

Insurance for Depositors and Creditors of Financial Institutions

To resolve the crisis of confidence, assure depositors and creditors of the solvency of financial institutions, and enhance the stability of the country's economic and financial systems as a whole, the Financial Institutions Development Fund (FIDF) has undertaken necessary steps to protect depositors and creditors of financial institutions by insuring principle and interest payments to all depositors and creditors.

FIDF's insurance operation, including assets and liabilities account, will be separate from its normal business, while administration remains with the FIDF Management Committee, comprising high-level officials of the Bank of Thailand, the Ministry of Finance, and related government agencies.

The deposit insurance operation will be financed by borrowing and bond issuance with government guarantee, according to Cabinet Resolution of 5 August 1997. Annual contributions from financial institutions will also form part of FIDF's funding for this purposes.

As for the coverage, FIDF's insurance scheme will cover all depositors and creditors of financial institutions that still operate normal business, including commercial banks, finance companies, finance and securities companies, and credit foncier companies. Should any financial institutions be unable to make payments to depositors or creditors, compensation will be paid by the FIDF within 30 days from the date of the submission of claims to the FIDF. The guidelines for the payments of principle and interest are as follows:

(1) For depositors of commercial banks, the FIDF will be responsible for the amount of interest as specified on the original notes but at the maximum rate not exceeding the average rate for 3-month fixed deposits offered by the five largest Thai commercial banks plus 3 percent per annum. As for depositors of financial institutions other than commercial banks, the interest rate applied will be the above plus 6 percent per annum.

(2) For creditors, FIDF insurance will cover interests as specified in the contracts with the maximum rate not exceeding the average Minimum Lending Rate (MLR) of the five largest Thai commercial banks less 4 percent per annum.

The FIDF's insurance operation has started based on the above guidelines and will continue until a deposit insurance corporation is established.