

DICGC Committee Recommends Differential Premium for Banks in India

The Deposit Insurance and Credit Guarantee Corporation (DICGC) today placed on its website the Report of the Committee on Differential Premium System for Banks in India (Chairman: Shri Jasbir Singh). The Report is simultaneously placed on the website of Reserve Bank of India. Comments and suggestions on the Report may please be forwarded by October 31, 2015 to the Adviser, Deposit Insurance and Credit Guarantee Corporation, Reserve Bank of India, 2nd Floor, Opposite to Mumbai Central Railway Station, Mumbai Central, Mumbai-400008 or emailed at jayamohanty@rbi.org.in

In India, the specified deposits of commercial banks, Regional Rural Banks (RRBS), Local Area Banks (LABs) and co-operative banks are covered under deposit insurance by DICGC. The premium is being charged at a flat rate of 10 paisa per Rs. 100 per annum.

The primary objective of most Differential Premium Systems (DPS) has been to provide incentives for banks to avoid excessive risk taking, minimise moral hazard and introduce more fairness into the premium assessment process. Introducing fairness into the system bolsters industry support for deposit insurance. Keeping this perspective in mind, there has been an increasing recognition among the deposit insurance agencies around the world about the need for introduction of a DPS based on the risk profile of banks. Accordingly, the Committee on Differential Premium System for Banks in India was constituted vide Notification dated 31 March 2015 to make recommendations for the introduction of risk based premium in India. The Committee submitted the Report to the Chairman of the Corporation on September 7, 2015.