

❖ **Deposit Insurance and its Role in the Financial Safety Net**

Deposit Insurance is a system whereby depositors are protected against the loss of their deposits in the event of a bank(s) failure. It is an integral part of the Financial Safety Net of the country.

- ✓ Central Bank of a country performs many functions to ensure the stability and integrity of the financial system through Banking Laws, Circulars & Regulations, Standards & Guidelines, Inspections & discussions, etc.
- ✓ Deposits insurance system is an additional comfort in case of a bank(s) failure that will stabilize the financial sector. It aims to safeguard the "*Small-Time Depositors*" who are the most vulnerable segment of the population and initiate a fast-track payment system to avoid a liquidity crisis.

❖ **Bank Deposits Insurance Scheme (BDIS)**

Bank Deposits Insurance Scheme (BDIS) is an independent deposit insurance system that was setup through Royal Decree # 09/95 issued on 26th March 1995. The BDIS is supervised by Central Bank of Oman financially and administratively. It aims to reimburse the depositors without any delay, especially those segments of the population with comparatively low balances until their total dues are settled. It will act as bridging finance, while the legal process of bank(s) liquidation takes place.

❖ **Main objectives of BDIS**

- ✓ To provide comprehensive insurance coverage on specified deposits with conventional banks operating in the Sultanate to encourage public savings.
- ✓ To boost and enhance the confidence of the public in the financial soundness of the banking system in the Sultanate of Oman.
- ✓ To minimize the impact of traditional risks in operations of the banking sector.

❖ **BDIS or a Sovereign Guarantee**

BDIS was established to shift the burden of reimbursement from the Government to an independent system, in which the funds are collected in advance from the Member Banks. Nevertheless, in case of a bank(s) failure, Government may step in to stabilize the system and / or look after the depositors over and above the provisions of BDIS.

❖ **BDIS Membership**

As per BDIS Law, all licensed banks (both Local & Foreign), operating within the Sultanate of Oman and accepting public deposits MUST be registered as members with BDIS. Therefor The HSBC Bank Oman is a member of BDIS.

❖ **Registration for BDIS Protection**

There is no need to register for the protection. It is automatically provided to the depositors on their eligible deposits, free of charge.

❖ **BDIS Reimbursement Limit**

- ✓ The eligible deposits' reimbursement amount is up to OMR 20,000/=.
- ✓ Deposits of OMR 20,000/= and below will be compensated in full.

❖ **Deposits Covered Under BDIS**

- I. Savings Deposits
- II. Current Accounts
- III. Call Deposits
- IV. Time Deposits
- V. Government Deposits
- VI. Trusts / Pension / Other Funds' Deposits of a Similar Nature
- VII. Other Deposits similar to the above that may be Specified by CBO

❖ **Compensation for Depositors with Many Accounts in the Same Bank**

If a depositor has different accounts in the same bank, then all eligible deposits under BDIS in the bank will be added together for reimbursement purpose, (subject to other conditions).

❖ **Compensation for Depositors with Many Accounts in Several Banks**

The eligible deposits under BDIS of the same depositor(s) in several banks will be treated separately. The depositor(s) will be able to receive up to the limit of OMR 20,000/= per bank (subject to other conditions).

❖ **Calculation of Net Deposit in case Depositor has a Loan (or Other Liability)**

All liabilities of the depositor(s) shall be deducted from his account with the Member Bank for BDIS calculations.

e.g.:	Loans	OMR 30,000/=
	Deposits	<u>OMR 70,000/=</u>
	Net Deposits	<u>OMR 40,000/=</u>
	<i>BDIS Protection</i>	<i>OMR 20,000/=</i>

❖ **BDIS Cover for Joint Accounts**

The joint account holders are treated separately according to their portion for reimbursement purpose.

e.g.: Zaid & Abaid have joint account of OMR 50,000/= with 50% each (OMR 25,000/=), then both of them will get maximum of OMR 20,000/= (subject to other conditions).

❖ **Foreign Currency Deposits / Accounts**

For deposits in foreign currency, payment shall be made in Omani Rials based on net deposits payable in foreign currency converted at the middle exchange rate prevailing on the date specified by the CBO.

❖ **Time Deposits, Rights or Liabilities**

In case of Time deposits or rights or liabilities falling due in the future, they will be treated as if they actually exist and as if the deposit is payable on demand or the liabilities become payable on the date specified in accordance with the Law.

e.g.: If a depositor(s) has a fixed deposit maturing in one year and the bank(s) fails after 6 months, then interest will be paid for 6 months.

❖ **Reimbursement Time-Frame**

As per BDIS Regulations, failed Member Bank(s) should submit the statement of eligible payments within one week from date of suspension of the banking business to CBO. Thereafter each depositor(s) shall be notified of his/her net dues. Thereafter the Board of Governors of CBO shall specify the manner and date of payment to the depositors. Payment shall be made as soon as possible.

❖ **Payment of Reimbursement Amount**

The depositor(s) shall receive the net amount due to him/her in accordance with the BDIS Law after signing an acknowledgment assigning the amounts he/she is entitled to from the member bank to the Fund within the limits of the amounts he obtained from the Fund.

❖ **Deposits in Excess of OMR 20,000/=**

Depositor(s) as creditors of a failed bank(s) have other rights as per the Law in the Sultanate. When the liquidation process takes place, depositor(s) will have the right to make claims from the bank(s) for whatever monies they did not receive over and above BDIS reimbursement. However this is subject to the legal process which will take time.

❖ **Complaints and Other Recourse**

The depositor(s) may submit a complaint to the Central Bank within 7 days from the date on which he/she received the amount allotted to him or from the date on which he/she was notified that he/she is not entitled to any amounts. Such complaint must be heard by CBO as soon as possible and within one month duration from the date of submission. The decision made by the Central Bank regarding the depositor's entitlement shall be final and binding.