

## Profile – Jamaica Deposit Insurance Corporation

<http://www.jdic.org>

JDIC is an independent statutory Corporation responsible to the Jamaican Parliament through the Ministry of Finance and Planning. The Corporation, by legislated mandate, provides protection to small savers and exercises a shared role in safeguarding the country's financial system.

Born out of the financial crisis of the mid-1990's, JDIC was established by an Act of Parliament, the Deposit Insurance Act, 1998, and commenced operations on August 31<sup>st</sup> of the same year. Prior to the establishment of the Deposit Insurance Scheme (DIS), the system enjoyed an implicit 100% guarantee of savings, and the cost of the bank failures resulted in enormous burden on the public purse.

The provision of explicit and limited deposit insurance coverage by the DIS was one of several system-enhancements aimed at restoring confidence and stability to the financial sector, and encouraging greater system-wide market discipline. The companion measures include significantly strengthened regulatory and supervisory machinery, underpinned by supporting legislation.

The DIS is funded by an initial capital injection of J\$1M from the Government, with all further funds contributed by way of annual premiums collected from member institutions. Member institutions are charged annually a flat rate premium of 0.15% of their insurable deposits (total

deposits less Government and inter-bank deposits). The new rate became effective in November 2002, moving from 0.10%, and followed an increase in the coverage limit from J\$200,000 to J\$300,000, in July 2001. The Corporation is currently examining the feasibility of introducing a risk-based premium system.

Since the establishment of JDIC there have been no failures and the reduction in membership from 35 institutions to the present 19, has resulted mainly from mergers and in a few instances, institutions have surrendered their deposit-taking licences, in response to regulatory enforcement. Consequently, the Deposit Insurance Fund (DIF) has grown steadily without incurring any major liabilities. The Fund's balance at the end of the financial year, March 31, 2003, was J\$793M, and conservatively, is projected to reach J\$1.8B or 1.8% of insured deposits by 2005, providing there are no failures.

JDIC does not have regulatory or supervisory authority so to effectively carry out its mandate the Corporation must work closely with the Bank of Jamaica, which has oversight for all deposit-taking financial institutions. The Corporation is entitled to request and receive from the Central Bank copies of its on-site reports and other relevant information, which relates to the safety and financial soundness of member institutions.

### **Major Features:**

- Compulsory membership for all institutions licensed under the Banking, Financial Institutions and Building Societies Acts.
- Flat rate premium – 0.15% of Insurable Deposits.
- Non-Indexed Coverage limit of J\$300,000 (US\$5,335) per depositor / per institution
- Present authority levels limited to payments to depositors in the case of a failure. Legislation for other resolution strategies being pursued.
- Powers to borrow from Government or financial markets to supplement the DIF.

*Note: US\$1.00 = J\$56.23 at March 31, 2003*

