

# **Jordan Deposit Insurance Corporation**

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JODIC/Presentation By Dr. M. Al-Jafari/Casablanca MENA Meetings

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## Establishment

- The Jordan Deposit Insurance Corporation (JODIC) was established in the year 2000, by virtue of the law No. 33.
- The Corporation is an autonomous corporate entity that enjoys full financial and administrative independence.
- The Corporation is the sole insurer of deposits and the sole legal liquidator of any bank whose liquidation has been decided.

## The Vision

To become a leading professional risk minimizing organization that promotes the stability of the financial system.

## **The Mission**

To protect depositors with banks by insuring their deposits in accordance with the provisions of the JODIC's law in order to contribute to the stability of the financial system by encouraging savings and strengthen confidence in the Jordanian banking system.

# Objectives of JODIC

- Maintaining stability in the banking/ financial system.
- Protecting the interest of small depositors by providing a mechanism for reimbursing depositors, and to encourage sophisticated depositors to monitor banks and to enforce market discipline.
- Providing a formal mechanism for resolving failed banks efficiently with the lowest cost possible.
- Reducing government's obligations and getting banks to contribute to the cost of bank resolution.
- Encouraging savings and promoting economic growth.
- Implementing the best practices in risk management internally and externally, through managing the JODIC's resources and motivating banks to manage their risk effectively.

# The Corporate Structure

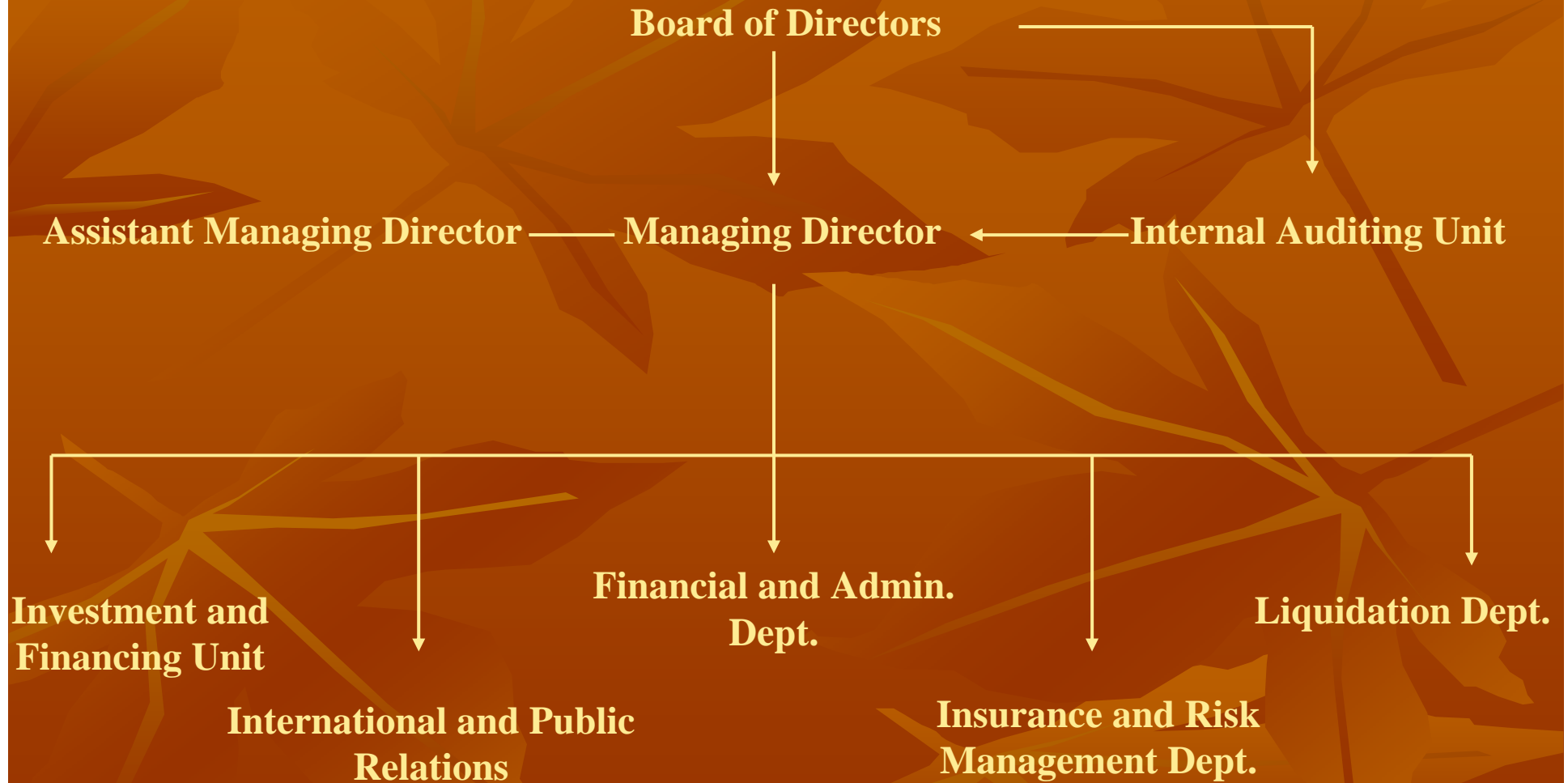
- JODIC is managed and supervised by a Board of Directors chaired by the Governor of the Central Bank of Jordan (CBJ).
- The Board appoints the Managing Director who carries out the duties and who has the executive authorities to manage the corporation.
- JODIC Enjoys a Corporate entity status with financial and administrative independence.

## Board Of Directors : Public / Private

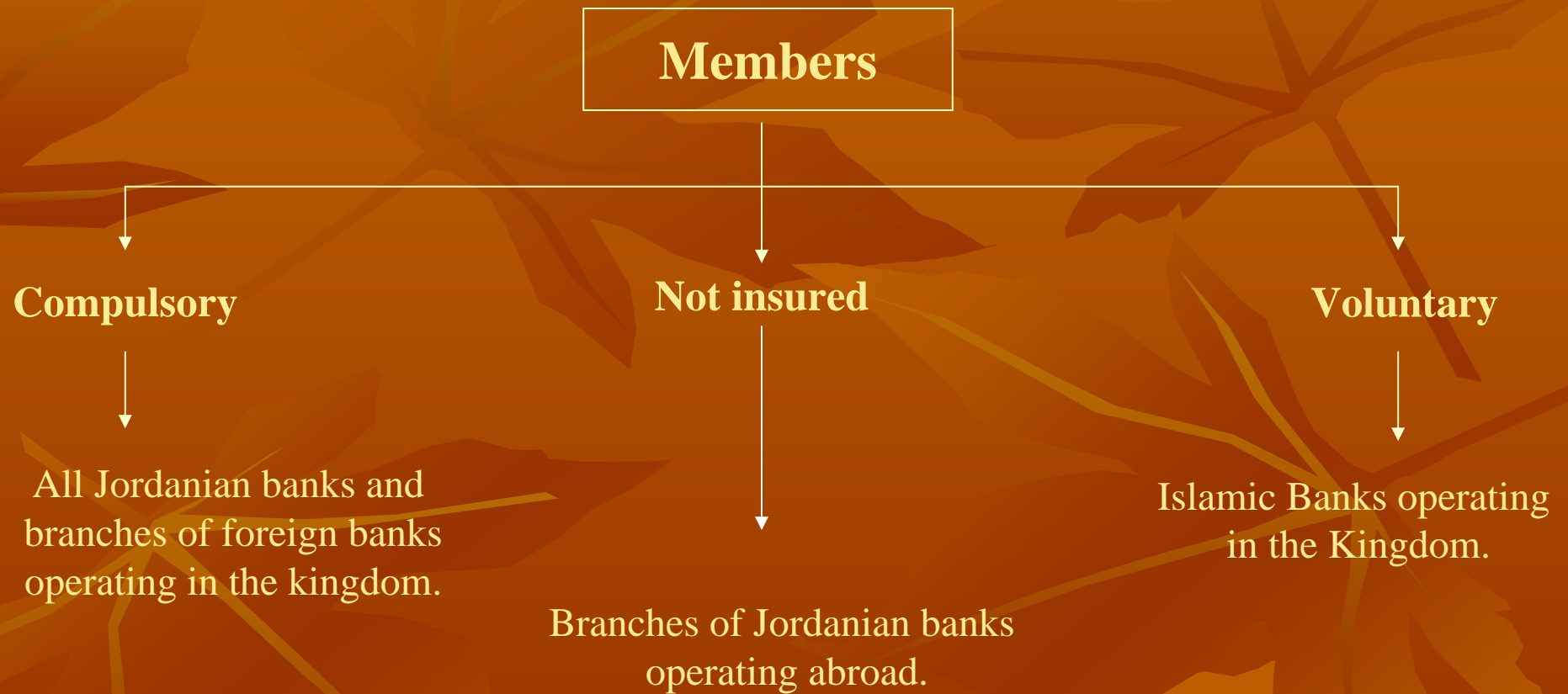
- Chairman - Governor of CBJ.
- Deputy Chairman: one of the deputies of CBJ Governor.
- The Secretary General of the Ministry of Finance.
- The Controller of Companies at the Ministry of Industry and Trade.
- The Managing Director.
- Two members from the private sector appointed by the Council of Ministers.



# JODIC Organizational Structure

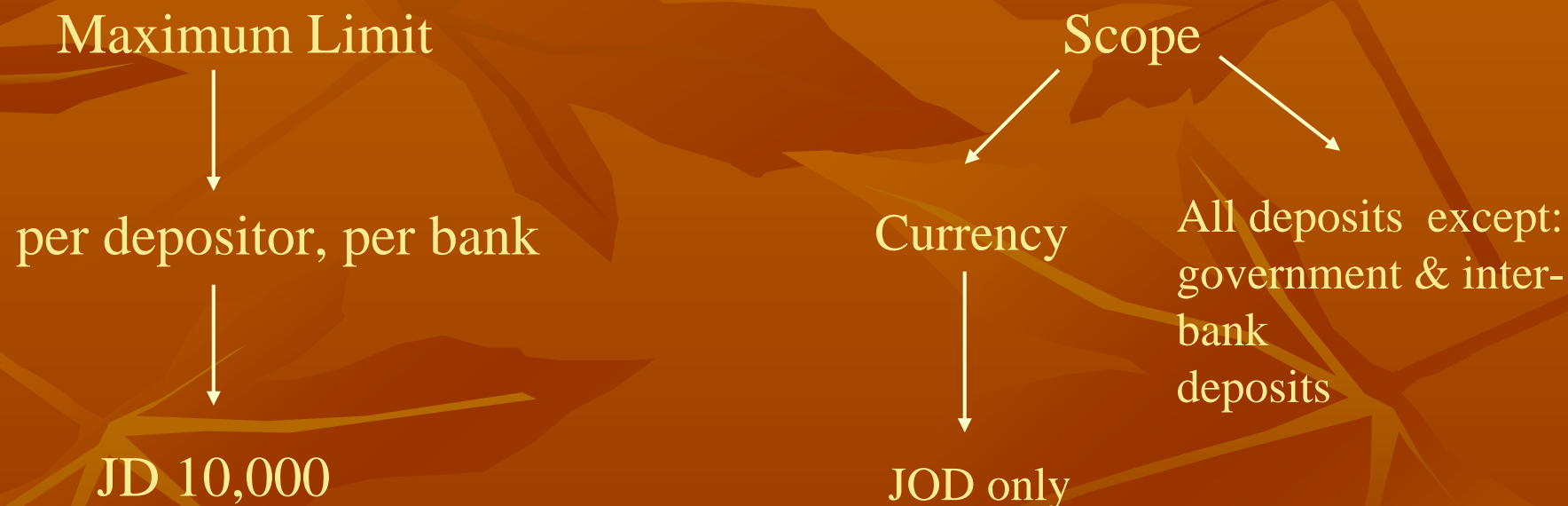


# Banks Membership :



# Coverage

Explicit – Limited Coverage :



The insurance limit covers 96% of the total depositors.

## **Types of insured deposits:**

**JODIC insures all types of deposits in Jordanian Dinars, in particular:**

- Checking Accounts
- Saving Accounts
- CDs
- Jointly held Accounts.
- Time Deposits.

**But excluding the following:**

- Government deposits.
- Interbank deposits.

# The Insured Deposits



# Responsibilities and Authorities :



## Authorities:

- Regular periodic Off-Site Supervision:

JODIC may examine bank's closing financial statements and the results of their operations that are available at CBJ.

- On-Site Supervision; when needed:

Based on JODIC request and the CBJ's approval, a joint inspection team comprising of employees from both Corporations could be formed to examine the operations, records, and statements of any bank, to formulate a joint report containing the results of its activities and recommendations for the submission to the Central Bank and the Corporation.

## Responsibilities: Insurance and Risk Management:

- Collecting premiums from member banks.
- Imposing a higher premiums on riskier banks.
- Paying the insurance sum under JODIC law when CBJ decides to liquidate a bank in accordance with the provisions of the Banking Law.
- Undertaking continuous financial analysis on both the banking sector and individual banks.
- Conducting financial studies and forecasting.



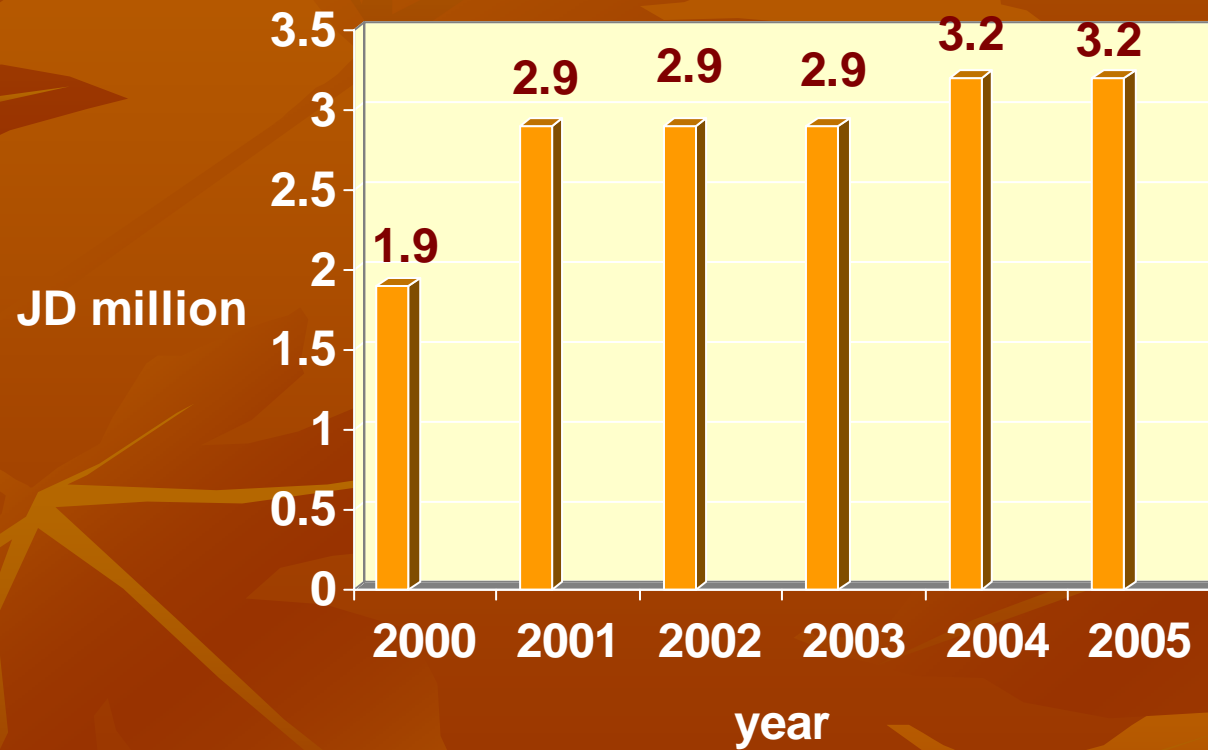
## Liquidation:

- JODIC is the liquidator, and sole legal representative of any bank which liquidation has been decided; the Corporation, in this capacity:
- Takes all decisions and measures necessary to complete the liquidation proceedings.
- Conducts financial analysis of banks on the “watch list”, risky banks as defined by JODIC and CBJ.
- Undertakes studies on the resolution of failed banks, mechanisms for reimbursing depositors, and on other areas related to the resolution process.
- Completes the liquidation process is obligated within two years from the date on which the liquidation decision is issued.

## Sources of Funds

- JODIC's capital consists of:
  - JD 1 million paid by the government
  - JD 100,000 paid by each member bank.
- Annual flat fee at 2.5% of total insured deposits paid by each member bank.
- Investment income.
- Ability to borrow to cover shortage.

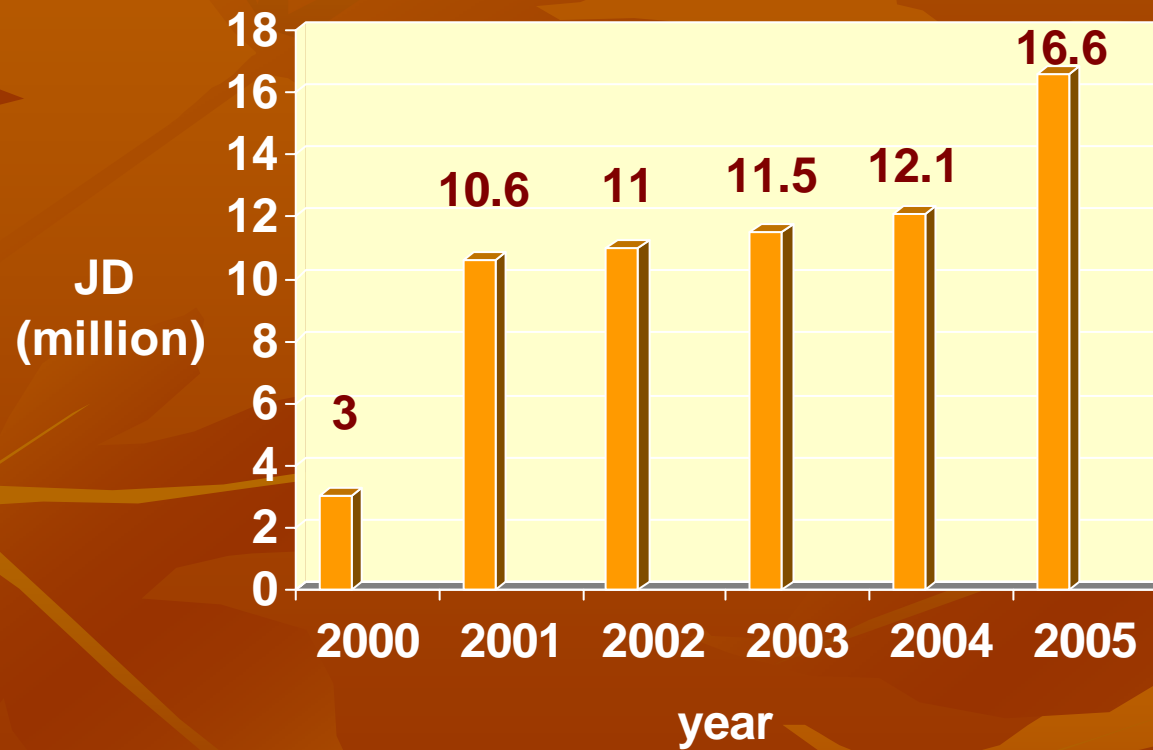
# Capital



## Sources of Funds/ Cont.

- The premium (2.5 per thousand of insured deposits) may be increased to no more than the double, if the degree of risk assumed by any bank has become unacceptable.
- The JODIC may apply a risk-based premium after classifying banks with the approval of the Council of Ministers.

# Premiums Collected



## Ex-post Financing

- The JODIC may increase the annual premium to no more than the double, to cover shortage in reserves.
- The JODIC may borrow directly, or may issue bonds, to meet its obligations.

# Targeted Reserve Level

- The JODIC accumulated reserves shall reach (3%) of the total insured deposits within ten years from its establishment.
- Currently, the ratio stands at 1.1% after six years of establishment.
- The Council of Ministers may increase the Corporation's targeted reserve level based on a recommendation from the Board of Directors.
- If the reserves do not reach the targeted level by the end of the tenth year of establishment, or if a liquidation of a bank is decided before the JODIC's reserves reach that limit, the Board may increase the Premium to no more than double the stated level.

# Accumulated Reserves





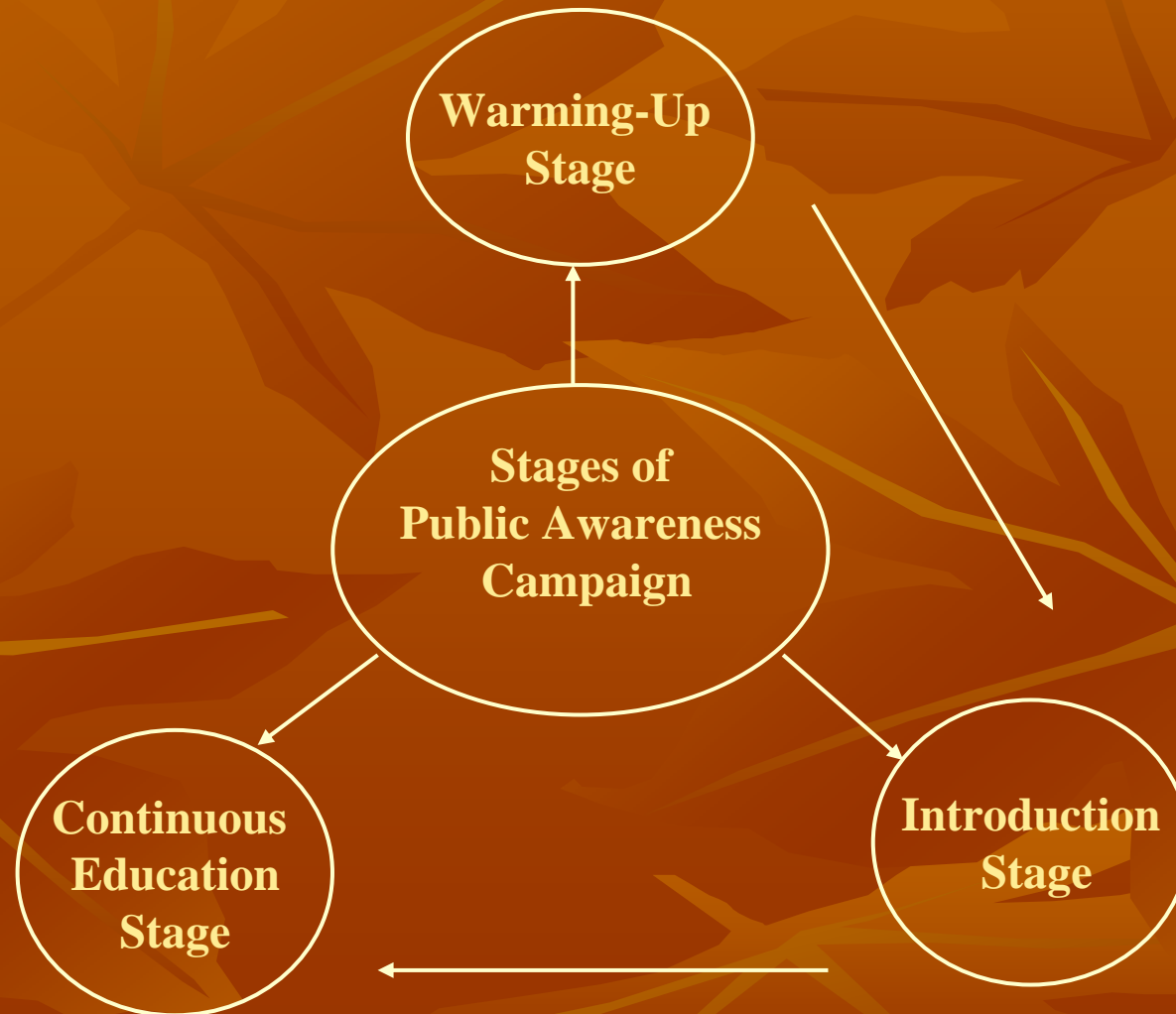
# Investment Policy

- JODIC must invest the reserves in bonds issued or guaranteed by the Jordanian Government and it may invest in time deposits with the Central Bank.
- JODIC must deposit any excess funds at CBJ.
- JODIC may deposit with any bank only the funds it sets up to pay out depositors.

## Public Awareness Campaign:

- Designated task force
- Action plan endorsed by the Board
- Multiple channels and diversified methods
- Drawing on the experience of other DICs.
- Employing specialized private sector companies.
- Continuous monitoring and feedback analysis.
- The Corporation has adopted a three-stage Public Awareness Campaign as follows:

# Public Awareness Campaign



# Public Awareness Campaign

1. The Warming-up Stage: aims to explain the JODIC's role in the banking safety net, define the campaign, and to set the channels of cooperation with member banks.
2. The Introduction stage: aims to define the corporation, its goals, and its objectives.

This stage resulted in the following:

- Distributing the JODIC's Law, Brochures, and Flayers to all bank and all other interested parties.
- Advertising in daily newspapers and publishing several articles.
- Holding meetings and lectures.
- Reactivating the website of the corporation to insure continuous contact with the public.

# Relationship with Other Safety Net Participants:

- A Memorandum of Understanding (MOU) was drafted & signed with CBJ, to facilitate:
  - Solid Coordination & Cooperation.
  - Information Exchange (Timely, Accurate, and Relevant)
  - Specialized Training Programs.
- Direct Formal/Informal Coordination with the Central Bank of Jordan (CBJ).
- Ongoing effort to institutionalize the relation with CBJ.
- Forming Two High-Level Committees from the JODIC and CBJ.

# Major Short to Medium Term Areas of Concerns:

- Completion of the Strategic Plan (Capacity building, HR policies, SOPs, etc.)
- The development & adoption of Risk Based Premium System.
- Enforcement of market discipline and changing the old Belief of full insurance (Though Implicit).
- Feasibility and possibility of getting Islamic Banks into JODIC membership.
- Further development and enhancement of the means of regional and international cooperation and coordination (IADI, MENA, CDIC, FDIC, EFDI ...etc.)

# Permanent Location

- Modern design that meets functional requirements
- Convenient location in the heart of the financial district.
- Sufficient space for future needs
- Expected to be completed by may, 2006.



**Thank You for your Kind Attention**

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