

**REMARKS DELIVERED BY THE CHIEF EXECUTIVE OFFICER,  
DURING THE LAUNCH OF THE REVISED DEPOSIT COVERAGE LIMIT BY  
THE KENYA DEPOSIT INSURANCE CORPORATION,  
ON 1<sup>ST</sup> OF OCTOBER 2019, AT THE RADDISSON BLU, NAIROBI**

Hon. Amb. Ukur Yatani; Acting Cabinet Secretary, National Treasury and Planning

CEOs and representatives of Member Institutions  
Distinguished guests, Chairman and Board Members of KDIC,  
Management and staff, Ladies and Gentlemen.

I am greatly pleased and honoured to welcome you all to this auspicious occasion. Allow me to first recognize the presence of the Hon. Ambassador Ukur Yatani, acting C.S for National Treasury, who out of his busy schedule graciously, agreed to officiate this event. Similarly, I wish to express my gratitude to you all, for finding time to join us as we gear up for yet another chapter in our endeavor to enhance services to those we serve. I reckon that your presence here today, is testimony to the confidence you have in us, as far as our mandate is concerned. In this regards, Hon. C.S, please feel welcome.

The Kenya Deposit Insurance Corporation was established by the government as a resolution authority and mandated to protect small and vulnerable depositors against the loss of their bank deposits and provide incentives for sound risk management.

To further strengthen our mandate, the Kenya Deposit Insurance Act was enacted in 2012. Through the act, the Corporation is able to promptly and proactively resolve problems in any member institution that may jeopardize the interest of depositors or the banking sector.

As such, the Corporation plays a critical role in ensuring financial stability in the country. Further, the KDI Act 2012, empowers the Board of the Corporation to independently formulate policies and guidelines as may be necessary with a view to enhancing KDIC's operations in line with our mandate.

The policies and guidelines are aimed at not only ensuring that the Corporation, as a safety net player, keeps abreast with the dynamics in the financial sector, but also promotes public confidence in the Banking Sector. This is achieved by maintaining a stable and efficient deposit insurance system to support the financial sector.

## **Hon. C.S Ladies and Gentlemen,**

In order to safeguard depositors in cases of bank failure, we have established a contributory insurance scheme whereby member institutions pay premiums annually to support the build-up of the fund. The growth of the fund is based on the annual premiums and investment returns earned. Allow me Hon. C.S, to point out that the law limits the investment of the fund to government securities for safety and liquidity reasons.

## **Hon. C.S Ladies and gentlemen,**

Moving forward, we shall deepen our close cooperation and coordination with the National Treasury and the Central Bank of Kenya on information sharing. This will ensure early intervention and prompt resolution of problem bank with a view to fostering stability in the sector.

In keeping with this mission and appreciating that risk management is a joint venture, the Corporation manages the risk exposure through complementing the existing regulatory and supervisory framework of CBK. This is done through KDIC's market surveillance system, and providing incentives for sound risk management in the financial system through its proposed risk based premium system. Appreciating the struggles of many Kenyans, we have endeavoured to provide protection to small, vulnerable and unsophisticated depositors. This was deliberately designed to discourage moral hazard amongst profit driven investors.

**Hon. C.S, Ladies and Gentlemen,**

In order to fulfill our mandate as a risk minimizer, the corporation started a campaign to engage member institutions on sound risk management. On 9th may this year, all the stakeholders were engaged on the risk-based premium system.

As we prepare to roll it out in July next year, it is our conviction that the implementation of this model will trigger risk-reducing behavior of banks.

We are all aware that the banking sector in Kenya has experienced dynamic growth in the last few years, and this has diversified the risk profiles of our member institutions. In view of this, we wish to acknowledge that our safety net players have had to adjust to these changes.

These decisions taken by our stakeholders, are in tandem with the KDIC's strategic pillars that have seen us review the maximum protected amount per depositor. Moving forward, we shall continue to promote public confidence as envisioned in our Strategic Plan 2019-2023.

We need to assure depositors that their deposits and savings are well protected. I would therefore challenge all member institutions to ensure that the deposits are prudently invested. In the same breathe, the Corporation undertakes to diligently continue discharging its mandate of protecting and promptly resolve problem banks in close cooperation with CBK and other safety net players.

## **E. Conclusion**

As I conclude, I wish to reiterate the Corporation's commitment to embracing the best practice in deposit insurance, to fully support the "Vision 2030" and "Big Four Agenda," as well as to partner with all stakeholders for the stability of the financial system.

With your permission Hon. C.S, I now welcome the Chairman of the KDIC Board of Directors, Mr. James Teko Lopoyetum to address us.