

Deposit Insurance Fund

Sound funding arrangements are critical to the effectiveness of a deposit insurance system and the maintenance of public confidence. A deposit insurance system should have available all funding mechanisms necessary to ensure the prompt reimbursement of depositors' claims after a bank failure. Inadequate funding can lead to delays in resolving failed banks, to significant increases in costs and a loss of credibility of the deposit insurance system. Funding can be assured in many ways, such as government appropriations, levies or premiums assessed against member banks, market borrowings, or a combination thereof.

Premiums or levies can be assessed on an ex-ante or ex-post basis. Beyond the decision of how to fund a deposit insurance system, some additional important are: how deposit insurance assessments should be determined, verified, and collected; and whether it is appropriate to establish separate deposit insurance funds for different types of deposit-taking institutions.

Periodic premium contribution by insured institutions is the major source of funding. The Corporation maintains two Funds, namely:

- The Deposit Insurance Fund (DIF) for Universal banks; and
- Special Insured Institutions Fund (SIIF) for other insured deposit-taking financial institutions such as Microfinance Banks (MFBs) and primary Mortgage institutions (PMIs)

The Funds are used to meet the primary obligations of the Corporation in the form of payment of guaranteed sums and/ or provision of financial assistance to eligible insured institutions. The operations of the Corporation are financed from the proceeds of investment such as Treasury Bills (TBs) and Federal Government Bonds. The Corporation does not receive government subvention for its operations . As at 31st December 2010 the DIF and SIIF stood at ₦295.72 Billion and ₦2.28 Billion respectively.