

PRESS RELEASE

Attn: Business/ News Editors
For Immediate Release

KDIC launches plan to strengthen the safety net for bank depositors

Nairobi, Wednesday 9th May 2018... Kenya Deposit Insurance Corporation (KDIC) has today announced plans to review the current flat rate premium model to risk based premium model in a move that is expected to instill market discipline and safeguard bank depositors.

The introduction of the new model will see the scrapping of the current rate of 0.15 per cent of total deposits held and in its place introduce a system where premium charged will be based on an individual bank's risk appetite.

Speaking during the corporation's inaugural stakeholder engagement forum, KDIC CEO Mohamud Ahmed Mohamud said the review of the premium rate is in line with global best practice and will provide an incentive for sound Risk management by reducing the premiums charged to banks with better risk profiles while increasing premiums for those with a high-risk appetite.

"One of the challenges we have faced in the past is the situation where all banks have been treated the same in terms of the premiums they pay to KDIC. We are now looking at instituting a risk-based premium model which we believe is fairer and will encourage banks to streamline their operations in order to minimize their risk exposure." Said Mr. Mohamud.

Also speaking at the event Treasury Chief Administrative Secretary Hon Nelson Gaichuhie spoke of government's commitment to safeguarding depositors' funds through KDIC who are exploring viable and forward looking risk mitigating models to ensure sound and robust financial sector.

"We believe that well-designed safety nets could do more than just stabilize the financial system. They could also reduce the burdens placed on regulators

and Central Banking in addition to providing increased room for discretion in financial institution's activity.” Said Hon Gaichuhie.

KDIC’s Board Director James Teko welcomed the move noting the need for the industry to operate under modern legislations that incorporate good governance and intelligent business models.

“We are cognisant of the fact that banking stability is largely founded on public confidence and that this stability is crucial in maintaining a vibrant economy. We continue to put more effort in driving awareness of KDIC’s role in maintaining and fostering soundness and stability of the financial sector and with the review of the bank insurance premiums, we are confident that we are on the right track in achieving these goals”, said Mr. Teko.

KDIC is also currently in the process of developing an ICT based Central data surveillance monitoring system-to enable profiling of member institutions.

Since its inception in 2012, KDIC has been instrumental in changing the deposit insurance landscape in Kenya. The Kenya Deposit Insurance Act mandated KDIC to provide Bank resolution mechanisms for failing and failed institution among other powers.

KDIC is committed to protecting depositors, particularly small, and vulnerable against losses they may face because of the failure of bank(s) and other deposit taking institutions, thus creating public confidence in the financial system.

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About KDIC

KDIC's mandate, as set out in its enabling Act, has the powers to guarantee deposits of insured institutions, carry out supervision of insured institutions, partake in problem/failing banks resolution process and liquidate failed/closed financial institutions.

The roles of the Corporation in the Financial System are essentially to:

- I. Administer a Deposit Insurance System.
- ii. Provide incentives for Sound Risk Management in Financial Institutions.
- iii. Provide Insurance against the loss or part or all of deposits of a member Institution.
- iv. Promote and contribute to the stability of the Kenyan Financial System

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