

# Is your bank deposit protected?

Kenya Deposit Insurance Corporation (KDIC) is the country's Resolution Authority for banks whose mandate as a risk minimizer is to:

1. **Provide a deposit insurance scheme to member institutions**
2. **Provide incentives for sound risk management**
3. **Offer prompt and timely resolution for failed banks.**

## A. Deposit Insurance Scheme

To fulfill this mandate, KDIC operates a deposit insurance scheme for banks and microfinance banks licensed by the Central Bank of Kenya. The scheme is funded through an annual payment made by banks to a pooled fund that is used to compensate depositors as well as support other resolution processes.

The scheme provides a protection guarantee to depositors of commercial banks and microfinance banks who are members. The protection amount is capped at Kshs. 500,000 per depositor after recently being reviewed from Kshs. 100,000.

This protected amount is paid immediately after a bank is placed under liquidation. Presently, the covered institutions comprise 39 commercial banks, one mortgage finance bank, and 14 micro-finance banks. The scheme covers depositors' accounts classified in any of the following categories.

- **Current Accounts**
- **Savings Accounts**
- **Fixed Deposit Accounts**
- **Foreign Currency Deposits**
- **Trust Accounts (Account which declared and designated as a trust account and whose beneficiaries are declared at the point of opening of such account)**

## B. Who bears the cost of this protection?

The cost of protection which is paid in form of an annual premium is borne by banks. While KDIC protects depositors, they are not required to pay anything for them to enjoy this protection. The bank pays an annual premium that goes to the pooled Fund, which is used to compensate depositors when a bank is closed and placed in liquidation.

## C. How does Deposit Insurance contribute to the country's financial stability?

The principal public policy objective for Kenya Deposit Insurance Corporation is to protect depositors and contribute to financial stability. One of the country's priorities is to maintain a 10 percent annual economic growth. The Vision 2030 agenda further highlights the need to establish "a vibrant and globally competitive financial sector which will enhance job creation and promote a saving culture among Kenyans to finance the country's overall investment needs."

Stability in the financial system has been known to foster public confidence in the banking sector necessary to encourage more people

to deposit their money in the banks. Consequently, banks are able to provide credit facilities to the public, through credit creation, to drive various development and business initiatives.

Deposit accounts are the principal source of sustainable funding for banks. Deposits held in the bank also offer depositors a convenient and safe way to save and also make payments. In a well-developed deposit insurance regime, depositors are protected against the loss of their insured deposits in the event a bank is closed and placed under liquidation by the regulator due to its inability to meet its obligations, or violation of regulations. The presence of a deposit insurance scheme reduces the incentive for depositors to withdraw their deposits or "run" when a bank shows the first sign of trouble and, therefore, helps to maintain financial stability and minimizes disruption to the country's economy.

## D. Transitioning from a deposit protection Fund to a Deposit Insurer

Kenya Deposit Insurance Corporation (KDIC) is the successor of the defunct Deposit Protection Fund (DPF), which was established in 1985. Due to the growing needs of the country and the desire to provide robust and comprehensive deposit insurance, the government converted DPF from a protection Fund to deposit insurance with an extra mandate of risk minimization. Under this new mandate, KDIC is now the sole and exclusive Resolution Authority in the banking sector and has been given limited powers to conduct a special examination to protect the interest of depositors.

## E. Public Awareness

To achieve its public policy objective of fostering public confidence in the country's banking sector and contribute to financial stability, KDIC has partnered with banks to sensitize depositors that their deposits are protected under its scheme. As part of the public awareness activities, the Corporation in consultation with its member banks designed membership stickers as part of the wider campaign and member identification. As a depositor, you are encouraged to look out for the KDIC membership stickers whenever you visit your bank.



## PROTECTION OF TRUST ACCOUNTS

A trust relationship in the context of deposit insurance means the legal relationship created when a trust account is held in the name of or under the control of a trustee for the benefit of the beneficiary or for a special purpose and includes the instrument setting up such trust. The law provides that insured deposits in trust accounts under the Act shall include co-mingled or pooled balances in such custodial accounts holding funds, provided that such funds are placed with an institution that is licensed by the Central Bank and is a member of the Corporation.

**The law further provides that;** (Kenya Deposit Insurance Regulation 2015 section 10):

1. A trustee of a trust account shall obtain protection or insurance for the beneficiary of the account(s).
2. The derived protection for any deposit held in a trust account is limited to protection against the failure of an institution where such funds have been placed and do not extend insurance cover in circumstances where an agent or custodian of the customer or beneficiary fails to deposit funds on behalf of the customer or beneficiary in an institution.

3. The derived protection or insurance cover shall be limited to the beneficiaries of the trust account and shall not extend insurance cover to the trustees in their personal capacity.
4. An institution opening a trust account shall:
  - (a) designate the account in such a manner as to indicate the nature of the trust;
  - (b) obtain and keep a certified copy of an irrevocable trust deed or agreement which governs the relationship of the trustee and the beneficiary;
  - (c) satisfy itself that the trust deed or agreement defines the rights and obligations of the parties and reflects the agency or fiduciary duties of the trustee for purposes of opening and operating the trust account;
  - (d) ensure that the trust account is operated in accordance with the trust deed; and;
  - (e) disclose the beneficiaries of the funds in the account at the time of opening accounts and maintain such records updated.

## MEMBERSHIP TO DEPOSIT INSURANCE SCHEME

The Corporation provides a Deposit Insurance Scheme for member institutions to cater for limited coverage of deposits as provided for by law. The following are our member institutions covered under this scheme for the financial year ending June 30, 2022.

COMMERCIAL BANKS			
1	ABSA Bank of Kenya Ltd	21	Habib Bank A.G Zurich
2	Access Bank (Kenya) Public Limited Company	22	I & M Bank Limited
3	African Banking Corporation Limited	23	Imperial Bank Limited (In Receivership)
4	Bank of Africa Kenya Limited	24	KCB Bank Kenya Limited
5	Bank of Baroda (K) Limited	25	Kingdom Bank Limited
6	Bank of India	26	Mayfair Bank Limited
7	Citibank N.A Kenya	27	Middle East Bank (K) Limited
8	Consolidated Bank of Kenya Limited	28	M-Oriental Bank Limited
9	Co-operative Bank of Kenya Limited	29	National Bank of Kenya Limited
10	Credit Bank Limited	30	NCBA Bank Kenya Plc
11	Development Bank of Kenya Limited	31	Paramount Bank Limited
12	Diamond Trust Bank Kenya Limited	32	Prime Bank Limited
13	DIB Bank Kenya Limited	33	SBM Bank Kenya Limited
14	Ecobank Kenya Limited	34	Sidian Bank Limited
15	Equity Bank Kenya Limited	35	Spire Bank Ltd
16	Family Bank Limited	36	Stanbic Bank Kenya Limited
17	First Community Bank Limited	37	Standard Chartered Bank Kenya Limited
18	Guaranty Trust Bank (K) Ltd	38	UBA Kenya Bank Limited
19	Guardian Bank Limited	39	Victoria Commercial Bank Limited
20	Gulf African Bank Limited		
MORTGAGE FINANCE INSTITUTIONS			
1	HFC Limited		
MICROFINANCE BANKS			
1	Caritas Microfinance Bank Limited	8	Maisha Microfinance Bank Ltd
2	Century Microfinance Bank Limited	9	Muungano Microfinance Bank Limited
3	Choice Microfinance Bank Limited	10	Rafiki Microfinance Bank Limited
4	Daraja Microfinance Bank Limited	11	SMEP Microfinance Bank Limited
5	Faulu Microfinance Bank Limited	12	Sumac Microfinance Bank Limited
6	Kenya Women Microfinance Bank Limited	13	U & I Microfinance Bank Limited
7	KEY Microfinance Bank Limited	14	Uwezo Microfinance Bank Limited

Reach us for more details, including reimbursement procedures and other clarifications by visiting our website [www.kdic.go.ke](http://www.kdic.go.ke) or contact us through any of the following options:

**Physical Address:** KDIC offices UAP Old Mutual Towers, 23rd Floor, Upper Hill Road

**Email address:** [customercare@kdic.go.ke](mailto:customercare@kdic.go.ke)

**Telephone:** 0206677000 or 0709043000.

**Postal address:** P.O. Box 45983, 00100, Nairobi

**KDIC continues to safeguard the interest of depositors and creditors as provided by law.**