

2023 ANNUAL REPORT

DEPOSIT INSURANCE SCHEME OF BOTSWANA



We guarantee the safety of your deposits

The Deposit Insurance Scheme of Botswana (DISB) is required, under regulation 16 of the Bank of Botswana (Deposit Insurance Scheme) Regulations, 2023 (DISB Regulations) to submit to the Minister of Finance, by March 31 of each year, a report on the operations of the DISB, together with audited accounts. In pursuit of this requirement, the DISB has the pleasure to present the inaugural Annual Report for the period ended December 31, 2023.

List of Abbreviations

ARC	Africa Regional Committee
BSE	Botswana Stock Exchange
CAMELS	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk
CIPA	Companies and Intellectual Property
DIC	Deposit Insurance Committee
DISB	Deposit Insurance Scheme of Botswana
D-SIBs	Domestic Systematically Important Banks
GDP	Gross Domestic Product
IADI	International Association of Deposit Insurers
FISC	Finance and Investment Sub Committee
FSAP	Financial Sector Assessment Program
FSC	Financial Stability Council
FIA	Financial Intelligence Agency
IFRS	International Financial Reporting Standard
MoU	Memorandum of Understanding
MTP	Medium-Term Plan
NBFIRA	Non-Bank Financial Institutions Regulatory Authority

Mission

To provide deposit protection for depositors, through building a sustainable deposit insurance fund, thereby enhancing public confidence in the safety of deposits and promoting stability of the domestic financial system.

Vision

A trusted world class deposit insurer that promotes the stability of the domestic financial system.

Core Values

- | | | |
|--------------------------------------|-----------------------------------|------------|
| • Trust and respect for stakeholders | • Honesty and Integrity | • Teamwork |
| • Excellence | • Good governance | |
| • Honesty and Integrity | • Confidentiality and objectivity | |

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Message from the Director



I am greatly honoured to have been appointed the founding Director of the Deposit Insurance Scheme of Botswana (DISB), which is a public scheme set up for purposes of compensating depositors when a bank or deposit taking institution has failed. The DISB is established under the Bank of Botswana (Amendment) Act, 2022 and operationalised through the DISB Regulations, that came into effect on July 21, 2023. The DISB is administered by staff seconded from the Bank of Botswana and operates from the Bank of Botswana Head Office.

The DISB has come into operation at the right time when all the preconditions, such as, stable macroeconomic environment; resilient and sound domestic financial system; and high standards of supervision and regulation, among others, are well anchored. I wish to commend the Bank of Botswana for laying the groundwork for the establishment of the DISB including secondment of qualified staff as well as providing financial resources for the day-to-day operations.

This inaugural Annual Report is presented to member institutions and all our stakeholders as a public education document. The Annual Report outlines the performance of the DISB with regards to achieving its mandate and fulfilling the expectations of its stakeholders in 2023. The DISB has a “paybox plus” mandate. This mandate allows for the pay out of deposits in the rare event when a member institution fails, and involves additional functions, such as monitoring the condition of the banking industry to estimate the risk of loss to the Deposit Insurance

Fund (Fund) and taking action to forestall such losses. All commercial banks that are licensed by Bank of Botswana as well as the Botswana Savings Bank have been registered as member institutions of the DISB.

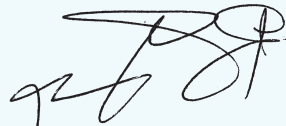
The DISB guarantees repayment of a protected deposit up to a maximum of P250 000 per depositor per member institution in the rare event of failure of a member institution. The “paybox plus” mandate also enables the DISB to play a key role in the resolution of failed banks and this mandate is deemed to be the most appropriate arrangement for Botswana because it is less costly and easy to administer. Furthermore, this mandate does not duplicate the functions of the existing prudential regulation and supervision authority.

The DISB 2023 work programme was very ambitious. Nevertheless, we did our best to implement the priority activities. Hence, by end of year we were proud of the following major achievements:

- (i) Passing of the Bank of Botswana (Amendment) Act which has an enabling provision for the establishment, through regulations, of DISB. The DISB Regulations, which were published on July 21, 2023 were modelled along the core principles for effective deposit insurance systems.
- (ii) Logo development to brand DISB as a deposit insurer with operational independence, and for ease of identification and communication with stakeholders. The logo has been registered with the CIPA as a trademark;
- (iii) Secondment of additional staff to the DISB. On commencement of the DISB project implementation on January 1, 2023, the DISB had only been seconded two senior staff members. As at the end of the financial year 2023, the DISB had been granted two assistant manager level positions to increase its professional staff establishment to four (4). The DISB also has a secretary, bringing its total staff complement to five (5). Although this is a very lean structure, the Bank has committed to provide additional resources to the DISB as and when is necessary to enhance the efficiency and effectiveness of its operations; and

- (iv) Development of the 2024 - 2026 Medium-Term Plan (MTP), which outlines the DISB's strategic initiatives and actions. The plan articulates the vision and mission of the DISB, as well as the specific goals and values that underpin the determination and design of strategies for the MTP. Figures A4.1 and A.22 in the appendix outline the objectives, functions and activities as well as supportive structures for the DISB. The 2024 - 2026 MTP will be presented to the Deposit Insurance Committee (DIC/Committee) for approval in 2024.

I sincerely hope that the DISB will have more achievements to celebrate in 2024. To the dedicated staff seconded to the DISB, I wish you a rewarding year ahead and trust that you will continue to overcome future challenges as you did during the first year of operation.



Goememang Baatlhologeng
DIRECTOR

1. Management Discussion and Analysis

(i) DISB's Operating Environment

Economic Review

The “pay box plus” mandate enables the DISB to carry out additional functions, such as, monitoring the performance of member institutions under varying economic conditions, with a view to ensuring early detection of vulnerabilities that could lead to distress in some member institutions and to collaborate with the central bank to effectively respond to the risk of and actual failure of a member institution.

Botswana real GDP is projected to expand by 4.2 percent in 2024, from an estimated 3.2 percent in 2023. It is anticipated that the performance of the non-mining sector will improve, underpinned by, among others, improvements in electricity and water supply, as well as Finance, Insurance and Pension Funds sectors. It is anticipated that effective implementation of the economic transformation reforms and stimulative government expenditure indicated in the 2024/25 Budget, alongside the April 2023 – March 2025 Transitional National Development Plan (TNDP) would be supportive of economic activity, through facilitating expansion of productive capacity, accelerating economic transformation and enhancing economic resilience. Monetary policy also remains largely accommodative, given the projections for inflation remaining within the Bank's 3 – 6 percent objective range, therefore, conducive for financing of economic activity facilitated by economic transformation and policy reforms. However, given the downside risks to global economic activity, weaker global demand and adverse impact of the Russia-Ukraine war, the growth trajectory remains uncertain. As announced in the 2024/2025 Budget Speech, the Government continues to run budget deficits during the TNDP, financed through fiscal savings, special funds proceeds, draw-down on reserves and domestic borrowing.

In 2023, the global economy continued to recover from the lingering effects of the COVID-19 pandemic and the Russia-Ukraine war. In addition, global economic performance was adversely affected by impact of high inflation; the increase in the debt burden; reduction of COVID-19 related fiscal support; and extreme weather events. Hence, global economic growth is estimated to have expanded by 3.1 percent in 2023, lower than the 3.5 percent in 2022.

The macroeconomic environment during the period under review was therefore conducive for financial stability, underpinned by positive economic growth, well-managed government fiscal position, modest inflation and commensurate interest rates, supported by predictable and effective macroeconomic policy frameworks. Accordingly, financial sector vulnerabilities remained generally contained and risks mitigated.

Regulatory review

During the period under review, various pieces of legislation were promulgated which have a bearing on the operations of the DISB. These include the Bank of Botswana (Amendment) Act of 2022, that commenced on February 14, 2023. This Act provides for the establishment of the DISB, through regulations; as well as the establishment of a statutory Financial Stability Council (FSC) that specifies the Director of the DISB as a member. The DISB Regulations provide for among others, the establishment of the DISB and its governance structure; the Deposit Insurance Fund (Fund) and its administration; membership of the DISB and premium contributions; payment of claims and public awareness on deposit insurance.

The re-enacted Banking Act was published on May 26, 2023. The main objective of the revised Act is to incorporate reforms necessary for strengthening institutional arrangements and policies for a sound, competitive, inclusive and growing financial sector. The most extensive review of the Act focused on resolution measures to establish a more robust legal foundation for financial safety nets. The revised Act recognises the DISB as an important component of the financial safety net.


(ii) DISB Membership

Membership of the DISB is mandatory for all commercial banks and deposit taking institutions licensed by the Bank of Botswana. As of December 31, 2023, the total number of member institutions of the DISB was 10 (ten), which included all commercial banks licensed by the Bank, as well as Botswana Savings Bank, which is a statutory bank. As per regulation 17(3), the DISB published a list

of member institutions in the Government Gazette and in two newspapers (see Figure 1.1). All member institutions were issued with membership certificates

(Figure 1.2) which they are required to display in a conspicuous place in all their branches and outlets.

Figure 1.1: List of Members of the DISB



LIST OF MEMBERS OF THE DEPOSIT INSURANCE SCHEME OF BOTSWANA

- Absa Bank Botswana Limited
- Access Bank Botswana Limited
- Bank of Baroda (Botswana) Limited
- Bank Gaborone Limited
- BBS Bank Limited
- Botswana Savings Bank
- First Capital Bank Limited
- First National Bank of Botswana Limited
- Stanbic Bank Botswana Limited
- Standard Chartered Bank Botswana Limited.

Figure 1.2: A sample of the membership certificate



CERTIFICATE NO.....

MEMBERSHIP CERTIFICATE:

This is to certify that

.....

Licence No:

Is a member of the Deposit Insurance Scheme of Botswana and that the deposits of each depositor in this member institution are protected to the maximum amount provided by the Bank of Botswana (Deposit Insurance Scheme) Regulations, 2023.

Director
Deposit Insurance Scheme of Botswana

iii) Administration of the Deposit Insurance Fund (Fund)

The mandate of the DISB relating to administration of the Fund is the assessment and collection of premium contributions from member institutions. Being its first year of operation, the DISB had to develop a Premiums Policy to guide on the rate, calculation and how the premium contributions will to be collected. The Premiums Policy has been drafted and is expected to be approved by the Committee in the first half of 2024. A Fund current account was opened in the Bank of Botswana to which all monies of the Fund will be paid in and all expenses of the Fund paid out. As at December 31, 2023, the Fund balance stood at P25 million, made up of both refundable seed capital from Government and membership registration fees.

Investment of Fund Monies

The DISB is mandated by regulation 13(2)(a) to invest in Government treasury bills and bonds to preserve the Fund capital and for maintenance of liquidity. However, the DISB may invest in other securities, as may be determined by the Committee. The DISB has drafted an Investment Policy that outlines the parameters for investment of Fund monies, the risk appetite and overall investment objectives. The Investment Policy is expected to be approved at the first meeting of the Committee in 2024.

Deposit Protection Coverage and other Expenses of the Fund

Deposit protection coverage refers to the maximum amount of compensation payable to a protected depositor in the rare event of failure of a member institution. The DISB guarantees repayment of a protected deposit up to a maximum of P250 000 per depositor per member institution in the rare event of failure of a member institution. DISB protects deposits held by natural persons as well as legal entities, whether they are from Botswana or from other countries. The set limit is standard across all different types of deposits. The P250 000 coverage limit is equivalent to 2.4 times gross domestic product (GDP) per capita of Botswana. The set limit is, therefore, commensurate with the rule of thumb of 2 to 3 times GDP per capita, which is considered appropriate to fully protect small retail deposits.

Notwithstanding, the current maximum coverage limit will be revised as and when is necessary, guided by macroeconomic trends, Fund size, and the public policy objectives, in particular, to ensure that most small and unsophisticated depositors in the member institutions are fully covered, while leaving a substantial number of deposits exposed to market discipline, in line with International Association of Deposit Insurers (IADI) recommendations on coverage. At this coverage limit, it is estimated that 85 percent of small retail depositors are fully covered, whereas in terms of value, 2 percent of the total deposits are estimated to be covered. (Table 1.1)

Table 1.1: Deposit Distribution Data as at December 31, 2022

What if Deposit Insurance Coverage was (amounts in Pula)?	CUMULATIVE Report the total amount of deposits up to and including this level (Pula)	Report the total number of depositors fully covered at this level	CUMULATIVE Report the total number of depositors fully covered at this level	Report the percentage of fully covered depositors (USING CUMULATIVE) (Column D as a percentage of total number of depositors in the bank)	Report the number of depositors whose total deposits exceed this level (total depositors less column D)	Report the percentage of the amount of deposits covered at this level to total deposits at the bank (column C as a percentage of the total amount of deposits in the bank)
100,000	6,941,611,371.00	1,887,650	1,887,650	83%	376,187	8%
150,000	8,629,200,854.80	16,354	1,904,004	84%	359,833	2%
200,000	10,074,645,673.28	10,841	1,914,845	85%	348,992	2%
250,000	11,418,734,210.15	8,731	1,923,576	85%	340,261	2%
300,000	12,636,903,703.47	7,443	1,931,019	85%	332,818	1%
350,000	13,931,032,328.51	7,064	1,938,083	86%	325,754	2%
400,000	15,144,671,467.72	6,503	1,944,586	86%	319,251	1%
500,000	17,568,714,636.07	8,111	1,952,697	86%	311,140	3%
>500,000	50,533,301,899.43	311,140	1,626,124	100%	-	79%
Total and > 500,000		2,263,837				100%

Monies payable to a protected depositor as compensation in the rare event of failure of a member institution is the major expense of the Fund. Other incidental expenses to be paid out of the Fund include the day-to-day management expenses of the DISB; administration and management expenses of the Fund; repayment of monies borrowed by the DISB as well as costs associated with resolution or liquidation of a member institution.

(iv) Data Collection, Risk Analysis and Surveillance

Deposit Data Collection and Premium Assessment

During the period under review, the DISB developed its data collection templates which were shared with member institutions for completion. Data to be collected includes detailed disaggregation of deposits and single customer view (SCV) deposit account records. For purposes of assessment of premiums, average total deposit liabilities for the 12 months preceding the date of notice to pay premiums shall be used as the assessment base. A flat rate premium assessment system has been adopted by the DISB and will be used to determine the premium levy payable by each member institution. This flat rate has been set at between 0.1 percent and 0.4 percent of the total deposit liabilities of the member institutions less the excluded deposits as defined in the DISB Regulations.

Risk Analysis and Surveillance of Member Institutions

As a deposit insurer with a “pay box plus” mandate, the DISB carries out assessment on the safety and soundness of its member institutions on an ongoing basis. This enables the DISB to estimate the potential risk of loss to the Fund should anyone of the member institutions become non-viable. The DISB carries out risk assessment through the detailed analysis of data obtained from statutory returns and where necessary, through joint on-site examinations with the Bank. The Bank shares the results of its CAMELS (Capital adequacy, Asset quality, Management, Earnings and profitability, Liquidity and funding, and Sensitivity to

market risk) ratings with the DISB. During the period under review, the DISB analysed the CAMELS ratings as shared by the Bank and commenced work towards customisation of the framework for its purposes to serve as an early warning system of distressed banks that could pose risk of loss to the Fund.

A review of quarterly banking sector off-site surveillance reports and on-site examination reports showed that as at end December 2023, all member institutions were adequately capitalised, they had good asset quality, and maintained satisfactory

liquidity levels. In addition, most of the member institutions’ risk assessment showed that they managed key banking risks well (i.e. credit, liquidity, market, and operational risks) and were profitable. There were no member institutions that were classified as being distressed. Table 1.2 shows member institutions key performance indicators during 2023.

Total assets of member institutions recorded an increase of 10.2 percent over the 12 months period, from P124 285 million in December 2022 to P136 959 million in December 2023. Loans and advances accounted for the largest share of the total assets of member institutions at 59.4 percent and grew by 6.7 percent over the review period. Total deposit liabilities held by member institutions increased by 10.7 percent, from P96 223 million in December 2022 to P106 517 million in December 2023. In December 2023, deposits held by Domestic Systemically important Banks accounted for 41.5 percent of total deposits held by member institutions.

The DISB will continue with the monitoring of member institutions’ financial performance to enable early detection of vulnerabilities and timely intervention in distressed institutions where necessary.

Table 1.2: Member Institutions Performance Indicators: December 31, 2023

Indicator	(P'000)	Indicator	Percentage (%)	Indicator	Number
Total deposits	106 517	Liquid assets/Uninsured deposits	51	Total number of member institutions	10
Total domestic deposit	87 745	Core deposits/Total deposits	10	Number of member institutions in distress	nil
Total foreign currency deposits	18 772	Estimated Insurable deposits/Total deposits	59	Number of member institutions with NPL ratio high than the industry average	4
Core deposits	8 773	Large deposits/Total deposits	41	Number of unprofitable member institutions	1
Estimated Insured deposits	63 150	Large exposures/Total loans and advances	15	Total number of branches of member institutions	130
Total Large Deposits	43 790	Average NPL Ratio	3.7	Total number of member institutions employees	4 894
Total assets of unprofitable member institutions	8 455	Fund balance/Insured deposits (Target fund ratio)	0.04	Number of member institutions that failed	Nil
Total assets of distressed member institutions	Nil	<p>Key Highlights</p> <p>Target fund ratio is still very low when compared to the minimum 2 percent recommended as best practice.</p> <p>Most member institutions are profitable and none are considered distressed.</p> <p>Large deposits make up more than 40 percent of total deposit liabilities. These large deposits are volatile especially during conditions of stress.</p> <p>Core deposits, which are usually considered a stable source of funding make up only 10 percent of total deposits.</p>			
Total Capital and Reserves	14 368				
Total Large Exposures	12 609				
Total Assets	136 959				
Total Liabilities	122 591				
Deposit Insurance Fund Balance	25				

(v) Public Awareness Campaigns

The effectiveness of a deposit insurance system is built upon public confidence and credibility. Public awareness of the existence of a DISB is, therefore, key in enhancing public confidence in the safety of deposits and stability of the domestic financial system. Consequently, the DISB conducted its inaugural public education initiative through Radio Botswana

programme “Masa-a-Sele”, with the view to informing the public about the establishment and operations of the DISB. Notwithstanding, this public education initiative was preceded by a series of bilateral engagements with the main stakeholders, the member institutions. The bilateral meetings with member institutions were meant to sensitise the members about the benefits and limitations of the DISB, its mandate and their obligations under the

DISB Regulations. The DISB has also, during the period under review, printed and distributed public education material to some of its key stakeholders.

Public education campaigns (through various communication channels) will continue to be the mainstream activity of the DISB and sufficient annual budget allocations will be made to ensure that a target level of public awareness about the DISB is maintained. The DISB public awareness activities will be monitored on an on-going basis and independent evaluations of their effectiveness arranged on a periodic basis.

(vi) Domestic and International Collaboration

The legislation that establishes the DISB provides for collaboration with institutions or organisations within or outside Botswana that perform functions similar to those of the DISB or that have objects similar to those of the DISB or that perform functions related to the regulation and supervision of deposit taking institutions.

Domestic Collaboration

In recognition of the need for collaboration, the DISB Regulations require the Bank and the DISB to collaborate to enforce the regulations. Collaboration could be in various forms, including the conduct of joint bank examinations, resolution measures and in instances where the Bank appoints DISB as a liquidator. The DISB also collaborates with the Bank on the risk analysis and surveillance of the member institutions to ensure the safety and soundness of member institutions. Collaboration of this magnitude requires formalised agreements, and these have been drafted and are expected to be finalised and signed in the first half of 2024.

In addition, the DISB is an important member of the domestic financial sector safety net and as such collaboration with other safety net participants is key for the effective discharge of its mandate. Hence, the DISB is a member of the statutory Financial Stability Council (FSC). Members of the FSC include the Bank of Botswana, the Financial Intelligence Agency (FIA), Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and the Botswana Stock Exchange (BSE) as an observer member. Cooperation among the financial safety-

net participants, through the FSC, will support the DISB to achieve its financial stability mandate through the consistent assessment of the build-up of vulnerabilities and risks that could lead to distress in member institutions, as well as facilitate access to accurate, reliable and timely information which the DISB will use to make decisions regarding the risk profile of member institutions, and thereby contribute to increased market, regulatory and supervisory discipline.

International Relations and Collaboration

Internationally, the Bank of Botswana is an associate member of the International Association of Deposit Insurers (IADI) and the Africa Regional Committee (ARC) on behalf of the DISB. The DISB has in the year under review, participated in meetings of both IADI (annual meeting and conference held in Boston, USA) and the ARC (virtual meetings and in-person in Senegal, Dakar). The ARC is a Regional Committee of IADI which has been created for Africa specifically to reflect regional interests and common issues through the sharing and exchange of information and ideas. The ARC performs its functions to further the objectives of IADI and acts in the best interest of IADI.

Benchmarking Visits

During 2023, the DISB undertook benchmarking exercises to the Deposit Protection Corporation (DPC) Zimbabwe, the Deposit Insurance Board (DIB) of Tanzania and the Kenya Deposit Insurance Corporation (KDIC). The DISB also undertook a study visit to the Federal Deposit Insurance Corporation (FDIC), in the United States of America.

2. Financial Performance Analysis

Operating Budget and Expenditure

The Bank generously funded the administrative expenses of the DISB for commencement of its operations, with an operating budget of P1.5 million. The budget enabled the DISB to carry out its benchmarking visits and procurement of consumables including membership certificates issued to the member institutions. The budget was further utilised to engage the service of a graphic designer to assist brand the DISB through development of a logo. The staff seconded to the DISB remain employees of the Bank and their salaries and benefits are budgeted for as part of the Bank's payroll.

Budget Analysis

	(BWP)
Operating budget	<u>1, 500,000</u>
Total Expenses	<u>1, 500,000</u>

Investments

During the year, the DISB applied and was admitted as a participant in Botswana Bond Auctions market. In order to test the Fund investment systems readiness, the DISB participated in the government securities

auction held by the Bank of Botswana on December 29, 2023, and was allocated a P7 million 3-months treasury bill. The T-Bill transaction, which matures on April 3, 2024, was settled on January 4, 2024.

Financial Statements

In terms of regulation 15, the Committee is mandated to maintain records of accounts of the Fund in accordance with national and international reporting standards. The Committee members are, therefore, responsible for ensuring integrity of the financial statements and related financial information of the DISB. The members are to ensure that the financial statements fairly represent the state of affairs of the DISB as at the end of financial year in conformity with the set standards.

The DISB commenced operations in earnest, on July 21, 2023, and as a result, this inaugural annual report does not have audited comprehensive financial statements; a snapshot of the financial activities carried out from January 1, 2023 to December 31, 2023 is provided in Table 2.1. As at December 31, 2023, the total Fund balance amounted to P25 million.

Table 2.1: Statement of Financial Position as at 31st December, 2023

Assets	2023 (BWP)
Cash at the bank	25, 000, 000
Other assets	0
Total Assets	<u>25, 000, 000</u>
Liabilities and Equity	
Provision for insurance claims	0
Other liabilities	0
Equity (Deposit Insurance Fund)	
Membership fees	10, 000, 000
Paid up government seed capital	<u>15, 000, 000</u>
Total Equity (Deposit Insurance Fund)	<u>25, 000, 000</u>
Total liabilities and Equity	<u>25, 000, 000</u>

NB: During the period under review, DISB had no liabilities.

In 2023, the Government of Botswana contributed seed capital of BWP 15 million to the Fund. Following their registration, member institutions subsequently paid into the Fund a membership fee of BWP 1 million each, which totalled BWP 10 million for the 10 member institutions.

Independent Auditor's Report

The DISB Regulations require external auditors to express an independent opinion on the financial statements of the DISB. However, the DISB does not have comprehensive financial statements for the period under review, having only commenced operations in July 21, 2023.

3. Corporate Governance, Enterprise Risk Management and Management of Strategic Resources

Deposit Insurance Committee

The DISB has been established as an operationally independent entity with the Deposit Insurance Committee (Committee) as its governing body. The Committee is responsible for providing oversight on the administration of the Fund and the management of the DISB generally.

The Committee established in terms of regulation 5 of the DISB Regulations, is to be constituted of membership as follows;

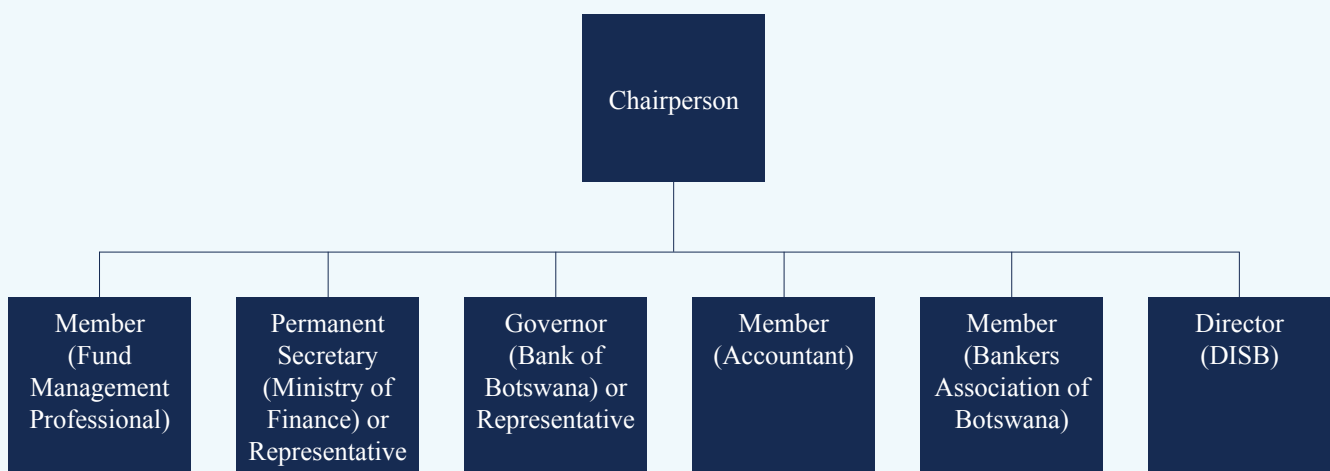
- (a) Four members who are not public officers, one of whom is a representative of member institutions; a chairperson is appointed from amongst these members; and
- (b) Three ex-officio members being
 - (i) Permanent Secretary in the Ministry of Finance
 - (ii) Governor of the central bank
 - (iii) Director of the DISB.

In terms of regulation 5(2)(b), the ex-officio members, except for the Director of the DISB, may designate representatives to be a member of the Committee on their behalf. Members of the Committee are appointed based on their knowledge, skills and experience in disciplines relevant for the functions of the Committee (Figure 3.1). The members bring independent judgement to the deliberations and decisions of the Committee. The DISB has drafted a Charter that will guide the operations of the Committee. The draft charter and other policies that provide for the effective execution of the DISB functions will be tabled for approval at the first seating of the Committee. The DISB expects the Minister of Finance to approve the recommended names of the Committee members during the second half of 2024.

Sub Committees

The DISB Regulations empower the Committee to establish sub-committees to assist in discharging its functions. The Committee is expected to establish a Finance and Investment Sub Committee (FISC) whose mandate will be to ensure that the Fund is managed in a manner consistent with policies approved by the Committee and to manage risk attendant on the Fund.

Figure 3.1: Deposit Insurance Committee Members

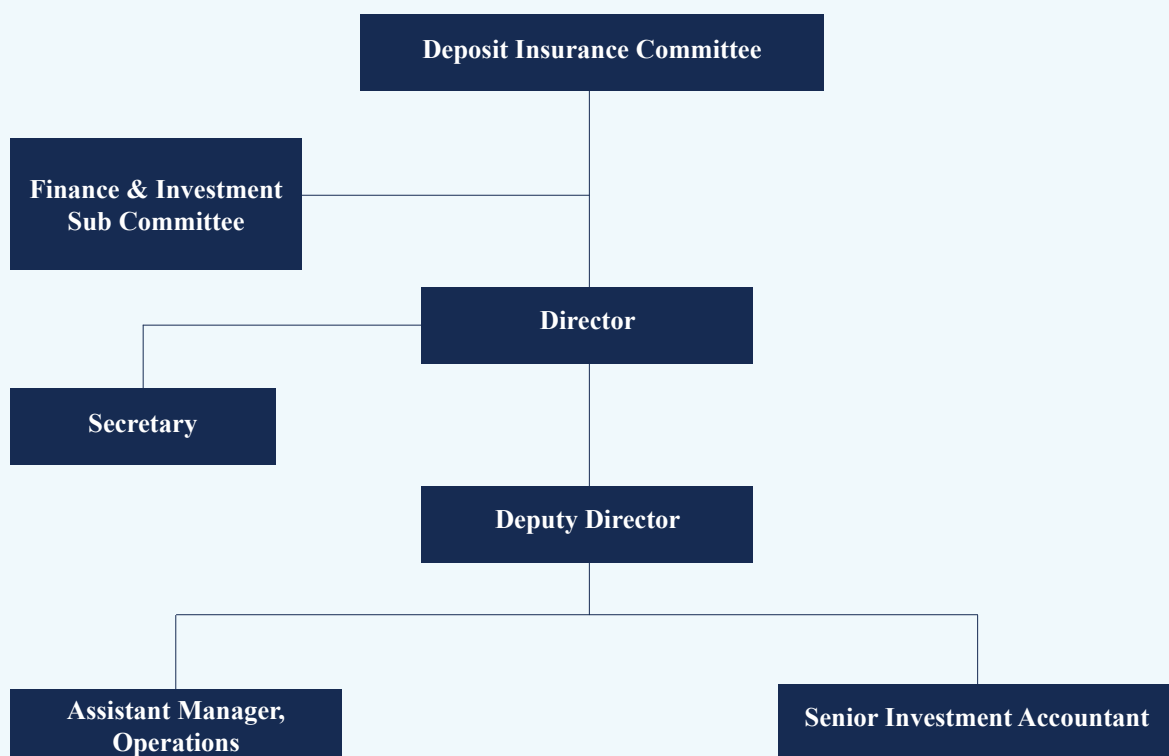


DISB Officers, Training and Development

As the DISB has recently commenced operations, it has been able to perform its mandate through the generous financial assistance provided by the Bank. In terms of regulation 4, staff of the DISB is seconded by the Bank and, therefore, remains employees of the Bank for the duration of the secondment period. The Director of the DISB is the administrative head and responsible for the day-to-day management of the DISB including its seconded officers. In terms of

training and development, there is an urgent need to upskill the staff seconded to operationalise the DISB. In the year under review, two staff members attended a 6-week bank resolution online course offered by IMF AFRITAC South (based in Mauritius) in February 2023. In this planning period, the DISB will fast track its training plan to ensure that its staff acquires and supplements the necessary skills and competencies. The Director and the seconded officers perform the DISB functions as shown in the organisational structure indicated below (Figure 3.2).

Figure 3.2: DISB's Organisational Structure



Enterprise Risk Management

The DISB currently leverages on the Bank's already established structures for enterprise risk management until such a time that it is fully operationally independent from the Bank. In this regard, service level agreements with the concerned departments of the Bank are being drafted and will be signed during the course of 2024.

The DISB has nonetheless embedded risk management in all its activities and has developed its strategic risk register to identify and monitor risks attendant on its operations. The risk register was informed by an environmental scan which helped the DISB identify risks existing in its operating environment.

4. Appendix

Figure A4.1: Objectives, Functions, Activities and Supportive Structures

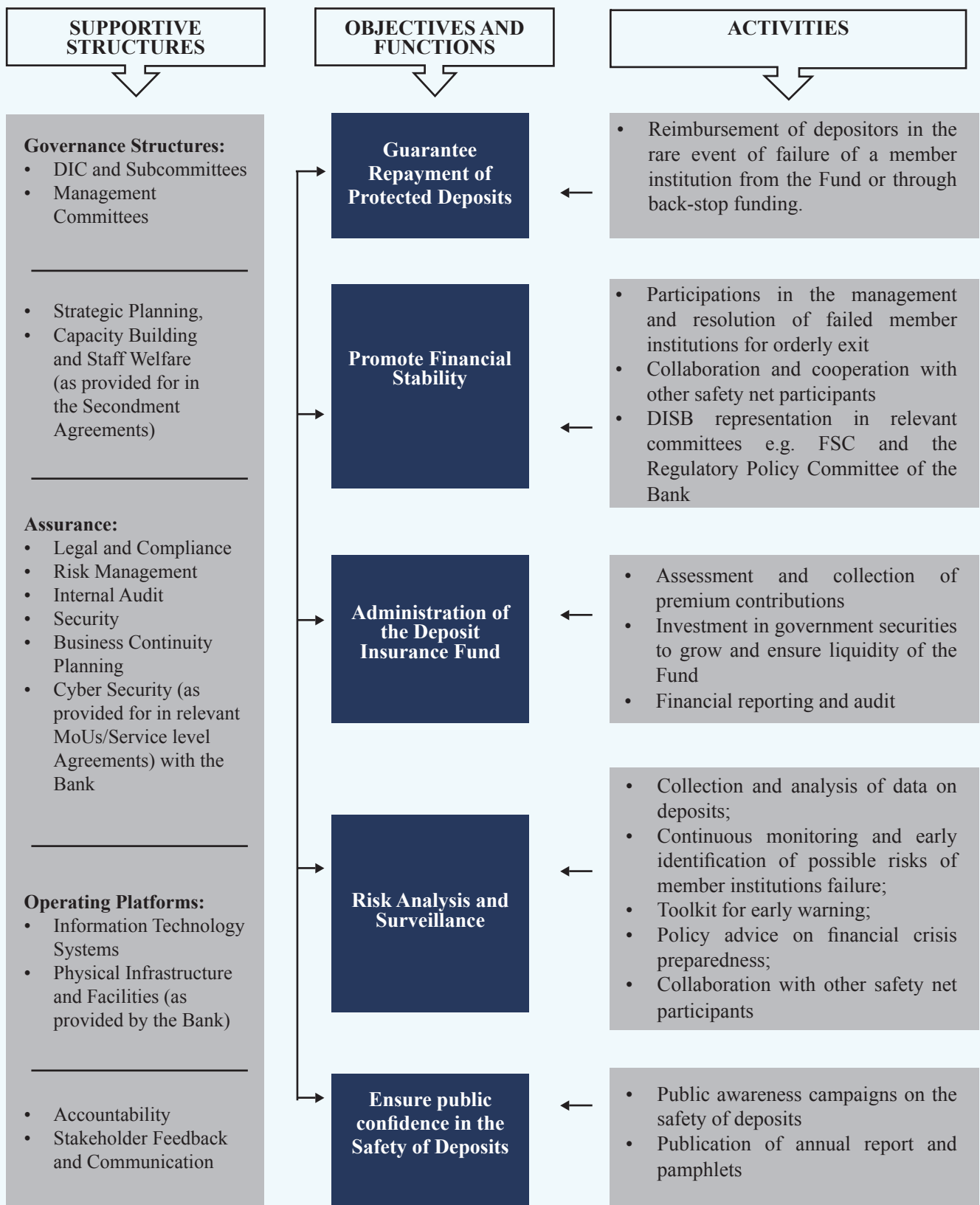


Figure A4.2: Strategic Objectives



Glossary of Terms

Banking Act

The Act of Parliament making provision for the licensing, regulation and supervision of banks and deposit-taking institutions and to promote safety and soundness of banks and for connected matters.

Bank of Botswana Act

The Act of Parliament making provision for establishment of the DISB.

Bank of Botswana (Deposit Insurance Scheme) Regulations, 2023

The subsidiary legislation operationalising the DISB and setting out its objects, powers and functions.

Central Bank

Bank of Botswana established under the Bank of Botswana Act

Coverage Limit

The maximum payment the DISB can make out of the Deposit Insurance Fund to a depositor should a member institution fail. The coverage limit and rules of coverage are prescribed under the DISB Regulations.

Deposit

A sum of money paid by one person to another person, subject to an agreement in terms of which an equal amount or any part thereof may be conditionally or unconditionally repaid by the person to whom the money has been paid, with or without interest or premium, either on demand or at specified or unspecified time, and in circumstances agreed by or on behalf of the persons making the payments and the person receiving such payment. However, it does not include money paid which is referable to the provision of property or services, or the giving of security.

Deposit Insurance Fund

A Fund established under the DISB Regulations for purposes of financing the Scheme and to reimburse depositors in the rare event of failure of a member institution.

Deposit Insurance Scheme of Botswana

A public scheme set up for purposes of compensating depositors' money when a bank or deposit taking institution has failed. Membership of the Scheme is mandatory for all banks and deposit-taking institutions licensed by the Bank of Botswana, including the Botswana Savings Bank.

Depositor

A person entitled, or prospectively entitled, to repayment of a deposit, or a portion of a deposit, whether made by him or not.

Non-viable

A member institution is non-viable if:

- (a) it becomes insolvent, that is to say, a winding up order has been made by a court against that institution; or
- (b) there exists in relation to the institution any condition precedent to the exercise of resolution measures by the Central Bank in the interest of and for the protection of depositors, to take such steps or apply such sanctions as authorised under the Banking Act;
- (c) the institution has failed to satisfy prudential criteria and minimum solvency standards prescribed under the Banking Act; or
- (d) it is unable to pay its liabilities in full on a timely basis.

Premium Assessment Rate

The rate set by the Deposit Insurance Committee, which is applied to the protected deposits to determine premium contributions payable by member institutions to the DISB.

Premium Contributions

Amount paid by member institutions into the Deposit Insurance Fund in accordance with the requirements of the DISB Regulations.

Protected Deposits

Total deposit liabilities of a member institution, less excluded deposits specified in the DISB Regulations.

Financial Safety Net Participants

The institutions that comprise a country's Financial System Safety Net, who work together to ensure that a robust regulatory framework is in place to promote and maintain financial stability. In Botswana, financial safety net participants are the Ministry of Finance, the Bank of Botswana, Non-Bank Financial Institutions Regulatory Authority, the DISB and the Financial Intelligence Agency and the Botswana Stock Exchange.

Resolution

The exercise of powers and the application of tools by the Central Bank in respect of a failing or failed member institution, and which are designed to restore a financial institution before it is balance sheet insolvent with a view to maintaining financial system stability while minimising the resort to public funds. Resolution may also involve the reimbursement of protected deposits to depositors and the winding up of a failed bank with a view to maximizing recoveries.

