

FREQUENTLY ASKED QUESTIONS (FAQS) BANKS

Disclaimer: These FAQs are being issued for information and general understanding only and shall not constitute any legal obligation on the part of Deposit Protection Corporation (DPC). These FAQs are subject to updates from time to time by the DPC. The Deposit Protection Corporation Act, 2016, FAQs available on <https://dpc.org.pk/FAQ-b.html> for the information of Banks.

1. What is Deposit Protection?

Deposit Protection is a system established to protect the deposits of eligible depositors up to a specified limit in the event of a bank being declared as a failed bank by State Bank of Pakistan (SBP).

2. What is Deposit Protection Corporation (DPC) and what is its role?

Deposit Protection Corporation (DPC) is a subsidiary of State Bank of Pakistan (SBP) established under the Deposit Protection Corporation Act 2016 (DPC Act). The role of the Corporation is to provide a robust deposit protection mechanism to ensure payment of protected amount to the eligible depositors of a DPC member bank, in the event of it being declared as a failed bank by State Bank of Pakistan (SBP).

3. What is the protected amount determined by DPC for the protection of eligible depositors?

Presently, a protected amount of up to PKR 1,000,000/- per depositor per bank has been determined by DPC for the protection of eligible depositors.

4. What does the term “Eligible Depositor/ Protected Depositor” mean?

Categories of depositors that have been guaranteed payment up to the protected amount under the existing deposit protection mechanism of DPC are referred as “Eligible Depositors/ Protected Depositors”.

5. What is the difference between “Eligible Deposits” and “Protected Deposits”?

Total Deposits held by an eligible depositor in a bank are referred to as “Eligible Deposits”. The maximum amount of reimbursement that an eligible depositor can receive from Deposit Protection Corporation (DPC) at the time of bank failure declared failed by State Bank of Pakistan is referred as “Protected Deposit”.

The following table aims to clarify the difference between Eligible and Protected Deposits:

Depositor	Category	No. of Accounts* in Same Bank	Total Eligible Deposits (In PKR)	Protected Deposits (In PKR)
Mr. XYZ Khan	Individual and Sole Proprietor	3	600,000	600,000
Ms. ABC Bibi	Individual	1	300,000	300,000
Mr. RAZ	Sole Proprietor	4	1,000,000	1,000,000
ABC Consultancy Ltd	Partnership Firm	2	700,000	700,000
WBC Builders	Partnership Firm	3	1,500,000	1,000,000
MNP Fitness Club	Sole Proprietor	6	1,000,000	1,000,000

Depositor	Category	No. of Accounts* in Same Bank	Total Eligible Deposits (In PKR)	Protected Deposits (In PKR)
SINCOS Foundation	Trust	1	200,000	200,000
TANG-ONN	Other (Adventure Club)	1	100,000	100,000

6. Who are the member banks of DPC?

Presently all scheduled banks operating in Pakistan are members of DPC. Following is the list of banks that are members of DPC. This list is also available at DPC's website: <http://www.dpc.org.pk/Circulars/2020/CL1-Annex-A.pdf>

- 1- Industrial Development Bank Limited
- 2- SME Bank Limited
- 3- The Punjab Provincial Cooperative Bank Limited
- 4- Zarai Taraqiati Bank Limited
- 5- First Women Bank Limited
- 6- National Bank of Pakistan
- 7- Sindh Bank Limited
- 8- The Bank of Khyber
- 9- The Bank of Punjab
- 10- Allied Bank Limited
- 11- Askari Bank Limited
- 12- Bank Alfalah Limited
- 13- Bank AL Habib Limited
- 14- Faysal Bank Limited
- 15- Habib Bank Limited
- 16- Habib Metropolitan Bank Limited
- 17- JS Bank Limited
- 18- MCB Bank Limited
- 19- SAMBA Bank Limited
- 20- Silkbank Limited
- 21- Soneri Bank Limited
- 22- Standard Chartered Bank (Pakistan) Limited
- 23- Bank Makramah Limited formerly Summit Bank Limited
- 24- United Bank Limited
- 25- Albaraka Bank (Pakistan) Limited
- 26- BankIslami Pakistan Limited
- 27- Dubai Islamic Bank Pakistan Limited
- 28- Meezan Bank Limited
- 29- MCB Islamic Bank Limited



- 30- Citibank N.A.- Pakistan Operations
- 31- Deutsche Bank AG- Pakistan Operations
- 32- Industrial and Commercial Bank of China Limited- Pakistan Branches
- 33- Bank of China Limited- Pakistan Operations

7. Is there any formal mechanism for the protection of deposits in DPC member institutions (banks)?

Yes, DPC has developed a Deposit Protection Mechanism for its member institutions (banks). For further details, please refer to DPC Circular No. 04, 2018 dated June 22, 2018 available at DPC's website: <http://www.dpc.org.pk/Circulars/2018/C4-Annex-A.pdf>

8. Is there a separate Deposit Protection Mechanism for Islamic Banking Institutions?

Yes. There is a separate Shariah Compliant Deposit Protection Mechanism for Islamic Banking Institutions. For details please refer to DPC Circular No. 05, 2018 dated November 05, 2018 available at DPC's website: <http://www.dpc.org.pk/Circulars/2018/C5-Annex-A.pdf>

9. Which Categories of Deposits are excluded from deposit protection?

The following Categories of Deposits are excluded from deposit protection:

1. Depositors / deposits mentioned in the list below;
 - i- Government or Government Institutions.
 - ii- Member institutions of DPC.
 - iii- Companies as defined under Companies Ordinance, 1984/ Companies Act 2017
 - iv- Corporations, Modarbas, Mutual Funds
 - v- Branch(es)/ Permanent establishment(s) of foreign entities
 - vi- Diplomatic Missions and international organizations/ entities like United Nations, World Bank, IFC, ADB etc.
 - vii- Autonomous Bodies
 - viii- Deposits on which preferential interest or return has been granted
 - ix- Members of Board of Directors and senior management of a DPC member bank
 - x- Partners of auditing firm responsible to certify DPC member bank financial statements
 - xi- Persons acquired rights to a deposit after State Bank of Pakistan's notification of Bank failure under DPC Act 2016
 - xii- Spouses, dependent lineal ascendants and descendants and dependent brothers and sisters of the persons specified at sr. no ix, x & xi above.
 - xiii- Deposits arising out of or related to transactions or actions constituting 'money laundering within the meaning of the Anti-Money Laundering Act, 2010, if the offender has been convicted of such offence
2. Amounts reported under unclaimed deposits by a member bank in compliance of section 31 of Banking Companies Ordinance 1962.
3. Deposits maintained at branches and subsidiaries of Pakistani banks operating outside Pakistan and branches located in Export Processing Zones (EPZ).

10. Which Type of Accounts are protected by DPC?

Eligible deposits maintained in following Type of Accounts are protected by DPC:



- 1- All current and saving accounts including Roshan Digital Accounts (RDA).
- 2- All type of branchless banking accounts
- 3- Fixed term deposits
- 4- Call Deposit Receipts (CDR)/ Security Deposit Receipts (SDR)
- 5- Deposit balance kept as cash margins/ collateral or under lien, that are payable to depositors after satisfaction of all dues that are payable by them to the bank.
- 6- Foreign Currency Deposits. In case of an eventuality, the equivalent PKR at the exchange rate declared by SBP on notification date shall be reimbursed to the protected depositors.
- 7- Profit on any of the above deposits accrued till cut-off date.
- 8- Any other type of deposits communicated by DPC from time to time.

11. What are the basis of charging premium from DPC member institutions (banks)?

The amount of “eligible deposits” disclosed by a member institution (bank) in its annual audited and AGM approved financial statements forms the basis of premium charge from banks. **For Example:** Premium charged from a bank during calendar year 2021 would be based on the eligible deposits disclosed in annual audited and AGM approved accounts of the bank for the year 2020.

12. What are the basis of charging premium from banks if the annual audited accounts of previous year are not available/ AGM approved?

A bank would calculate premium payable to DPC on the basis of eligible deposits disclosed in last available annual audited and AGM approved financial statements and keep doing so until the required financial statements become available. Upon the availability of approved annual audited financial statements, the bank would recalculate the premium for relevant calendar year(s) and any difference shall be settled accordingly within seven working days.

13. What is the rate of premium charge?

DPC has determined a fixed rate of 0.16% of eligible deposits disclosed by a bank in its annual audited and AGM approved financial statements of preceding year. The premium is payable in four equal quarterly installments.

14. Can a bank recover the cost of premium from its depositors?

No, banks are explicitly prohibited from recovering costs of premium from their depositors.

15. What is “Per Depositor Per Bank” principle? How DPC would calculate the protected amount payable to its eligible depositors on the cut-off date (Bank failure date)?

“Per Depositor Per Bank” principle is used to determine the coverage available to any eligible depositor up to the protected amount at the cut-off date (the date a DPC member bank is declared failed by SBP). The following examples are intended to explain the “Per Depositor Per Bank” principle.

Example # 1: Mr. A maintains a current account with a conventional bank having account balance of PKR 200,000/-. At the cut-off date (Bank failure date), the total liability of the bank towards Mr. A shall be PKR 200,000/- only. Accordingly, he shall receive the coverage of PKR 200,000/- from DPC.

Conventional/ Islamic	Account Type	Account Balance	Accrual Balance	Total Balance	Protected Deposit
Conventional	Current	200,000	0	200,000	200,000



Conventional/ Islamic	Account Type	Account Balance	Accrual Balance	Total Balance	Protected Deposit
Total Liability & Coverage				200,000	200,000

Example # 2: Mr. A holds a term deposit in an Islamic bank with account balance of PKR 200,000/- and an accrued profit of PKR 10,000/ at the cut-off date (Bank failure date). The total liability of the bank towards Mr. A shall be PKR 210,000/-. Accordingly, Mr. A shall receive the coverage of PKR 210,000/- from DPC.

Conventional/ Islamic	Account Type	Account Balance	Accrual Balance	Total Balance	Protected Deposit
Islamic	Term Deposit	200,000	10,000	210,000	210,000
Total Liability & Coverage				210,000	210,000

Example # 3: Mr. A holds a term deposit in an Islamic banking branch of a bank with account balance of PKR 400,000/- and a profit of PKR 20,000/- at a given date. He holds another current account in conventional banking branch of the same bank with account balance of PKR 600,000/- on the same date. The total liability of the bank towards Mr. A shall be PKR 1,020,000/-. Accordingly, he shall receive the maximum limit of prescribed protected amount i.e. PKR 1,000,000/-. Moreover, the protected amount shall be proportionally distributed between Islamic & Conventional deposits of Mr. A.

Conventional/ Islamic	Account Type	Account Balance	Accrual Balance	Total Balance	% Share in Total Deposits	Protected Deposit
Islamic	Fixed	400,000	20,000	420,000	41.18	411,800.00
Conventional	Current	600,000	0	600,000	58.82	588,200.00
Total Liability & Coverage				1,020,000	100.00	1,000,000

Example # 4: As an individual, Mr. A holds a current account of PKR 400,000/- and a term deposit of PKR 200,000 with a accrued profit of PKR 10,000/- in an Islamic banking branch of a bank at the cut-off date (Bank failure date). Also in the capacity of sole proprietor, Mr. A holds two more currents accounts in conventional banking branch of the same bank with account balances of PKR 400,000/- and PKR 200,000/- respectively. The total liability of the bank towards Mr. A shall be PKR 1,210,000/-. Accordingly, he shall receive the maximum limit of prescribed protected amount i.e. PKR 1,000,000/-. The protected amount shall proportionally distribute between Islamic & Conventional deposits of Mr. A.

Conventional/ Islamic	Account Type	Account Balance	Accrual Balance	Total Balance	% Share in Total Deposits	Protected Deposit
Islamic	Current	400,000	0	400,000	33.06	330,600.00
Islamic	Fixed	200,000	10,000	210,000	17.35	173,500.00
Conventional	Current	400,000	0	400,000	33.06	330,600.00
Conventional	Current	200,000	0	200,000	16.53	165,300.00

Conventional/ Islamic	Account Type	Account Balance	Accrual Balance	Total Balance	% Share in Total Deposits	Protected Deposit
Total Liability & Coverage				1,210,000*	100.00	1,000,000

* All account balances kept by an individual depositor including Sole Proprietors shall add together to arrive at the total liability of a bank towards the depositor.

Example # 5: Mr. A holds a current account of PKR 400,000/- and a joint current account with Mr. B having account balance PKR 200,000/- in an Islamic banking branch of a bank. Mr. A holds two more current accounts in conventional banking branch of the same bank with account balances of PKR 400,000/- and PKR 200,000/- respectively. At the cut-off date (Bank failure date), the total liability of the bank towards Mr. A shall be PKR 1,100,000/- while total liability of the bank towards Mr. B shall be PKR 100,000/-. Accordingly, Mr. A shall receive the maximum limit of prescribed protected amount i.e. PKR 1,000,000/- while Mr. B shall receive a separate coverage of PKR 100,000/-. The protected amount allocated for Mr. A shall proportionally distribute between Islamic & Conventional deposits.

Conventional/ Islamic	Account Type	Account Balance	Accrual Balance	Total Balance	% Share in Total Deposits	Protected Deposit
Islamic	Current	400,000	0	400,000	36.36	363,600.00
Islamic	Current	100,000*	0*	100,000	9.09	90,900.00
Conventional	Current	400,000	0	400,000	36.36	363,600.00
Conventional	Current	200,000	0	200,000	18.19	181,900.00
Total Liability & Coverage for Mr. A				1,100,000	100.00	1,000,000

Conventional/ Islamic	Account Type	Account Balance	Accrual Balance	Total Balance	Protected Deposit
Islamic	Current	100,000*	0 *	100,000	100,000
Total Liability & Coverage for Mr. B				100,000	100,000

*For a joint account, any outstanding amount shall split between the account holders according to the terms of account opening or equally (in the absence of such terms).

Example # 6: Mr. A has availed a running finance facility of PKR 400,000/- against his current account deposit of PKR 2,000,000/- maintained with a conventional banking branch of a bank. He also holds another current account deposit of PKR 600,000/- with an Islamic banking branch of the same bank. At the cut-off date (Bank failure date), the total liability of the bank towards Mr. A shall be PKR 2,200,000/- i.e. net-off amount payable to bank by Mr. A. Accordingly, Mr. A shall receive the maximum limit of prescribed protected amount i.e. PKR 1,000,000/-. The protected amount allocated for Mr. A shall proportionally distribute between Islamic & Conventional deposits.

Conventional/ Islamic	Account Type	Account Balance	Accrual Balance	Total Balance	Total Balance Net-off Lien	% Share in Total Deposits (Net-off Lien)	Protected Deposit
Conventional	Current	2,000,000	0	2,000,000	1,600,000	73.00	727,273
Islamic	Current	600,000	0	600,000	600,000	27.00	272,727
Total Net Liability & Coverage				2,600,000	2,200,000	100.00	1,000,000

Example # 7: Mr. A maintains a current account of PKR 200,000/- with a conventional bank. The same bank has mobilized a current account deposit of PKR 1,000,000/- from a partnership firm “ABC Consultancy Firm” which is jointly owned by Mr. A, Mr. B & Mr. C. At the cut-off date (Bank failure date), the total liability of the bank towards Mr. A shall be PKR 200,000/- while the total liability of bank towards ABC consultancy Firm shall be PKR 1,000,000/. Here, Mr. A shall receive a coverage of PKR 200,000/- while ABC Consultancy Pvt Ltd shall receive a separate coverage of PKR 1,000,000/-.

Conventional/ Islamic	Account Type	Account Balance	Accrual Balance	Total Balance	Protected Deposit
Conventional	Current	200,000	0	200,000	200,000
Total Liability & Coverage for Mr. A				200,000	200,000
Conventional/ Islamic	Account Type	Account Balance	Accrual Balance	Total Balance	Protected Deposit
Conventional	Current	1,000,000	0	1,000,000	1,000,000
Total Liability & Coverage for ABC Consultancy Pvt Ltd				1,000,000	1,000,000

16. For further queries/ clarifications on Deposit Protection, where should a bank contact?

You may visit our website <http://www.dpc.org.pk> to access further details on deposit protection in Pakistan. You may also write to us electronically at info@dpc.org.pk