



PROTECTING YOUR DEPOSITS

JAMAICA DEPOSIT INSURANCE CORPORATION
Public Forum, Port Maria Civic Centre, St Mary

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Presenter: Antoinette McKain

Chief Executive Officer, JDIC





BANKS HAVE A “SPECIAL” PLACE IN THE ECONOMY AND DEPOSITORS MUST THEREFORE BE PROTECTED

- ❑ Companies privately owned and controlled, by shareholders, for profit.
- ❑ Role in the economy makes them subject to regulation.



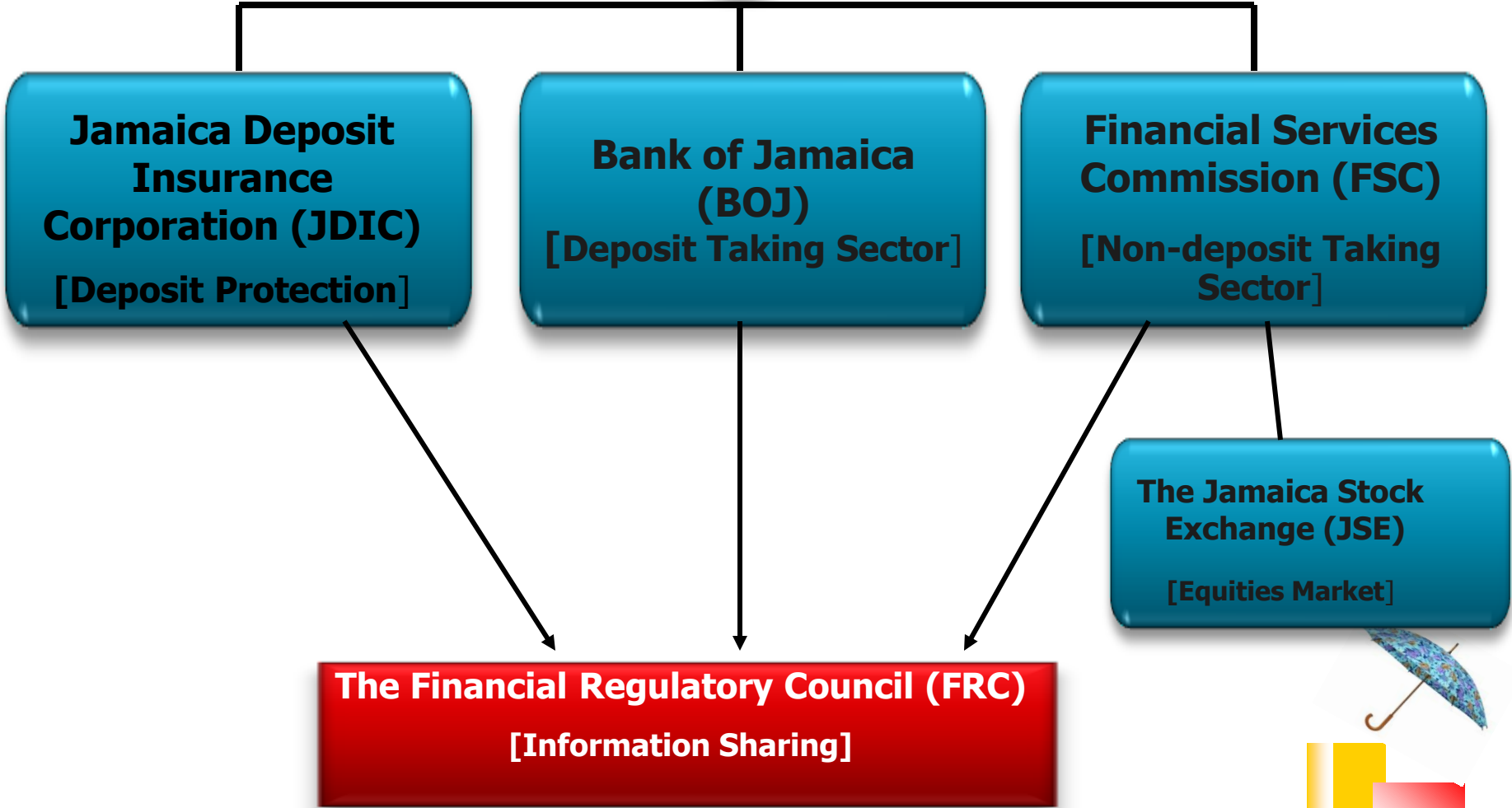


WHAT IS THIS SYSTEM FOR REGULATION?





MINISTRY OF FINANCE AND PLANNING



JAMAICA'S FINANCIAL SYSTEM SAFETY NET





REGULATION AND SUPERVISION OF DEPOSIT TAKING FINANCIAL INSTITUTIONS (DTI's)

MINISTER OF FINANCE

Licensing of DTI's and Intervention Actions

JAMAICA DEPOSIT INSURANCE CORPORATION (JDIC)

[Deposit Insurance Act]

GUARANTEE/DEPOSIT INSURANCE FOR DEPOSITS IN

- COMMERCIAL BANKS
- MERCHANT BANKS
- BUILDING SOCIETIES

(DTI'S)

BANK OF JAMAICA (BOJ)

[Bank of Jamaica Act]

REGULATION AND SUPERVISION OF DTI'S

- COMMERCIAL BANKS
- MERCHANT BANKS
- BUILDING SOCIETIES





WHY DEPOSIT INSURANCE?

- To **protect small depositors** who are less likely to be in a position to assess the financial risk of deposit-taking institutions.
- Deposit Insurance helps to **build confidence in the financial system** as it provides certainty to depositors as to their exposure in bank insolvency.





DEPOSIT INSURANCE IN THE WORLD

- Over 120 countries in the world with explicit deposit insurance schemes. Many of these, including the Jamaican scheme were set up after a banking system crisis.
- Internationally deposit insurance generally covers over 90 percent of depositors and 40 percent of the dollar value of deposits in the deposit taking system.





THE DEPOSIT INSURANCE SCHEME IN JAMAICA

The JDIC's primary role is to manage the Deposit Insurance Scheme to protect depositors from loss.

- Levy premiums on Policyholders
- Issue Deposit Insurance Policies to Policyholders and monitor compliance
- Manage the Deposit Insurance Fund
- Facilitate the efficient solutions for failing banks
- Conduct payouts to depositors if bank fails





INSTITUTIONS INSURED UNDER THE SCHEME – POLICYHOLDERS

Only deposit taking financial institutions regulated and supervised by the Bank of Jamaica are members of the Scheme:

- **COMMERCIAL BANKS (7)**
- **MERCHANT BANKS (2)**
- **BUILDING SOCIETIES (4)**

IT'S CUMPOLSORY





WHAT ARE THESE INSURED DEPOSITS?

- ❑ Savings and Chequing Accounts
- ❑ Certificates of Deposits
- ❑ Money Orders and Drafts
- ❑ Foreign Currency Deposits
- ❑ Prepaid cards where the cardholder has a beneficial right to the bank balances on cards





COVERAGE LIMIT

- ❑ Coverage – up to \$600,000
- ❑ Per depositor, per institution





PER DEPOSITOR

DIFFERENT LEGAL OWNERSHIP CATEGORIES OF DEPOSITORS

- ❑ Individual Account
- ❑ Joint Accounts
- ❑ Business/Company Accounts
- ❑ Trust Accounts
- ❑ Nominee Accounts





INDIVIDUAL ACCOUNTS

Account Name: John Brown ***(Individual Accounts)***

#1. Chequing Account	\$100,000
#2. Savings Account	\$700,000

TOTAL

\$800,000

DEPOSIT INSURANCE PAYS **\$600,000**





INDIVIDUAL ACCOUNTS AND JOINT ACCOUNTS

#1. Account Name: John Brown (Individual Accounts)

- Chequing Account \$100,000
- Savings Account \$700,000

TOTAL \$800,000

#2. Account Name: John Brown and Mary Brown (Joint Account)

- Savings Account \$900,000

TOTAL \$900,000

#1. DEPOSIT INSURANCE PAYS John Brown **\$600,000**

#2. DEPOSIT INSURANCE PAYS John Brown and Mary Brown **\$600,000**



TRUST AND NOMINEE ACCOUNTS

- **Trust Accounts** - a depositor holds an account but it is on behalf of another person or a number of other persons (beneficiary) who are legally entitled to the ownership of the funds in the account.
- Law amended in 2011 - **JDIC will now pay each of the named beneficiary in a trust account.**





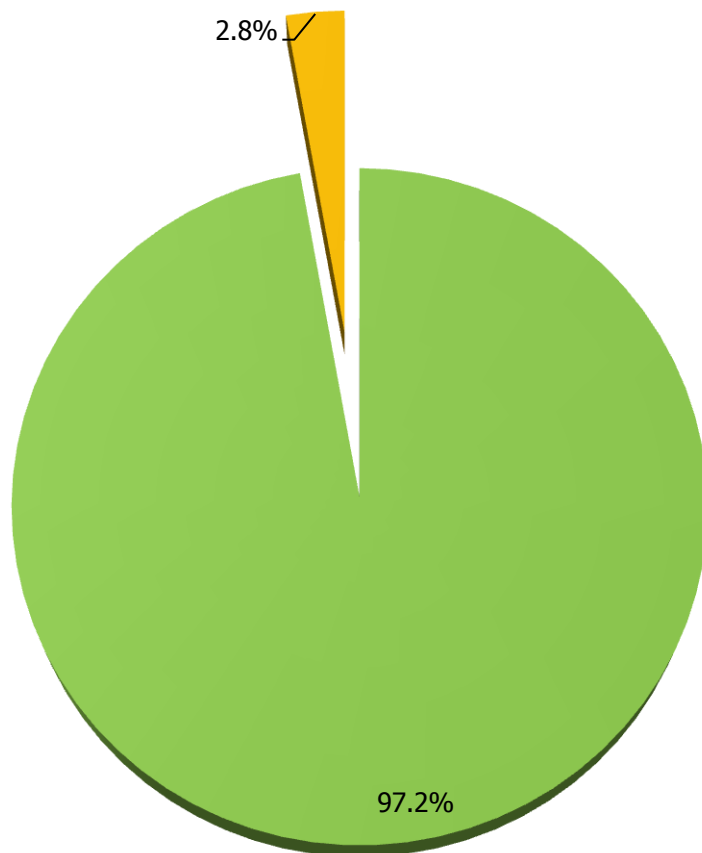
PER INSTITUTION

- Each Policyholder is really one institution regardless of how many branches it operates.
- Where **two (or more) institutions merge to become one** - JDIC will, for the purpose of computing the amount of deposit insurance you are entitled to, treat each of the deposits you had in the two institutions as if they were in separate institutions for up to two years after **the** merger.





PROFILE OF ACCOUNTS COVERED AT THE \$600,000 LIMIT (DECEMBER 2011)



- Number of Fully Insured Accounts
- Number of Account not fully Insured





PAYOUT TO DEPOSITORS

- Payments must be made to depositors:
 - When Policyholder institutions cannot make payments because of insolvency (cannot pay creditors)
 - Within 3 months of failure of the Policyholder

- \$600,000 guaranteed from JDIC
- Amounts over insured limit – Liquidator

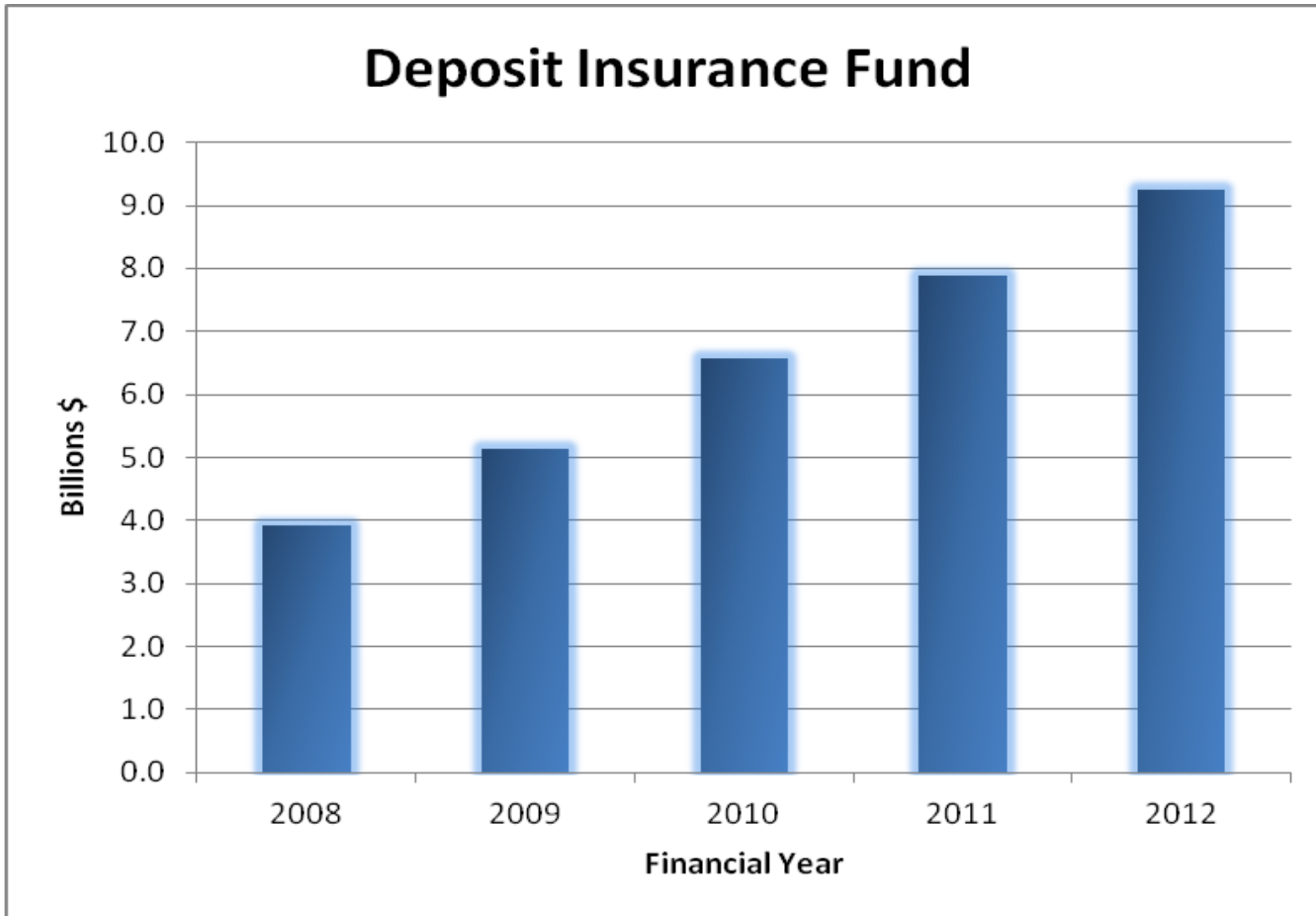




THE DEPOSIT INSURANCE FUND (DIF)

- Made up of annual Premiums collected from Policyholders
- DIF balance at May 2012 - \$9.5B
- Used to **payout depositors when a Policyholder fails**
- **Coverage is automatic** and depositors do not have to contribute/pay to be covered under the Deposit Insurance Scheme.







WHICH INSTITUTIONS NOT INSURED BY JDIC

- ❑ CREDIT UNIONS
- ❑ MONEY MARKET BROKERS
- ❑ INVESTMENT FIRMS
- ❑ INSURANCE COMPANIES
- ❑ PENSION FUNDS





WHAT PRODUCTS NOT COVERED BY JDIC

- ❑ DEPOSITS AND SHARES OF CREDIT UNIONS
- ❑ INVESTMENTS:
 - COMMERCIAL PAPER
 - BROKERED/MANAGED FUNDS
 - REPO TRANSACTIONS
 - DEBENTURES





GUARDIANS OF FINANCIAL SYSTEM SAFETY

- Boards and Management – proper running of institutions
- Savers and Investors – best guardians
- Safety Net Players – proper regulation and monitoring

