

NDIC's New Deposit Insurance Coverage: A Wider Safety Net for Depositors

On May 2, 2024, the Nigeria Deposit Insurance Corporation (NDIC) announced a significant increase to the deposit insurance coverage for financial institutions licensed by the Central Bank of Nigeria (CBN). Deposit insurance provides a safety net for depositors, ensuring they are reimbursed up to a specified limit if their bank fails or becomes insolvent.

Overview of the Policy Update

In line with the Nigeria Deposit Insurance Act 2023 and the International Association of Depositors Insurers (IADI) Core Principles, this revision is a strategic step to ensure the financial system's stability and enhance depositor protection. The NDIC's decision to adjust the deposit insurance

limits reflects a proactive response to the evolving economic environment and aligns with international financial protection standards.

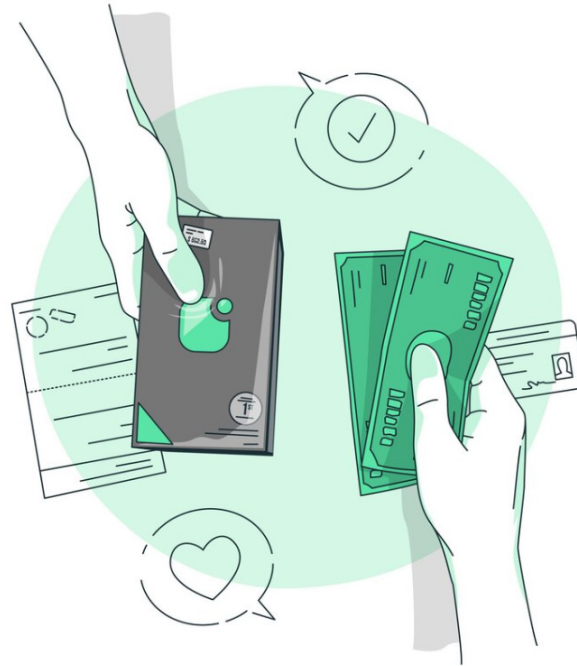
New Insurance Coverage Levels

- **Deposit Money Banks (DMBs):**

Insurance coverage has increased from N500,000 to N5,000,000 per depositor, enhancing protection from 89.20% to 98.98% of all depositors.

- **Microfinance Banks (MFBs):**

Coverage has risen from N200,000 to N2,000,000, now safeguarding 99.27% of depositors and boosting the protected deposit ratio from 14.38% to 34.43%.



- **Primary Mortgage Banks (PMBs):**

The coverage for PMBs has increased from N500,000 to N2,000,000, ensuring coverage for 99.34% of depositors and elevating the value of protected deposits from 10.77% to 21.04%.

- **Payment Service Banks (PSBs) and Mobile Money Operators (MMOs):**

Coverage for PSBs has been increased to 2,000,000, and for MMOs to N5,000,000 per subscriber, ensuring comprehensive depositor protection.

Benefits of the Revised Coverage

- **Enhanced Depositor Confidence:**

The increased limits are designed to reinforce confidence among depositors, vital in today's fluctuating economic climate.

- **Fostering Financial Inclusion:**

The adjustments aim to promote broader financial inclusion, especially benefiting those engaging with microfinance institutions, and driving socio-economic advancement at the grassroots level.

- **Encouraging Savings:**

With improved deposit protection, more

Nigerians are expected to entrust their savings to formal financial institutions, contributing to the country's economic stability and growth.

- **Promoting Economic Growth:**

By mitigating financial risk, the new coverage levels act as a catalyst for further investment and economic expansion across the nation.

Implementation and Future Outlook

The revised deposit insurance coverage is effective as of May 2, 2024. As the financial landscape evolves, NDIC may periodically review and adjust coverage to ensure continued relevance and effectiveness in protecting depositor interests.

Connect with Us

At SimmonsCooper Partners, we recognize the implications of this updated policy and are ready to guide our clients through the adjustments. For a comprehensive analysis of how this change affects you or your organisation, contact us at info@scp-law.com or visit our website at www.scp-law.com.