Deposit Insurance Corporation

Contributing to the stability of Trinidad and Tobago's Financial System

Deposit Insurance in Trinidad and Tobago

Information Booklet

Deposit Insurance Corporation

Contributing to the stability of Trinidad and Tobago's Financial System

Mission Statement

"To contribute to the stability, safety and integrity of and public confidence in the financial system of Trinidad and Tobago by providing protection for eligible depositors and member institutions and by the prudent and profitable management of the Deposit Insurance Fund."

Vision Statement

"To become a pro-active and efficient deposit insurance system, evolving to meet the ever changing needs of a modern society."

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Member Institutions of the Deposit Insurance Fund

Currently, there are twenty-four* member institutions of the Deposit Insurance Fund. Membership in the Fund is compulsory for all institutions licensed under the Financial Institutions Act, 2008. Members of the Deposit Insurance Fund include:

Commercial Banks
Bank of Baroda (Trinidad and Tobago) Limited
Citibank (Trinidad and Tobago) Limited
FirstCaribbean International Bank (Trinidad and Tobago) Limited
First Citizens Bank Limited
Intercommercial Bank Limited
RBTT Bank Limited
Republic Bank Limited
Scotiabank Trinidad and Tobago Limited

Finance Houses
AIC Finance Limited
Caribbean Finance Company Limited
Fidelity Finance and Leasing Company Limited
General Finance Corporation Limited
Island Finance Trinidad and Tobago Limited

Trust Companies and Merchant Banks
Ansa Merchant Bank Limited
Citicorp Merchant Bank Limited
Development Finance Limited
First Citizens Asset Management Limited
First Citizens Trustee Services Limited
Guardian Asset Management Limited
Intercommercial Trust and Merchant Bank Limited
RBTT Merchant Bank Limited
RBTT Trust Limited
Republic Finance and Merchant Bank Limited
Scotiatrust and Merchant Bank Trinidad and Tobago Limited

** As at February 1, 2009*

Introduction

The Deposit Insurance Corporation (DIC) was established by the Central Bank and Financial institutions (Non-Banking) (Amendment) Act, 1986, which provided for the creation of an independent Fund from which depositors of failed financial institutions would be reimbursed. Depositors in all licensed financial institutions are insured up to a maximum of seventy-five thousand dollars ($75,000).

The Deposit Insurance Fund is financed mainly by initial contributions and annual premiums levied on licensed member institutions and by matching initial contributions from the Central Bank. The DIC is empowered to borrow and special premiums may be levied on all member institutions should the demand on the Fund exceed its resources.

The introduction of the deposit insurance system has contributed to the building of confidence in financial institutions and the financial system as a whole.

Deposit insurance is of value and importance to all members of the public who hold deposits with any licensed financial institution. The purpose of this booklet is to provide all such persons with general information about the deposit insurance, and the manner in which the DIC deals with depositors and other customers when an insured financial institution is declared to have failed. For explanations of terms used herein see the glossary at the back of this booklet.

This publication is designed for information purposes only. For this reason, answers have been kept simple. Central Bank and Financial institutions (Non-Banking) (Amendment) Act, 1986, copies of which are available at the Government Printery, contains full details of the laws governing the operation of deposit insurance.

Members of the public can refer any matters of concern not covered in this booklet to the Deposit Insurance Corporation, Level 11, Central Bank Building, Eric Williams Plaza, Independence Square, Port of Spain.
Additionally, the public is encouraged to gain further access to more information on the DIC through its website at www.dictt.org.

Insured Deposits

1. *What types of deposits are insured?*
   All types of deposits received by a licensed institution in its usual course of business are insured. These include balances held on savings and chequing accounts, demand deposits, and time deposits. The exceptions are letters of credit, stand-by letters of credit and similar instruments, inter-bank deposits, deposits from affiliated companies and foreign currency accounts.

2. *Are any other cash liabilities of financial institutions covered?*
   Yes. Certain cash liabilities in respect of which an institution is primarily liable, such as cashier's cheques, money orders and drafts, are treated in the same manner as a deposit and added to any other deposits held in the same right and capacity by the claimant, and insured to a maximum of $75,000.

3. *When is deposit insurance payable?*
   Deposit insurance is payable only when a licensed institution has been closed by the High Court as a result of action taken by the Central Bank.

4. *Which institutions' deposits are insured by the DIC?*
   The DIC is obliged by law to insure depositors in all institutions licensed to operate under the Financial Institutions Act, 1993. (A current list of insured member institutions is shown on page 1)

5. *Are foreign deposits insured?*
   No. Only deposits held in Trinidad and Tobago and payable in Trinidad and Tobago dollars are insured.

6. *Does deposit insurance protect the interests of creditors other than depositors of a failed institution?*
   No. Deposit insurance protects only depositors.

7. *What is the current insured limit?*
   The insured limit is a maximum of $75,000 for each depositor in respect of deposits held in each insured institution in the following rights and capacities:-
   Single (Individual) Accounts
   Joint Accounts
   Trust Accounts (Irrevocable Express Trust)

Making of claims

8. When must a depositor file a claim?

A depositor must file a claim for insurance on the official claim form within 12 months of the date of closure of the financial institution. Official claim forms are available from the DIC. It is advisable that claims be filed as soon as possible after the announcement of closure. Claims not filed within the 12-month period are not eligible for deposit insurance. If the 12-month period has passed, a creditor's claim by affidavit must then be filed with the Court-appointed Liquidator, which may be the DIC. Liquidation claims are required to be filed for all classes of creditors: preferential, secured or unsecured.

9. Must a claim be filed in person?

No. Those who are unable to attend in person may file claims by mail. Correspondence should be forwarded to the DIC at the address shown on the back cover of this booklet.

10. Who should file a claim if more than one person is authorised to draw on the account?

A claim must be filed by a person authorised to make withdrawals from the account. For example, a claim for deposit insurance on an account where either of two parties was authorised to sign for withdrawals may be made by either party. If two signatures were required to make withdrawals, both signatures will be required on the claim for deposit insurance.

11. How does a depositor establish an insurance claim?

Prior to any payment being made, every depositor will be required to provide original evidence of deposit ownership, such as a passbook, certificates of deposit or other documents used to establish the claim for insurance. Such documents must be made available for the claim to be processed in a timely manner.

Deposit Insurance Coverage

12. If a depositor has an account in the main office of an institution and also at a branch office, are these accounts separately insured?

No. The main office and all branches are considered to be one institution. Therefore, the accounts will be added together and insured up to the $75,000 maximum. However, separately constituted subsidiaries or associated companies are recognized as distinct legal entities for deposit insurance purposes.

13. Is the insurance protection increased by placing funds in two or more types of deposit accounts in the same institution?

No. Deposit insurance is not increased merely by dividing funds held in the same right and capacity among the different types of deposits that qualify for deposit insurance coverage. For example, chequing and savings accounts held by the same depositor in the same right and capacity are added together and insured up to a maximum of $75,000.

14. What procedure does the DIC follow after an institution has been closed?

Upon receipt, the DIC will balance the institution's books and credit interest earned on all accounts up to the date of closure. DIC officials will determine the net amount to be re-imbursed to each depositor. A list of all deposits will be prepared. From this list, the following will be identified for further examination:

(1) depositors who have outstanding credit card balances or deposits pledged as collateral against their personal loans and/ or overdrafts, etc.

(2) depositors who have deposits pledged as collateral against loans taken by their friends and or relatives;

(3) depositors who have deposits pledged as collateral against their personal loans taken at another licensed member institution; and

(4) depositors who have funds in excess of the insured limit.

Thereafter, upon submission of a valid claim which is verified and approved, each eligible depositor will be paid up to a maximum of $75,000.

15. How does the closing of an institution affect interest accruing on a deposit?

Interest will be paid on an account up to the date of closure of an institution, even if the maturity date of the account is beyond the date of closure.

16. What happens to cheques which are not cleared on a depositor's account before the business of the institution is closed?

Those cheques will not be paid or charged against the account because the action by the Central Bank to suspend the operations of the institution will cause all accounts to be frozen at the date of suspension. Such cheques will be returned and usually will be marked "drawee bank closed" or "refer to drawer". Therefore, this should not be reflected in the credit standing of the institution's depositor. However, it is the depositor's responsibility to make funds available to creditors who received cheques that were returned and did not clear through the depositor's account because of the suspension of the institution.

17. If a depositor has more than $75,000 (the current insured limit) in a failed institution and is paid $75,000 by the DIC, what happens to the amount in excess of $75,000?

If, for example, a depositor has a total claim of $80,000, he or she will be paid $75,000. Such depositor would then claim against the Liquidator of the closed institution for the remaining or excess which, in this case is $5,000. In respect of this $5,000, the depositor will be issued with a Liquidator's Certificate by the DIC. This certificate should then be presented to the Liquidator by the depositor who will be eligible to receive pro rata payment out of the assets of the institution, as and when they are realized or disposed of, in accordance with the laws of distribution in a liquidation.

18. What happens if a depositor expects to be paid an amount that is different from that which the DIC pays?

The DIC determines from the records of the institution how much a depositor should be paid, based on the principal balance on account with the institution, along with the interest accrued up to the date of the institution's closure. If this amount is not what the depositor expects to receive, the depositor must then provide proof to the DIC to substantiate his or her claim.

Joint Accounts

19. If two or more persons, for example a husband and wife, have, in addition to the individually owned accounts of each, a valid joint account in the same insured institution, is each account separately insured?

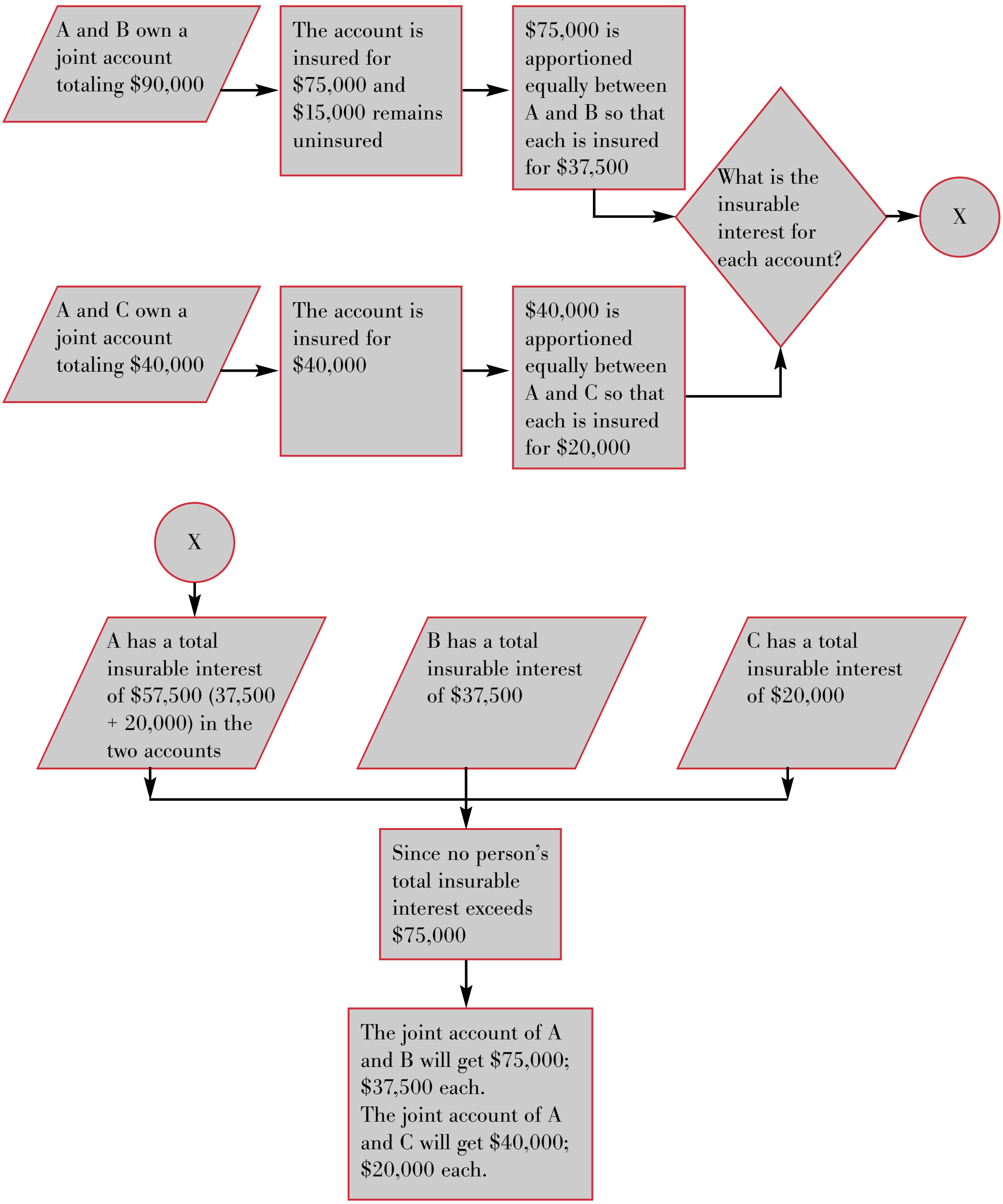
Yes. If each of the co-owners has personally signed a valid account signature card and has right of withdrawal on the same basis as the other co-owners , the joint account and each of the individually owned accounts are separately insured up to the $75,000 maximum. (The execution of an account signature card is not required for time certificates of deposit or any other deposit obligations evidenced by a negotiable instrument, but the deposit must in law be jointly owned.) It should be noted that the insurance protection on joint accounts is not increased by rearranging the names of the owners, changing the style of the names, or by establishing more than one joint account for the same combination of owners in the same insured institution. No joint account shall in any case be entitled to insurance coverage in excess of $75,000.

20. If a person has an interest in more than one joint account, what is the extent of his or her insurance coverage?

All joint accounts owned by the same combination of individuals are first added together and the total is insured up to $75,000. In addition, the person's insurable interests in each joint account held by different combinations of individuals are added together and the total is insured up to the $75,000 maximum.

(a) For example, assume that A and B own a joint account containing $90,000 and A and C own a joint account containing $40,000. The $90,000 account owned by A and B is insured up to $75,000, leaving $15,000 uninsured. Since the interests of the co-owners of a joint account are deemed equal for insurance purposes (except in the case of a tenancy in common if unequal interests are shown on the account of the institution), the $75,000 is pro-rated equally between A and B., giving each an insurable interest of $37,500. The $40,000 in the other account is pro-rated equally between A and C, giving each a $20,000 insurable interest in that account. Thus, A has a total insurable interest of $57,500 in the two accounts, and B and C have insurable interests of $37,500 and $20,000 respectively. Since no persons total insurable interest exceeds the $75,000 limit, the joint account of A and B will receive $75,000 in insurance, whereas the joint account of A and C will receive $40,000.

Deposit Insurance Coverage for Individuals Owning Two Joint Accounts

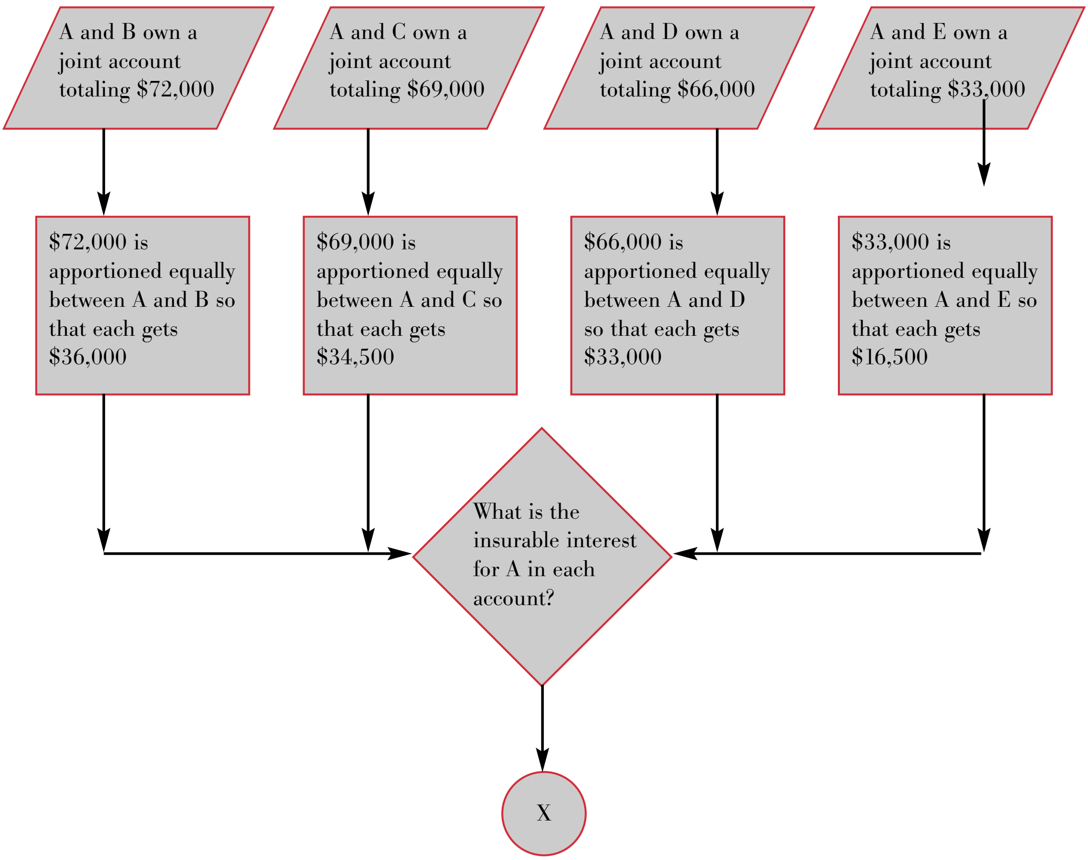


(b) If on the other hand, A and B have a joint account containing $72,000, A and C a joint account containing $69,000, and A and D an account containing $66,000 and A and E an account containing $33,000, the aggregate of A's pro-rated interest in the four accounts amounts to $120,000.

However, A's interest in each joint account will be reduced by $45,000/$120,000 or 5/8 (Excess of Coverage Limit)/Aggregated Pro-rated Interest) so as to restrict total insurance payable to A to $75,000.

Therefore, the value of A's interest in each account will be calculated at 5/8 of the amount in the account.

Insurance Coverage for Individuals Owning More than Two Joint Accounts



X

A has a total of $120,000 (36+34.5+33+16.5) comprising the four (4) accounts. However, total insurance coverage will only be $75,000; $45,000 remains unsecured.

A's interest in each joint account would be reduced by $45,000/$120,000 or 3/8 so as to restrict the total insurance payable to $75,000. Therefore, the value of A's interest in each account will be calculated at 5/8 of the value of the account.

A's interest apportioned on each joint account will result in the following insurance payments:

In the A and B account:
A's portion is equal to (5/8 * $36,000) = $22,500
Total Payment = $58,500
($22,500 [A] + $36,000 [B])

In the A and C account:
A's portion is equal to (5/8 * $34,500) = $21,562.50
Total Payment = $56,062.50
($21,562.50 [A], + $34,500 [C])

In the A and D account:
A's portion is equal to (5/8 * $33,000) = $20,625
Total Payment = $53,625
($20,625 [A] + $33,000 [D])

In the A and E account:
A's portion is equal to (5/8 * $16,500) = $10,312.50
Total Payment = $26,812.50
($10,312.50 [A] + $16,500 [E])

The apportionment of A's interest in each joint account will result in the following insurance payments:

A and B:	$58,500.00
A and C:	$56,062.50
A and D:	$53,625.00
A and E:	$26,812.50

These total $195,000. Therefore an amount of $45,000 will be uninsured.

Trust Accounts

21. *What is the insurance coverage on a trust account held under the provisions of an irrevocable express trust?*
The interest of a beneficiary in a valid irrevocable trust is insured up to $75,000, separately from the individual accounts of the settlor, the trustees or other beneficiaries. However, all trust interests created by the same settlor (grantor) in the same institution for the same beneficiary will be added together and insured in the aggregate up to a maximum of $75,000.

Payment of Insured Deposits

22. *How is a depositor notified that an institution, in which he or she has a deposit, has been ordered to be closed?*
When an institution has been closed by the Central Bank and a winding-up order is issued by the Court, each depositor will be notified in writing at the depositor's last address on record with the institution. This notification will be mailed shortly after the institution closes. Notification will also be given in the press.

23. *When can an eligible depositor expect to receive his or her money?*
The DIC is statutorily obligated to commence payment to depositors within three months of closure of an institution.

24. *How is a depositor notified of the date and place of payment of his or her claim after an institution is closed?*
Information regarding the date and place of payment will be posted on the doors of the closed institutions, published in the press and indicated in notices sent to depositors.

25. *What happens to those depositors whose accounts are subject to further examination?*
Such persons will be requested to meet with the relevant DIC officials.

26. What methods of settlement may the DIC use in meeting its obligations to the depositors of a failed institution?

The DIC may settle claims either by a deposit transfer to a financial institution with instructions to effect payment to depositors on its behalf, or directly by means of cheques up to the insured limit to be collected at the DIC's office or other location as indicated by the DIC.

27. What does a deposit transfer involve?

The DIC transfers an amount equivalent to the total insured deposits of an institution under an agreement which will enable depositors of the failed institution to collect their entitlements from a financial institution serving as the Paying Agent.

28. In the event of a deposit transfer, how will a depositor know when and where he can withdraw his funds?

The DIC will notify depositors of the transfer of deposits and of the place and time that the deposits can be withdrawn from the financial institution serving as the Paying Agent.

29. Is the depositor required to produce proof of ownership to the DIC or to the Paying Agent?

The depositor has to satisfy the DIC or the Paying Agent that he/she is the rightful owner of the deposit claimed. In cases of doubt, the Paying Agent may refer the matter to the DIC.

30. Can a depositor leave his/her deposit with the Paying Agent?

Yes, a depositor, if he/she wishes, can open an account, in cases where the Paying Agent is a viable financial institution, for the full amount or part of his/her deposit.

Loan Customers

31. Will the Corporation offset a deposit balance held by a customer against the balance due on the loan?

The Corporation will offset the balance on a deposit account, including any uninsured portion, against a loan if the loan and deposit are held by the same person or persons.

32. Would the borrower's obligations to the institution continue after the institution is closed?

Yes. When acting as Liquidator of a closed institution, the DIC is acting on behalf of all creditors of that institution and its obligation is to collect on all loans promptly and efficiently along with other assets of the institution.

Recovery of Uninsured Balances

33. What is a DIC certificate?

The DIC will issue certificates (Liquidator Certificates) to cover the value of deposits in excess of the insured maximum of $75,000 as well as other uninsured claims against the failed institution.

34. When is the Liquidator appointed?

The Liquidator is appointed when the Court makes a winding-up order.

35. How quickly will the Liquidator make payments on certificates?

Payments, called dividends, depend on the rate of recovery from the liquidation of assets of the institution, and the extent and priority of claims from other creditors of the institution. Initial and final disbursements may take up to several years, depending on but not limited to, the pace of realization of the assets, the overall state of the macro-economy, etc.

36. Will shareholders of an institution receive any part of their investment before depositors' claims are satisfied?

Shareholders of a failed institution recover their investment only after all depositors and other creditors receive payments in full on their claims, including interest, in accordance with the laws governing liquidation.

Glossary of Terms

Institution

A financial institution licensed under the Financial Institutions Act, 2008. All institutions so licensed are automatically members of the Deposit Insurance Fund.

Closed Institution

An institution (a) which has been ordered by the Central Bank to suspend business as a result of financial difficulties; (b) which has been the subject of a winding-up order issued by the Court; and (c) the failure of which the Central Bank has notified the Deposit Insurance Corporation.

Beneficial Interest

The interest or right of the person who is to receive benefits under a trust, will, or similar transfer of property.

Demand Deposit

A deposit which can be withdrawn at any time or in less than seven days.

Fiduciary

Someone holding a position of trust or confidence recognized by the law.

Joint Account

A deposit account held in more than one name, other than a trust account.

Right and Capacity

The terms "right" and "capacity" refer to the nature of the ownership of deposits, such as jointly owned funds, trust deposits, deposits held in individual names, etc.

Savings Deposit

A bank deposit which earns interest on the balance periodically and on which the bank may require seven days notice prior to withdrawal.

Settlor or Grantor

Someone who creates a trust.

Tenancy

Possession under right or title.

Trust

A transfer of property from one person, called the settlor or donor, to another person, called the trustee, who is to hold the property for a specified beneficiary or use.

Uninsured Deposit

The part of a qualifying deposit in excess of $75,000.

This glossary is provided for the purposes of this booklet only and is not intended to supplement or replace any legal definitions which pertain to the operation of the deposit insurance system.

Contact Information

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