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June 30th, 2020

**TO: ALL CEO's OF COMMERCIAL BANKS AND MORTGAGE FINANCE BANKS  
ALL CEO's DEPOSIT TAKING MICRO-FINANCE BANKS**

**KDIC INTERVENTIONS TO CUSHION BANKS AND DEPOSITORS AGAINST EFFECTS OF COVID-19**

Kenya Deposit Insurance Corporation (KDIC) is a statutory body established under the KDIC Act 2012 and mandated by law to protect depositors and contribute to financial stability within a framework of financial safety-net players.

In line with our mandate of early detection and timely interventions and further to support your initiatives of restructuring your clients loans who have been affected by the economic melt-down resulting from the Covid-19 global pandemic, KDIC has rolled out a three-point economic incentive to cushion your cash-flows, reduced earnings and safeguard depositors from the economic effects of the pandemic.

These are;

**1. Extension of the Premium Payment period**

Banks ordinarily pay annual deposit insurance premiums in the month of August each year being 21 days after July assessment. In order to support your cash-flow during this period of COVID-19, the Corporation has extended the payment of annual premium for a period of **6 months**. The annual premium will now be due by December 2020 with **31<sup>st</sup>** being the last date of payment.

**2. Deferment of Risk Based Premium Assessment**

In 2019, KDIC rolled out a risk based premium model to be used to assess the annual premium payable by banks. This model would have seen the revised premium charged to banks increase subject to the risk profile thereof. The implementation was scheduled to be effected in July 2020. In recognition of the hard economic times which may have impacted on your earnings and your concerted efforts to support the economy through loan restructurings beside other incentives, KDIC has postponed the implementation by a further period of one year. The Corporation will therefore use the flat rate system (0.15% of average annual deposits) in computing the premium for 2020/2021 which will now be due in December 2020.

**3. Implementation of Increased Coverage Limit**

In October 2019, the Corporation revised the deposit coverage limit from Ksh. 100,000 to Ksh. 500,000, but deferred its implementation. This limit has now been implemented effective July 1, 2020. The limit was increased to reflect sustained growth in the economy over the years. The new limit will give more protection to depositors in the unlikely event of a bank failure.

The Corporation further reiterates its commitment to ensure stability of the banking system, in line with its core mandate.

Thank you for your continued partnership and support, as we continue to foster public confidence in line with our public policy objective.

A handwritten signature in blue ink, appearing to read "Mohamud", is written over a diagonal line that extends from the top right towards the bottom left.

Mohamud A. Mohamud

**CHIEF EXECUTIVE OFFICE**