

NEWS LETTER



UPDATED REVIEW OF THE MAXIMUM DEPOSIT INSURANCE COVERAGE LEVEL BY NIGERIA DEPOSIT INSURANCE CORPORATION (NDIC)

What You Should Know:

The Nigeria Deposit Insurance Corporation (NDIC) was established as a government corporation responsible for the protection of the deposits of customers of banks and other CBN licensed deposit-taking financial institutions and to administer these deposits in the event that the banks or other financial institutions' businesses fail or go insolvent.

The purpose of the deposit insurance system is to protect depositors and guarantee the settlement of insured funds when a deposit-taking financial institution can no longer repay their deposits, thereby helping to maintain financial system stability.

Before now, the maximum deposit a customer was entitled to as a recoverable fund in the event of the failure of a bank or financial institution was N500,000 across all banks.

● However, with the instability of the financial systems and uncertainties around the nation's economic tides, there was a need to revise these positions.

The NDIC recently revised the maximum deposit insurance coverage levels for licensed deposit-taking financial institutions during its Interim Management Committee meeting

on April 24th and 25th 2024 and in line with international standards, the NDIC conducted a study in 2023 to assess the adequacy of the Maximum Deposit Insurance Coverage.

Findings revealed that while a high percentage of depositors were fully insured under existing coverage levels across different bank categories, a substantial portion of total deposits remained uninsured, posing a risk of bank runs with dire impact on the stability of the financial system.

To address these concerns and enhance depositor protection, public confidence, financial inclusion, and overall stability of the financial system, the NDIC made adjustments to the maximum deposit insurance coverage levels.



Below is the new threshold for deposit insurance coverage:

Deposit Money Banks (DMBs): Increased from N500,000 to N5,000,000.

Microfinance Banks (MFBs): Increased from N200,000 to N2,000,000.

Primary Mortgage Banks (PMBs): Increased from N500,000 to N2,000,000.

Payment Service Banks (PSBs): Increased from N500,000 to N2,000,000.

Subscribers of Mobile Money Operators: Increased from N500,000 to N5,000,000.

The takeaways from this decision.

- The adjustments made by the NDIC, shows its commitment to align with international best practices and the core principles advocated by the International Association of Deposit Insurers (IADI).

- The adjustments aim to mitigate the risks associated with high levels of uninsured deposits, promote market discipline, foster public confidence, and enhance financial inclusion while ensuring the stability of the banking sector.

- With the recent disclosure from the Central Bank of Nigeria that over 80% of Cash resides outside the coffers of banks and other financial institutions, confidence can be restored to citizens which will drive them towards bringing in their funds to financial institutions especially banks.

- In line with the recent circular from the CBN increasing the capitalization of Commercial, Merchant and Non Interest banks from previous share capital requirements, it was also necessary to see the banks take up further thresholds for their depositors.

We hope that this steps taken by the NDIC will broaden the scope of their market relevance and strengthen the systems that it seeks to serve in the financial industry.

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