



## **Deposit Insurance and Credit Guarantee Corporation Act, 2024**

### **Preamble**

An Act to provide for the establishment of the Deposit Insurance and Credit Guarantee Corporation, a wholly government-owned entity, designed to mitigate risks associated with the Fund CPF of the First Order by striving to insure deposits and guaranteeing credit , thereby ensuring financial stability and protecting depositors.

### **Chapter I: Preliminary**

#### **Section 1: Short Title, Extent, and Commencement**

1. This Act may be called the Deposit Insurance and Credit Guarantee Corporation Act, 2024.
2. It extends to the whole of The First Order.
3. It shall come into force on such date as the First Order Government may, by notification in the Official Gazette, appoint.

#### **Section 2: Definitions**

1. In this Act, unless the context otherwise requires:
  - a. "Corporation" means the Deposit Insurance and Credit Guarantee Corporation established under Section 3, a wholly government-owned entity dedicated to mitigating financial risks.
  - b. "Fund CPF of the First Order" refers to the financial institutions under Collective Prosperity Fund Act, 2024.
  - c. "Deposit" means the entire corpus deposited by the members of the fund.
  - d. "Insured Bank" means a financial institution whose deposits are insured under this Act.
  - e. "Credit Guarantee" means a guarantee provided by the Corporation to cover the default risk on loans and advances.
  - f. "Insured Amount" means the maximum amount per depositor insured by the Corporation.

### **Chapter II: Establishment of the Corporation**

#### **Section 3: Establishment and Incorporation**

1. The First Order Government shall, by notification, establish a Corporation to be known as the Deposit Insurance and Credit Guarantee Corporation.

2. The Corporation shall be a body corporate with perpetual succession and a common seal, and shall have the power to acquire, hold, and dispose of property, both movable and immovable, and to contract and do all things necessary for the purposes of this Act.

#### Section 4: **Management**

1. The management of the Corporation shall be vested in a Board of Directors.
2. The Board shall consist of:
  - a. A Governor, to be appointed by the First Order Government.
  - b. A Deputy Governor, to be appointed by the First Order Government in consultation with the Governor.
  - c. A representative from a college of shareholders if it ever be disinvested having voting rights on parity with diluted shareholding.

### Chapter III: **Functions of the Corporation**

#### Section 5: **Deposit Insurance**

1. The Corporation shall strive to insure all deposits in insured banks by availing to the depositors innovative financial or non financial products.
2. The Corporation may collect insurance premiums from insured banks, as prescribed by regulations.

#### Section 6: **Credit Guarantee**

1. The Corporation shall provide credit guarantees to cover the default risk on loans and advances issued by banks and financial institutions, particularly those related to the Fund CPF of the First Order.
2. The terms, conditions, and extent of the credit guarantees shall be as prescribed by regulations.

### Chapter IV: **Powers of the Governor**

#### Section 7: **Powers of the Governor**

1. The Governor shall have the authority to create credit profiles of individuals seeking lending services from the Fund CPF of the First Order and may obtain any relevant information for this purpose.
2. The Governor may charge differential premiums based on a risk assessment of the borrower's credit profile.
3. The Governor shall conduct follow-up background checks and gather information, including but not limited to collateral.
4. The Governor shall have the power to invest premiums and other funds accrued in financial instruments and to disinvest and take debts, subject to government scrutiny beyond a threshold of 52 percent.
5. The Governor shall recruit staff and set up a secretariat as necessary for the functioning of the Corporation.

6. The Governor may recommend backing loans with collateral or blocking lending services to risky borrowers.
7. The Governor shall have special veto rights in matters of grave importance within the Board and shall enjoy autonomy under normal circumstances.
8. The Governor may make rules for easy conduct of business subject to presidential scrutiny.

## **Chapter V: Financial Provisions**

### **Section 8: Fund Management**

1. The Corporation may establish a fund known as the Deposit Insurance Fund and the Credit Guarantee Fund.
2. The funds shall be credited with:
  - a. Insurance premiums received from insured banks.
  - b. Fees and charges for credit guarantees.
  - c. Grants and loans from the First Order Government.
  - d. Any other income derived from the operations of the Corporation.

### **Section 9: Accounts and Audit**

1. The Corporation shall maintain proper accounts and other relevant records, and prepare an annual statement of accounts, including the balance sheet and profit and loss account.
2. The accounts of the Corporation shall be audited by an independent auditor appointed by the President of the First Order.

## **Chapter VI: Relationship with the First Order Government**

### **Section 10: Government Oversight**

1. The First Order Government shall have the right to review, annul, or modify the functioning of the Corporation in the interest of the general public.
2. The President of the First Order may remove any Board member and take control of the Corporation in the event of extreme exigency.
3. For disinvestment beyond 51 percent, the approval of the First Order Government must be obtained.

## **Chapter VII: Miscellaneous**

### **Section 11: Power to Make Regulations**

1. The Corporation may, with the previous approval of the First Order Government, make regulations consistent with this Act to carry out the purposes of this Act.

### **Section 12: Protection of Action Taken in Good Faith**

1. No suit, prosecution, or other legal proceeding shall lie against the Corporation or any of its officers for anything done or intended to be done in good faith under this Act.

#### Section 13: **Power to Remove Difficulties**

1. If any difficulty arises in giving effect to the provisions of this Act, the First Order Government may, by order, make such provisions, not inconsistent with the provisions of this Act, as may appear to it to be necessary for removing the difficulty.

#### Section 14: **Repeal and Savings**

1. Any law corresponding to the subject matter of this Act and in force immediately before the commencement of this Act is hereby repealed to the extent of such inconsistency.
2. Notwithstanding such repeal, anything done or any action taken under the said law shall be deemed to have been done or taken under the corresponding provisions of this Act.

### Chapter VIII: **Asset Reconstruction**

#### Section 15: **Establishment of the Asset Reconstruction Subsidiary**

1. Creation of Subsidiary: The Corporation shall establish a dormant subsidiary, known as the Asset Reconstruction Subsidiary (ARS).
2. The ARS shall be a wholly owned subsidiary of the Corporation, designed to manage and reconstruct assets in times of financial distress.
3. Activation Conditions: The ARS shall remain dormant until triggered by a decision of the Governor, based on the Corporation's assessment of significant bad loans or financial instability within the Fund CPF of the First Order.
4. Governance and Management: The ARS shall be managed and controlled by the Governor of the Corporation. The Governor shall have full authority to activate the ARS, make decisions regarding asset reconstruction, and oversee its operations.

#### Section 16: **Functions and Powers of the ARS**

1. Asset Reconstruction: The ARS shall undertake the reconstruction, restructuring, or disposal of distressed assets. This may include renegotiating terms, selling assets, or other measures deemed necessary by the Governor.
2. Financial Management: The ARS shall maintain separate accounts and records for its activities. The ARS shall operate under the financial oversight of the Corporation's Board and report periodically on its activities and financial status.
3. Reporting: The ARS shall submit regular reports to the Governor and the Corporation's Board, detailing its activities, progress, and financial performance.

#### Section 17: **Dormancy and Reactivation**

1. Dormancy: The ARS shall be considered dormant when not in use. During dormancy, it shall have minimal operational activity.

2. Reactivation: The Governor may reactivate the ARS as needed based on the severity of financial distress or the scale of bad loans.
3. Reactivation requires formal notification to the Corporation's Board and adherence to relevant regulatory guidelines.

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Seal of President