Deposit Insurance
A Consumer Guide

An initiative of MoneySENSE
A National Financial Education Programme for Singapore

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Singapore consumers enjoy the benefits of a sound banking system. Banks and finance companies licensed in Singapore are supervised by the Monetary Authority of Singapore (MAS). It is the MAS' aim to ensure the stability of the banking system in Singapore and to require financial institutions to have sound risk management systems and adequate internal controls. However, the MAS does not guarantee the soundness of individual financial institutions. Therefore, a Deposit Insurance Scheme has been set up to protect the core savings of small depositors in Singapore in the event a full bank or finance company fails.

The purpose of this Guide is to help you understand what deposit insurance is about and how the Deposit Insurance Scheme in Singapore works.

What is deposit insurance?

Deposit insurance protects depositors in the event a bank or finance company fails.

Who administers the Deposit Insurance Scheme in Singapore? What is the coverage under the Deposit Insurance Scheme?

The Singapore Deposit Insurance Corporation ("SDIC") administers the Deposit Insurance Scheme in Singapore.

In the event a bank or finance company that is a Scheme member fails, all of your eligible accounts with that member are aggregated and insured up to S$20,000, net of your liabilities to the bank or finance company.

Moneys held in bank deposits under the CPF Investment Scheme ("CPFIS") are separately insured up to S$20,000.

Which institutions are members of the Deposit Insurance Scheme?

All full banks and finance companies[1] in Singapore are required to be members of the Deposit Insurance Scheme (“Scheme members”).

The list of Scheme members is posted on SDIC’s website at www.sdic.org.sg

Who will be insured by SDIC?

Individuals and charities with insured deposits in full banks and finance companies in Singapore are insured by the SDIC. Business deposits by companies, partnerships and sole proprietorships are not insured by SDIC.

Consumers need not apply for deposit insurance coverage. It is automatic if the savings fall under the type of savings covered, and are with banks and finance companies that are Scheme members.

What types of deposits are covered under the Deposit Insurance Scheme?

SDIC insures Singapore dollar denominated deposits including accrued interest, placed with a full bank or finance company in any of its branches in Singapore. These include deposits held in:

- Savings accounts
- Fixed deposit accounts
- Current accounts
- Deposits under the CPF Investment Scheme.

Each Scheme member maintains a register of insured deposits it offers. To find out if a deposit account offered by your bank or finance company is insured, please refer to the institution’s register of insured deposits.

1) Full banks are licensed to transact the whole range of banking business which include deposit taking, the provision of cheque services and lending. On the other hand, finance companies focus on providing small-scale financing, including instalment credit for motor vehicles. Both full banks and finance companies are permitted to take Singapore dollar retail deposits.

What types of financial products are <u>not</u> covered under the Deposit Insurance Scheme?

The SDIC does not insure any financial product except those listed above. Products that are <u>not</u> insured include:

- Foreign currency deposits
- Structured deposits
- Deposits placed as collateral
- Investment products such as unit trusts, shares and other securities.

How does the Deposit Insurance Scheme work?

FOR CASH DEPOSITS

All of your eligible accounts at the failed Scheme member, except for deposits under the CPF Investment Scheme, are aggregated and insured up to S$20,000, net of your liabilities to the Scheme member. Deposits are not insured separately in each branch office of a Scheme member – this means that all your eligible accounts with different branches of the failed Scheme member are aggregated and insured up to S$20,000 net of your liabilities to the Scheme member.

FOR DEPOSITS UNDER THE CPF INVESTMENT SCHEME

Moneys held in bank deposits under the CPF Investment Scheme will be separately insured up to S$20,000.

The following illustrations show how the amount of deposit insurance coverage is calculated in different situations.

ILLUSTRATION 1:
YOU HAVE DIFFERENT DEPOSITS IN THE SAME BANK

Suppose you have S$15,000 in your savings account, S$2,500 in your current account and a US dollar fixed deposit of US$10,000 with one bank. You have also placed S$50,000 of your CPF moneys in a fixed deposit under the CPFIS in the same bank. The amount insured is computed as follows:

	Account Balance	**Amount Insured**	**Amount Not Insured**
Savings Account (a)	S$15,000		
Current Account (b)	S$ 2,500		
Total Insured Deposits (c = a + b)	S$17,500	S$17,500[1]	S$0
Fixed Deposit Under CPFIS	S$50,000	S$20,000[2]	S$30,000[2]
US Dollar Fixed Deposit	US$10,000	US$0	US$10,000[3]
Total Amount Insured		**S$37,500**	

Notes:
1) Insured deposits are aggregated and insured up to S$20,000.
2) CPF moneys placed in fixed deposits under CPFIS are insured up to S$20,000.
3) Foreign currency deposits are not covered under the Deposit Insurance Scheme.

ILLUSTRATION 2A:

YOU HAVE DEPOSITS AND AN OUTSTANDING INSTALMENT LOAN, SUCH AS HOUSING LOAN, WITH THE SAME BANK

Suppose you have S$15,000 in your savings account and an outstanding housing loan of S$200,000 with the same bank. The monthly instalment of your housing loan is S$1,500 and you have 2 months' instalments payable to your bank. The amount insured is computed as follows:

	Account Balance	Amount Insured	Amount Not Insured
Savings Account (a)	S$15,000		
Housing Loan instalments due (b)	S$ 3,000		
Net Deposits = Deposits less instalments due (c = a – b)	S$12,000	S$12,000	
Total Amount Insured		**S$12,000**[1]	

Notes:

1) Under Singapore's insolvency law, your deposits will automatically be used to pay off your outstanding liabilities with the bank, if the bank fails. In this illustration, after netting off your outstanding liabilities of 2 months' instalments due, your deposit with the bank will be reduced to S$12,000. This amount (S$12,000) is insured by SDIC. Your recovery of this amount from the failed bank would not depend on whether the bank has sufficient assets to meet its liabilities, as would be the case without deposit insurance.

ILLUSTRATION 2B:

YOU HAVE DEPOSITS AND AN OUTSTANDING REVOLVING LOAN, SUCH AS CREDIT CARD FACILITY, WITH THE SAME BANK

Suppose you have S$2,000 in your savings account and a credit card account with a credit limit of S$10,000 with the same bank. The outstanding balance payable in full on your credit card account is S$5,000. The amount insured is computed as follows:

	Account Balance	Amount Insured	Amount Not Insured
Savings Account (a)	S$2,000		
Credit Card outstanding balance payable in full (b)	S$5,000		
Net Loan = Outstanding balance payable in full less Deposits (c = b – a)	S$3,000		
Total Amount Insured		**S$0**[1]	

Notes:

1) Under Singapore's insolvency law, your deposits will automatically be used to pay off your outstanding liabilities with the bank, if the bank fails. In this illustration, your savings of S$2,000 will be used to partially pay the outstanding balance payable on your credit card account. The outstanding credit card balance payable will therefore be reduced to S$3,000, and your deposit reduced to S$0. As you would already have recovered the full amount of your deposit through insolvency netting, there is no remaining claim against the failed bank. Therefore, there will not be a deposit insurance payment.

Joint Accounts

For deposits in joint accounts, each joint account holder's share is combined with his other deposits held in his own name. The aggregate amount of eligible deposits is insured up to S$20,000. Each joint account holder is assumed to have an equal share in the joint account, unless the Scheme member has records that show otherwise.

ILLUSTRATION 3: COMPUTATION OF DEPOSIT INSURANCE COVERAGE WITH JOINT ACCOUNTS

Suppose you have S$15,000 in your savings account and you have S$20,000 in a joint account with your spouse. Your spouse does not have any personal account. Each person's share of the joint account is considered to be equal unless otherwise stated in the bank's records, for the purposes of calculating deposit insurance coverage. The amounts insured are computed as follows:

	Account Balance	**Amount Insured**	**Amount Not Insured**
Savings Account	S$15,000		
Your Share of Joint Account (S$20,000÷2)	S$10,000		
Total Deposits	S$25,000	S$20,000	S$5,000
Total Amount Insured		**S$20,000**	
Your Spouse's Share of Joint Account (S$20,000÷2)	S$10,000	S$10,000	
Total Amount Insured For Your Spouse		**S$10,000**	

Deposits Held in Trust and Client Accounts

Eligible deposits held in trust or in client accounts for the benefit of an individual or charity are insured provided that the Scheme member's records can identify the beneficiary or client. The beneficiary's share of the deposit is aggregated with his other insured deposits and insured up to S$20,000.

Do I need to pay premiums for deposit insurance coverage?

No, depositors do not need to pay premiums for deposit insurance coverage.

What does a depositor need to do when his/her bank or finance company fails?

SDIC will provide details on how the compensation will be made. You do not need to file any claims. SDIC will make announcements through the TV, newspapers and at the affected bank or finance company.

If your deposit exceeds the compensation from the SDIC, you can file a separate claim with the liquidator for the difference but you cannot claim what has already been compensated.

Contact SDIC

Additional information on deposit insurance can be obtained by contacting the SDIC:

Singapore Deposit Insurance Corporation Ltd
10 Shenton Way #11-06
MAS Building
Singapore 079117
Website: www.sdic.org.sg
E-mail: infosdic@sdic.org.sg

COMPANY REGISTRATION NO. 200600593Z

MONEYSENSE – A NATIONAL FINANCIAL EDUCATION PROGRAMME

In October 2003, the Singapore Government launched a national financial education programme called MoneySENSE. MoneySENSE is a long-term programme that brings together industry and public sector initiatives to enhance the basic financial literacy of consumers. MoneySENSE is a collaboration among various government agencies – Monetary Authority of Singapore (MAS), Ministry of Community Development, Youth and Sports (MCYS), Ministry of Education (MOE), Ministry of Manpower (MOM), Central Provident Fund Board (CPF Board) and People’s Association (PA) – and other private sector bodies and community organisations. For more tips and educational resources on personal financial matters, visit the MoneySENSE website at www.moneysense.gov.sg