

Deposit Insurance System in Bangladesh

Introducing Deposit Insurance:

Deposit Insurance System (DIS) is an institutional initiative by Bangladesh Bank for the protection of commercial banks deposits maintained by small depositors in Bangladesh. The system works among deposit owners. In Bangladesh, deposit insurance scheme was introduced in August, 1984 as a scheme in terms of the provisions of the legal framework called "The Bank Deposit Insurance Ordinance, 1984" promulgated by the Government on August 11, 1984. In July, 2000 the Ordinance was repealed by an Act of the Parliament called the "Bank Deposit Insurance Act, 2000". Deposit Insurance in Bangladesh is now being administered by the said Act. Bangladesh Bank has taken the membership of International Association of Deposit Insurers (IADI) in 2006.

Membership/Member Institution:

All scheduled banks including foreign banks operating in Bangladesh are brought under the Deposit Insurance Scheme by the Bank Deposit Insurance Act, 2000. Membership is compulsory for all Banks (56 banks) as provided the said Act.

Deposit Insurance Trust Fund (DITF) and Investment Scope:

In accordance with the provisions of the Bank Deposit Insurance Act, 2000, premium collected from the insured banks and all other receivables are deposited in to an account called Deposit Insurance Trust Fund (DITF) maintained by Bangladesh Bank. The fund of 'DITF' is invested in the Government Securities and the income derived from such investments is also credited to the DITF account to strengthen and enhance the overall insurance coverage.

Coverage under Deposit Insurance Scheme:

According to "The Bank Deposit Insurance Act, 2000", in case of winding up of an insured bank, Bangladesh Bank shall pay to every depositor of that bank an amount equal to the amount of his/her deposit in that bank but not exceeding Taka one hundred thousand. Eligible compensation up to the coverage cap Taka one hundred thousand would be on per depositor per bank basis.

Management of Scheme:

As per provisions of the Act, The Board of Directors of the Bangladesh Bank is the Trustee Board is responsible for administration and management for the DITF.

Deposit Insurance Premium Rates:

According to Deposit Insurance Act, 2000, every member of scheduled bank is to be treated as insured bank and premium from the member banks are required to contribute half yearly premium, prescribed from time to time, and based on the total insured deposits held by a member bank as of preceding 30 June or 31 December. Before 2007, the premium was determined at a flat rate. Now risk based deposit insurance premium rates have been introduced and in 2012, the premium rates were revised which have been affected from 2013. The increased premium rates are as follows:

Sl. No.	CAMEL Rating/Category	Premium Rate
1.	SCBs, DFIs, PCBs excluding EWS and Problems Banks.	0.08%
2.	EWS Banks.	0.09%
3.	Problems Banks.	0.10%

Conclusion:

The Deposit Insurance System is designed to minimize or eliminate the risk that the depositors suffer a loss out of placing funds with a bank. However, the effectiveness of DIS in reducing systemic risk would be increased if the public is well aware of its existence and scope. With this end of view, BB has already issued a circular regarding public awareness; organized public awareness seminar with stakeholders and more information are available in the Bangladesh Bank website that the public be informed on an ongoing basis about the benefits and limitations of the DIS.

Deposit Insurance Trust Fund (DITF)

SUMMARY OF AUDIT REPORT AS OF 30-06-2013

As per Audit Report of Deposit Insurance Trust Fund (DITF) as of 30-06-2013, the comparative scenario of the Balance Sheet and Income Statement of the DITF is as under:

Balance Sheet

As at 30 June 2013

	2013 Taka	2012 Taka
<u>Assets</u>		
Cash & Cash Equivalents	239,575,704	141,384,677
Investment	26,612,525,187	21,714,059,177
Other Assets (receivable)	305,004,871	456,593,506
Advance Annual Members Fee(IADI)	693,865	767,401
Total Assets	27,157,799,627	22,312,804,761
<u>Fund & Liabilities</u>		
Funds		
Deposit Insurance Trust Fund	27,154,890,894	22,309,195,359
Liabilities	2,908,733	3,609,402
Annual Member Fees (IADI)	0	0
Premium Received in Advance	2,893,733	3,594,402
Provision for Audit Fees	15,000	15,000
Total Funds & Liabilities	27,157,799,627	22,312,804,761

Income Statement

For the year ended 30 June 2013

	2013 Taka	2012 Taka
Income		
Interest income	2,122,057,913	1,894,806,843
Discount on BGTB	963,090	15,944,675
Commission	4,421,000	3,521,000
Expenditure	946,957	2,238,397
Audit fees	15,000	15,000
Premium Expenses	700,669	1,244,701
Annual member's fees(IADI)	231,288	978,696
Net income transferred to Trust Fund	2,126,495,046	1,912,034,121