Member Bank	Insured Institution Participant Firm Member Institution	A Bank that is a member of a Deposit Insurance System .
84	Moral Hazard		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	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 Bank's access to funding sources; (iii) the Bank 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 Bank's assets; (v) the Bank is expected in the near future to be unable to pay liabilities as they fall due; (vi) the Bank's business plan is non-viable; and/or (vii) the Bank is expected in the near future to be balance-sheet insolvent.

NO.	TERMS	OTHER TERMS USED	DEFINITION
86	On-site Inspection	On-site Appraisal/ Examination	An appraisal by the banking supervisor or the Deposit Insurer on the premises of the Bank which includes an examination of the books, records and internal controls of a Bank .
87	Open-bank Assistance		A resolution method taken by the Resolution Authority in which a Bank in danger of failing receives assistance in the form of a direct loan, an assisted merger, a purchase of assets, or other means.
88	Operational Independence		The ability of an organisation to fulfil its Mandate using the legislated powers and means assigned to it without undue influence from external parties.
89	Paybox Plus		A Mandate where the Deposit Insurer has additional responsibilities such as a certain Resolution functions (e.g. financial support).
90	Paybox		A Mandate where the Deposit Insurer is only responsible for the reimbursement of Insured Deposits .
91	Payment Agent	Paying Agent	Entities (e.g. Banks , postal banks, government support payments) authorised by a Deposit Insurer to reimburse Insured Depositors on its behalf. Deposit Insurers 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	Premium	Contribution Levy	The amount that a member institution pays for Deposit Insurance for a given time period.
93	Probability of Default		The probability that a Bank will not be able to meet its obligations over a particular time horizon.
94	Prompt Corrective Action (PCA)		A set of progressive corrective actions taken by the supervisory authorities against Financial Institutions 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	Public Awareness Program	Consumer Awareness	A comprehensive program designed to disseminate information to the public regarding the benefits and limitations of a Deposit Insurance System , including how and when depositors can gain access to their funds in case of a bank failure.
96	Public-policy Objectives		Refers to the goals which the Deposit Insurance System is expected to achieve.
97	Purchase-and-Assumption Transaction (P&A)	Full or Partial Transfer of Business	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	Rebate		The return of part of a deposit insurance premium payment, representing some deduction from the full amount previously paid.
99	Recovery		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 Bank . In the recovery phase, the Bank has not entered into a Resolution 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 Bank 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 Resolution Authority , including any immediate or long-term obligations and any direct or contingent liabilities for future payment, less the recoveries on assets of a failed Bank .
104	Resolution Plan	Living Will	A plan intended to facilitate the effective use of the Resolution Authority's 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 Resolution , in the event that recovery measures are not feasible or have proven ineffective.
105	Resolution Powers	Resolution Tools	Powers available to the Resolution Authorities under the Resolution Regime or broader legal framework for the purposes of Resolution .
106	Resolution Regime		The elements of the legal framework and the policies governing resolution planning and preparing for, carrying out and coordinating Resolution , including the application of Resolution Powers .
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 Resolution Powers .
108	Risk Minimiser		A Mandate where a Deposit Insurer has comprehensive risk minimisation functions that include risk assessment/management, a full suite of Early Intervention and Resolution Powers , and in some cases, prudential oversight responsibilities.
109	Scope of Coverage		Types of Deposits 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	Situational Analysis		An examination that Deposit Insurers 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	Start-up Funding	Seed Funding	The funding received by a newly established Deposit Insurance System as initial contributions typically from Financial Institutions , government, and/or the central bank.
113	Statute of Limitation		The law that sets a concrete date after which no claims can be submitted by the claimant against the debtor.
114	Stress Testing		A range of simulation techniques used to assess the vulnerability of a Bank's financial position under different scenarios, such as major changes to the macroeconomic environment or to exceptional but plausible events.
115	Subordinated Debt		A debt instrument that ranks lower than other ordinary claims or instruments in the priority of its claim on the issuer's assets.
116	Subrogation	Legal Assignment or Transfer	The substitution of one party (e.g. the Deposit Insurer) for another (e.g. the Insured Depositor) 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	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.
118	Systemically Important Financial Institution (SIFIs)		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	Target Fund Size	Target Reserve Ratio	The size of the Ex-ante 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 Deposit Insurer .
120	Termination of Deposit Insurance Membership		The power of a Deposit Insurer to terminate the membership of a Member Institution if it does not meet some specific qualifications set by the Deposit Insurer . Existing insured deposits remain covered.
121	Too-big-to-fail		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	Troubled Bank	Weak Bank Problem Bank Distressed Bank	A Bank 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	Unexpected Losses		Extraordinary (unexpected) losses of the Deposit Insurance fund that can occur under unlikely, yet possible circumstances with unfavourable outcomes. Mathematically defined as the deviations from the average -Expected Losses – with a certain level of probability, i.e. within a certain level of confidence.
124	Uninsured Deposits		The types or amount of Deposits that are not covered by a Deposit Insurance System .
125	Winding Up	Winding Down	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	Withheld Deposits		Deposits that are temporarily suspended from payment by the Deposit Insurer due, in part, to insufficient information during reimbursement.

