

DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION

Notification - Differential Premium for Banks

The Central Board of the Reserve Bank of India in the meeting held on October 16, 2014 felt that the Deposit Insurance and Credit Guarantee Corporation (DICGC) could “explore the possibility of putting in place a differential premium within the co-operative sector linking it to governance/risk profile of co-operative banks”. The Board of DICGC in its meeting held on December 30, 2014 discussed the issue of differential premium and suggested that DICGC needs to work towards creating its own rating system to facilitate introduction of differential premium because of confidentiality issues involved in the use of supervisory ratings. The Board directed that in the background of the need for developing a rating system by the Corporation, the issues, including the rise in insurance cover for deposits may be revisited. In order to operationalise the introduction of risk based premium for the insured banks as also for the flow of information between regulatory/supervisory Departments of Reserve Bank of India (RBI) and DICGC, a ‘Committee on Differential Premium for Banks’ is being constituted. The Committee will have the following members.

Composition of the Committee		
Shri Jasbir Singh	Executive Director, DICGC	Chairperson
Shri. Rajesh Mokashi	Deputy Managing Director, CARE Ratings	Member
Smt. Meena Hemachandra	PCGM, DBS	Member
Smt. Suma Varma	PCGM, DCBR	Member
Shri. Sudarshan Sen	CGM-in-C, DBR	Member
Smt. Malvika Sinha	CGM, DCBS	Member
Dr. S. Rajagopal	CGM, FSU	Member
Dr.A.R. Joshi	Adviser, DSIM	Member
Shri. Sonjoy Sethee	CFO, DICGC	Member
Smt. Jaya Mohanty	Adviser, DICGC	Secretary

2. The Terms of Reference of the Committee shall be:

- i. To devise and recommend a model of risk assessment for banks, both commercial and co-operative.
- ii. To make recommendations for adapting the model of risk assessment so derived to the calculation of premium to be paid to DICGC.
- iii. To study international methodology of risk based premium to ensure that the rating system developed is in tandem with international best practices.
- iv. To make recommendation for institutionalising the flow of information between the supervisory Departments of RBI, insured banks and the DICGC at appropriate frequencies to facilitate the calculation of the risk rating.
- v. To recommend a matrix of premium rates corresponding to risk-ratings in a manner that there is least disturbance to the existing premium inflows.
- vi. To make recommendations for frequency and timing of revision in premium rates and relating the timing of revision to appropriate risk-rating reference date.

The Secretariat will be located in the DICGC, to be headed by Director (RPIC).

3. The Committee will submit the Report by June 30, 2015.

(R. Gandhi)
Chairman

March 31, 2015