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Address of the Board of Directors

In the name of Allah, Most Gracious, Most Merciful

The Board of Directors of the Depositors' Insurance Fund (DIF) is pleased to present its first annual report, since the establishment of the Fund, covering the period 2010-2014.

The report aims to introduce the deposit insurance system and the role of DIF in this respect; and review the various activities of the Fund within the framework of completion of banking protection network in Libya.

DIF is considered one of the components of the financial system in Libya and represents one of the pillars of the banking sector. It plays a key role in the field of financial mediation, savings mobilization, provision of required financing for investments, as well as provision of the necessary banking services for individuals and institutions in the economic field.

In this context, the role of DIF complements the role of other financial and banking institutions to realize financial stability and boost economic growth.

The report also provides the key financial indicators to the member banks through analysis of the consolidated aggregate budget of operational commercial banks, with a view to highlight points of strength and weakness in the banking system to enable the Fund to develop the necessary strategies and plans to face any possible insolvency that might lead to the liquidation or bankruptcy of some banks.

The report reviews in detail the development of DIF resources and their sources and its reserve structure according to the statute of the Fund. The Management of the Fund aspires that this report and the subsequent reports shall be a means to identify the significance of the Fund to the banking sector and communicate with the banks and the public in a manner that strengthens trust in the transactions of the banking sector and its role in the economic activity.

On the occasion of the issuance of this first report, we extend our thanks to the Fund and its staff in addition to the team that supervised the preparations of this report wishing them all every success.

In God we trust and seek support…

Dr. Mohamed Abusnina
Deputy Chairman of the Board of Directors

Address of the General Manager

In the name of Allah, Most Gracious, Most Merciful

I am pleased to present to all professionals and those interested in the economic, financial and banking sector the annual report of the Depositors' Insurance Fund (DIF) in Libya, through which we seek to use as a means of communication with these parties. Through this report, DIF explains, to all stakeholders and the depositors, its mission, and its latest developments and achievements to secure protection to deposits in the banking system in Libya.

As this is the first DIF report developed for professionals and stakeholders, we deem it important to address the developments of the Fund since its establishment in 2010 till the end of the Fiscal Year 2014. It shall also include the administrative aspects, development of capital and reserves, investment policy of its funds and the realized returns, in addition to the financial statements for the year 2014 (balance sheet and income statement) with the purpose to enhance transparency and disclosure which are considered the key factors of institutional governance that DIF applies and observes.

The insurance of depositors' funds, especially with respect to small depositors, is one of the tools to boost trust in the banking system. This is coupled with other policies and means, primarily the banking supervision conducted by the Central Bank of Libya in addition to motivating depositors to follow up the conditions of their banks and ensure their integrity. The constant financial stability depends on how far the depositors are aware of the scope of work of the Fund and the limits and ceilings of its guarantees. Therefore, the Fund realizes the significance of the role of media in raising awareness of DIF role and the role of member banks.

To conclude, we hope that we have successfully managed to prepare this report which shall be regularly issued on an annual basis. We welcome any inquires or observations that may help the Fund develop its activities and explain further its role.

Osama Mohamed Al Naas
General Manager

Board of Directors

Mr. Ali Mohamed Salem Chairman	Deputy Governor of the Central Bank of Libya
Mr. Mohamed Abusnina Vice Chairman	Economic Advisor at the Central Bank of Libya
Mr. Amragea Geith Sulaiman Member	Undersecretary of Ministry of Finance
Mr. Abdel Matlob BoSheikha Member	Undersecretary of the Ministry of Economy
Mr. Abdel Karim Ibrahim AbouIsbaa Member	
Mr. Fakher Moftah Abofarna Member	

Organizational Chart

List of Terms

Member banks: all operational banks in Libya. The membership of Islamic banks is confined to the demand deposits in those banks.

Deposits subject to the provisions of the statute: deposits at member banks with the exception of foreign currency deposits and the amounts of money deposited by individuals as a security for loans or banking facilities obtained by another person, unless there is a credit balance out of those amounts after settlement of liabilities held as a security.

Guarantee ceiling: the maximum amount paid by the Fund as an immediate compensation for a depositor in any member bank that is to be liquidated as decided, or in case of withdrawing of the activity practicing permit as per the applied laws, shall be equivalent to LYD 250 thousand.

Immediate compensation deposits: deposits which are subject to the statute and what exceeds the amounts equivalent to each of the following categories of the deposits:

- The total amount of a deposit ,if equivalent to LYD 10 thousand or less;
- Half of the amount of a deposit if more than LYD 10 thousand and does not exceed LYD 100 thousand;
- A quarter of the amount of a deposit if more than LYD 100 thousand and less than LYD 400 thousand ;
- One eighth of the amount of the deposit if more than LYD 400 thousand and less than LYD 1 million;
- One tenth of the amount of the deposit if more than LYD 1 million with a maximum guarantee of LYD 250 thousand.

All those amounts shall be payable to depositors in case of liquidation or withdrawing the activity practicing permits from banks.

Totally collateralized deposits: deposits which are subject to the statute and are equivalent to and less than LYD 10 thousand.

Partially collateralized deposits: deposits which are subject to the statute with amounts that exceed the values mentioned beside the abovementioned categories.

The International Association of Deposit Insurers (IADI): It is a non-profit organization with an independent legal personality, established under the Swiss Law and is domiciled at the Bank for International Settlements in Basel, Switzerland.

The number of members in the Association amounts to 80 including the Libyan Depositor's Insurance Fund (DIF).

Core principles of deposit insurance systems: a number of principles related to the deposit insurance systems and 16 main principles were issued by International Association of Deposit Insurers (IADI) and Basel Committee on Banking Supervision (BCBS). The Fund translated these principles into Arabic and posted on its website. (See Annex)

Delivery of IADI trophy to the Director General of the Fund

Development of the deposit insurance system in the world

During the eighties and nineties, the global economy faced several financial and banking crises, the most critical of which were the global debt crisis in the eighties and the financial crisis in the second half of 2008, which weakened the international banking system and revealed the vulnerability of the global banking system. It became evident that the global commercial banks that played a key role in this system suffered from weak capitals, low quality assets, and rise of percentage of doubtful debts. Those factors expedited the establishment of banking deposit insurance systems in some countries. The number of countries, that aspired to adopt legislative and regulatory steps and procedures to protect deposits in the institutions of the banking system whatever their types or names are, had been on the rise.

The banking deposits insurance system was established against the backdrop of the adoption of insurance policies that usually aim to compensate guaranteed persons for the losses in money, property, and goods or the human losses or damage in the process of economic activities or in case of exposure to unforeseen incidents.

In case of guarantee of bank deposits, this kind of insurance is characterized by the following:

- Deposit insurance is not directed towards protection of a certain person, institution or a group of persons. It is directed however towards the whole community, especially small depositors who may not have enough information about the financial positions of banks in which they deposit their money.
- Deposit insurance does not aim to realize profits by the guarantor institutions. The main target of this process is to boost depositors' trust in the banking system which leads to stability of the units of this system to be able to properly undertake their financial mediation role.
- Bank deposit insurance is based on the philosophy of integration between two key parts namely the banking system on the one hand

(and depositors who shall get less revenues on their deposits in return for avoidance of risks and cases of uncertainty) and the guarantor on the other (and the whole national economy as all citizens shall benefit from avoiding cases of public panic in return for real revenues to be allocated for management of insurance system).

The first bank deposit insurance system was established in New York, USA in 1829. Several states then started to establish similar systems. By the end of the nineteenth century, all deposit insurance systems disappeared for several reasons, the most important of which was the insufficiency of capital and liquidity.

In spite of the fact that the USA was the first country to establish a deposit insurance system, former Czechoslovakia was the first country to establish a developed system to protect deposits and loans on the national level in 1924. The Ministry of Finance managed those funds in consultation with bank representatives. In 1933, the US Congress ratified the Bank Law that aimed to address and avoid faults of the US financial system that led to the bankruptcy of several banks in the Great Depression. According to this law, the Federal Deposit Insurance Corporation (FDIC) was established in 1934 to run the deposit insurance system in commercial banks. A long time had passed before other countries established similar systems. Turkey established “Bank Liquidation Fund” in 1960. Several countries followed suit and established deposit insurance systems. European countries and some third world countries started to attend to the protection of depositors. Germany established a special fund for insurance of depositors in 1974 after the collapse of Herstatt Bank, when the German Federal Bank failed to contain the consequences of financial failure of the Bank. In Britain, a grave banking crisis that took place at the beginning of the seventies led to the establishment of the Deposit Protection Scheme in 1979. At the beginning of eighties, Italy established a deposit protection system and France followed suit in 1985. As for the Arab world, Lebanon is considered the first Arab country to establish a deposit protection system. In 1967, it established a national institution for deposit protection. Bahrain established the Deposit Protection Council in 1993 followed by Sudan that established a bank deposit insurance fund in 1996 then

Jordan that established the bank deposit insurance institution in 2000. Libya established '**Depositor's Insurance Fund'** in 2010.

It has been noticed that the bank deposit insurance systems in the majority of the world countries are relatively new systems. Observers of banking events shall notice that the establishment of deposit insurance systems in most cases was part of a number of reforms that included boosting the supervisory and regulatory powers of monetary authorities.

In spite of the fact that some of the systems are run without governmental interference, the majority of deposit insurance systems are managed by monetary authorities in the respective countries. In most countries, the participation of commercial banks in the insurance system is obligatory and it takes place regardless of the level of economic progress of the country. As for coverage, the bank deposit insurance system is usually based on a comprehensive basis, including all the national and foreign banking institutions and their branches inside a certain country but not the branches of the national banks in foreign countries. All insurance systems protect residents and non-residents; however, they are divided into systems that guarantee or do not guarantee foreign currency. In the majority of countries, there is a ceiling for insurance regarding each depositor which covers a large number of depositors and a smaller percentage of the value and volume of guaranteed deposits. It is worth mentioning that the studies conducted by the International Monetary Fund reached a rule of the thumb indicating that it is proper that the guaranteed ceiling of deposits should be one or two times the average per capita GDP.

It is noteworthy that in most deposit insurance systems, laws prescribe that any depositor, however small, should incur part of the losses. The coverage should not be high because these systems were established in favour of small depositors. As for large depositors, it is expected that they are capable of following up the conditions of the banks where they deposit their money. Therefore, there would be a reasonable amount of market discipline so that deposit insurance would not lead to moral hazards represented in the failure of the depositors to follow up the conditions of their banks which render banks more adventurous in their transactions. However, the guaranteed ceiling of deposits rises with the passage of time to cope as much as possible with the

economic changes related to national income growth, and the high inflation rates. In addition, some countries try to find solutions for stumbling banks. In addition to liquidation, these banks are subjected to financial and administrative restructuring until their financial conditions improve, or they are sold or merged with other banks with good financial positions.

As for the sources of finance of deposit insurance systems, the majority of the laws on bank deposits insurance define the sources of the funds of the institutions as the capital that usually accumulates as a result of the core mandatory contributions made by member commercial banks at the time of establishing the system in addition to the contributions of the Central Bank, Ministry of Finance and periodical instalments as well as the annual contributions collected by the insurance systems against the guarantee and protection services it provides in addition to the revenues of investing its money or any funds borrowed by those systems as per the provisions of their laws. In most deposit insurance systems, the annual subscription fees to be paid by financial institutions and banks have a flat rate of the volume of deposits. This rate varies from one country to another. However, some countries adopt an annual subscription system that is based on a risk- based assessment of the member banks as is the case in the USA. In spite of the fact that this system is considered fair and efficient, it is more complicated from the administrative and technical points of view because it is based on expected high risk in each bank. Therefore, it does not suit the deposit insurance systems at their early stages.

The main role of the bank deposit insurance systems which is represented in the trust of depositors in the banking system and its ability to protect their deposits is the strong anchor of the existence of a robust and developed banking system, capable of coping with the incessant changes in the banking industry and in turn it shall be capable of achieving its economic and social objectives effectively and efficiently.

International Association of Deposits Insurers (IADI):

IADI was established in 2002, in Basel (Switzerland) to promote effective deposit insurance systems through guidance and international cooperation. The members of this international organization conduct research and studies with the aim to improve deposit insurance systems in the member states. They

also exchange knowledge and expertise through participating in workshops and international conferences.

The IADI comprises 80 member deposit insurance institutions in 77 countries. The Libyan DIF joined the membership of IADI in 2012. It copes with the activities and developments of the Association.

It is noteworthy mentioning that on 18/6/2009, Basel Committee for Banking Supervision (BCBS) and IADI published the core principles of deposit insurance systems and key international criteria were set up to be used to reform deposit insurance systems.

Archaeological Sabratha Theater

صندوق ضمان أموال المودعين
Depositor's Insurance Fund (DIF)

An overview of the Fund

Our Vision

The Fund shall be a pioneering institution and the best in the field of protection of depositors' money.

Our Mission

To protect depositors' funds in the banks and financial institutions working in Libya, promote local savings, contribute to strengthen the banking system, and achieve financial stability in Libya.

Our Values

- Integrity
- Credibility
- Transparency
- Excellence
- Continuous education and training
- Teamwork spirit

Our Objectives

- Maintain financial and operational capabilities of the Fund;
- Promote the capabilities of the Fund in the field of deposit insurance and depositors' compensation;
- Establish a system for risk management and protection of the safety of the banking sector;
- Raise awareness of the deposit insurance system and the objectives of the Fund;
- Participate effectively in the activities of regional and international associations and unions.

Memorial photo on the occasion of the establishment of the Fund

Establishment of the Fund

The Depositor's Insurance Fund was established by Law no. 1 of 2015 concerning banks, amended by Law no. 46 of 2012. Its statute was promulgated by the decision of the former General People's Committee no. 513 of 2009, issued on 7/11/2009. The Fund started its activities on 1/3/2010 to enable the banking sector in Libya to keep abreast with the international developments in this field. The Fund was established to restore trust in the banking sector that plays a real role in creating a strong economy supported by a robust banking sector. The Fund has a preventive role based on studies, researches, analysis of the financial positions of the member banks. This role is complementary of the role of the Central Bank of Libya. It is managed by a panel of inspectors who try to probe the conditions of banks to avoid their exposure to default or bankruptcy. The Fund plays a compensatory role, according to its statute, as it is committed to compensate its depositors when a member bank is liquidated or when its license is withdrawn.

Board of Directors

Article (5) of the Fund Statute stipulates that the Fund shall be managed by a Board of Director chaired by the Deputy Governor of the Central Bank of Libya with the membership of Undersecretary of the Ministry of Finance, Undersecretary of the Ministry of Economy, CEO of the Libyan Banks Association, in addition to three other members to be appointed as per a decision issued by the Board of Directors of the Central bank of Libya for a renewable term of three years. The decision of the Board of Directors of the Central Bank of Libya no. 3 of 2010 was issued regarding the appointment of the Chairman and members of the Fund and determination of their remuneration.

As per Article 6 of the Statute, the Board of Directors shall undertake the following tasks and responsibilities:

1- Develop the general policy of the Fund;
2- Approve the general plan of investment of the DIF's funds as per the provisions of the Statute;

3- Develop the organizational chart of the Fund, provide job descriptions and outline tasks and responsibilities;
4- Adopt the organizational, financial, administrative instructions of the Fund;
5- Approve of the estimated annual budget of the Fund;
6- Approve of the financial statements and final accounts of the Fund.

Executive Management

- **General Manager**

Article 12 of the Statute stipulates that the Fund shall have a General Manager 'appointed as per a decision by the Board of Directors that shall also determine his remuneration'. Decision no 4 of 2010 was issued by the Board of Directors of the Fund concerning the appointment of the General Manager. Article 8 prescribes that the General Manager shall undertake the following tasks and competencies:

1. Implement the general policy developed by the Board of Directors and the decisions and instructions issued by the Board;
2. Supervise the administrative body of the Fund;
3. Prepare the annual financial report and the final accounts of the Fund to submit to the Board;
4. Prepare the draft annual budget of the Fund;
5. Perform any other tasks to be assigned by the Board of Directors or assigned to him as per the decisions and instructions issued in implementation of the provisions of the Statute.

DIF departments and offices:

The Board of Director approved, by virtue of its decision no. 1 of 2011, the organizational chart that comprises the following departments and offices:

1- Administrative Affairs and Human Resources Department

This department shall implement the laws, regulations, rules and decisions related to administrative affairs and human resources as well as public

relations, training and services. To achieve its tasks it has been assigned the following competencies:

- Implement legislations, regulations and rules regulating administrative affairs and human resources of the Fund;
- Provide the human resources requirements of all departments; monitor and assess their performance; and work on human resources development;
- Complete all the administrative procedures related to the occupational affairs of staff;
- Supervise the management and maintenance of computer systems through monitoring the operation of the main system and its peripherals; provide technical support for any administrative unit in the Fund; implement the daily and periodical procedures to guarantee its efficiency, performance and continuity of work.

2- Accounting and Finance Department

The Department monitors all financial activities and transactions of the Fund, including book keeping, execution of documentary cycles, following up the preparation of the draft estimated budget and final accounts of the Fund, as well as performing operations related to financial resources and reserves.

To achieve its tasks, it has been assigned the following competencies:

- Devise, review, and develop, when necessary, a plan and an executive program of action for the Administration;
- Manage the accounting system of the Fund;
- Prepare the draft estimated budget of the Fund and monitor its implementation;
- Prepare the final accounts on the set dates and submit to the General Manager to take the necessary action in this regard.

3- **Risk Management and Inspection Department:**

The Department shall examine banking records of the member banks that face problems according to the published financial data of banks; conduct

financial analysis of published data; and monitor economic indicators especially those related to deposits movement, liquidity, reserves, capital reports, credit, risk conditions at banks and security activities.

To achieve its tasks, it was assigned the following competencies:

- Monitor the trends of bank deposits, liquidity, reserves, capital, credit and related risks and other indicators related to the banking sector, their impact on the Fund, and prepare reports with recommendations to be submitted to the General Manager to take the necessary action;
- Suggest inspection and monitoring mechanisms to be conducted by the Fund;
- Follow up the decisions related to the work of the Fund which are issued by the Central Bank of Libya and other relevant bodies.

4- **Studies and Investments Department**

Studies and Investment Department is assigned to prepare studies and researches on the activities relevant to the tasks performed by the Fund; it also manages the investment of the DIF's funds and revenues used in support of the reserves.

The Fund does not distribute profits realized through the available investment tools as per the provisions of the statute and decisions issued by the Board of Directors.

The Department also undertakes the following tasks:

- Prepare field and desk studies and research;
- Monitor the investments and prepare relevant periodical reports;
- Suggest the necessary strategies, plans, mechanisms and programs for the development of the performance of the Fund;
- Analyse and study the economic conditions and indicators as well as the activities of the financial and monetary markets concerned.

5- **Internal Audit Office**

The Office is assigned to conduct audit of transactions, and examine records, documents, registers, instruments and others, to guarantee a high level of confidence in the validity and accuracy of this data.

6- **Legal Affairs Office**

The Office provides legal opinions and consultations on the issues presented to it. It also monitors and takes all legal procedures related to the legal issues of the Fund as well as prepare and draft the decisions issued by the Board of Directors and General Manager in addition to other relevant tasks.

It is worth mentioning that the staffing of the Fund had been developed; the number of the staff reached 30 employees including 22 clerks, and 8 support services staff. The staff were also better qualified and trained ; a number of employees participated in training courses, workshops, symposiums held by specialized institutions in Libya and abroad.

On-the-job training for DIF Staff

Membership

In implementation of the provision of Article 91 of Law no. 1 of 2005 concerning banks and its amendments and in implementation of the provisions of Article 4 of DIF Statute that stipulates that "the membership of the Fund shall include all banks and institutions working in Libya that are licensed to accept deposits" indicating that the membership is obligatory, the number of member banks reached 17 banks till the end of 2014. They are as follows:

Table (1)

Member banks at the Fund

SN	Member banks	Foundation date	SN	Member banks	Foundation date
1	Sahara Bank	1964	10	North Africa Bank	2006
2	Gumhouria Bank	1969	11	Waha Bank	2006
3	Wahda Bank	1970	12	Sarai Bank	2007
4	National Commercial Bank	1970	13	Arab Commercial Bank	2007
5	Commerce and Development Bank	1995	14	United Bank	2007
6	Aman Bank	2003	15	First Gulf Libyan Bank	2007
7	Alejmaa Alarabi Bank	2004	16	Libyan dinars Unit(*)	2008
8	Al Wafa Bank	2004	17	Libyan Qatari Bank	2008
9	Al Mutawasit Bank	2006			

On the other hand, Law no. 1 of 2005 concerning banks, amended by Law no. 46 of 2012 and Article 9/bis/5 stipulates that the membership of Islamic banks in the Fund is confined to demand deposits in those banks taking into consideration that the investment of bank deposits by the Fund should be done separately and in areas that are permissible by Islamic laws.

DIF capital

Article 10/a of the Statue stipulates that the DIF capital shall include the following:

1- 5 million Libyan dinars to be paid by the Central Bank of Libya once the Statute comes into force;
2- Non-refundable subscription fee of 100 thousand dinars to be paid by the member bank on two equal instalments; the first is to be paid within a month and the second within a year of the date the Statute comes into force. The subscription fee shall be paid in one amount by any bank that joins the membership of the Fund after the statute comes into force. The subscription fee shall be considered as part of the DIF capital.

DIF resources

Article 10/b stipulates that the resources should comprise the following:

1- Loans to be obtained by the Fund as per the provisions of the Statute;
2- The annual subscription fees to be paid by member banks to the Fund;
3- Return on investment of DIF funds;
4- Fines imposed on member banks for violation of the Statute or any relevant decisions in implementation of the provisions of Article 91/iv/2 of the Bank Law;
5- Fines imposed by the CBL Board of Directors on member banks violating the Bank Law as per article 101/bis of the said law;
6- Any financial grants or donations provided to the Fund after the approval of the Central Bank of Libya.

Collateralized and uncollateralized deposits

1- Collateralized deposits :

a. Demand deposits (current accounts)
b. Saving deposits (saving deposits)
c. Time deposits (term deposits)

2- Uncollateralized deposits :

a. Deposits in foreign currencies
b. Any sums of money deposited as a security for loans or bank facilities obtained by another person if there is still credit balance out of this money after payment of all commitments relevant to those loans.

3- Ceiling of the guarantee :

- The total amount of deposit, if it amounts to 10 thousand dinars or less;
- Half the amount of the deposit, if more than 10 thousand dinars and does not exceed 100 thousand dinars;
- A quarter of the amount of the deposit, if more than 100 thousand dinars and does not exceed 400 thousand dinars;
- One eighth of the amount of the deposit, if more than 400 thousand and does not exceed one million dinar;
- One tenth of the amount of the deposit, if more than 2 million dinars on condition that the maximum guarantee is 250 thousand dinars.

The Fund is committed to guarantee all deposits in Libyan dinars except for the following:

- Deposits of a bank in another bank;
- Deposits of officials in the bank, namely:
    - Chairman and members of Board of Directors
    - General Manager, his deputy and assistants
- Deposits of persons in charge of auditing bank accounts deposited in the Fund, namely:
    - Director of Internal Audit Department
    - Director of Risk Management and Inspection Department
    - Compliance Unit Manager
    - External Auditor

4- Currency of the guarantee :

The Fund currently guarantees amounts deposited in Libyan dinars only.

Workshop organized by the Fund

Media activity

Through the use of various means of communication and different media, holding symposiums and workshops, and participation in conferences held inside the country and abroad, the Fund seeks to raise awareness regarding the its role in the area of deposit insurance and protection of bank depositors to encourage investments, boost trust in the banking system, and contribute in achieving financial stability in the country. The Fund is also keen on communicating with member banks with the aim to obtain data and information that serve its purposes.

Following are the key activities and communication process conducted by the Fund during the few past years:

1- The Fund launched its website on the internet with the purpose to communicate and interact with the depositors through receipt of their observations and inquires and responding to them in addition to exchange of information and data relevant to DIF activities with member banks.
2- The Fund participated in the Second Bank Exhibition held in Tripoli International Fair held during the period from 2-5 December 2012. It held a workshop with the participation of Arab countries and it was entitled: “Deposits Insurance: visions, objectives and ambitions”, on December 16th, 2012 at Wadan Hotel.
3- The Fund participated in the Third Islamic Financial Services Conference held at the Libyan Academy during the period from 17 till 19 December 2012 in its capacity as a bronze sponsor. The General Manager of Bank Deposit Insurance Fund in Sudan, and the MENA Regional Manager participated in the conference with a paper on insurance of deposits in Islamic banking.
4- The Fund participated in the events of the conference on the Development of Deposit Insurance Systems (features of design and

solution systems) organized by the IADI during the period from 9 - 10 April 2013 at Basel, Switzerland under the auspices of BIS. The Fund was represented in the conference by a member of its Board of Directors and its General Manager. The two DIF representatives seized this opportunity to introduce the Fund to their counterparts from deposit institutions and authorities worldwide through holding a meeting with delegations of 69 participating countries.

5- The DIF General Manager and one of the staff members of the Administrative Affairs and Human Resources Department attended the annual conference and the 13th meeting of IADI held in Buenos Aires, Argentina, during the period from 4 - 7 November 2013.

6- The General Manager , Director of Administration and Secretary of Dif Management Board visited Kenya to attend a workshop organized by IADI in collaboration with the Kenyan School for Monetary Studies at Nairobi during the period from 15 -16 May 2014, and it was entitled: “Designing an Effective Deposit Insurance System”.

7- The DIF General Manager participated in a workshop about setting up the themes of the Fourth Conference for Islamic Financial Services organized by Faculty of Applied and Academic Financial and Administrative Sciences in Libya for Higher Studies, on June 17, 2014.

8- One of the members of the Board of Directors and one of the staff of Accounting and Finance Department attended the events of Safaqis 3rd conference on Islamic Finance held during the period from 16 to 17 June 2014.

9- The General Manager and Secretary of the Board of Directors participated in a high-level seminar on efficiency of interactions in deposit insurance system, which was held in Nairobi, Kenya, on 25 and 26 June 2014.

Financial Activities :

DIF capital

DIF capital reached 6.7 million dinars at the end of 2014. The Central Bank of Libya contributed with 5.0 million dinars and member banks with 1.7 million dinars. The following table shows the development of DIF capital during the period from 2010 to 2014.

Table 2

Development of DIF capital (In dinars)

Year	Amount
2010	6,550,000
2011	6,600,000
2012	6,700,000
2013	6,700,000
2014	6,700,000

DIF resources

Article 10.b of the Statute stipulates a number of items that represent the resources of the Fund. The value of those resources amounted to about 212.9 million dinars by the end of 2014 distributed as follows: subscription fees, fines, investment certificates returns, and lease of the building.

The following table shows the development of the resources of the Fund during the period from 2010 to 2014.

Table 3

DIF resources (in dinars)

Year	Annual subscription fee	Fines (*)	Fines (**)	CDs revenues	Rent of the building	Total
2010	0.000	0.000	734,155	38,151	0.000	772,306
2011	0.000	0.000	367,479	68,646	0.000	436,125
2012	49,438,290	1,344	1,156,048	429,855	0.000	51,025,537
2013	83,673,430	0.000	1,911,255	815,337	0.000	86,400,022
2014	70,336,002	1,870,085	390,000	1,254,613	405,000	74,255,700
Total	**203,447,722**	**1,871,429**	**4,558,937**	**2,606,602**	**405,000**	**212,889,690**

(*) In implementation of Article 91/iv/2 and (**) in implementation of Article 101/ii.

DIF Reserves

Article 18 of the Statute stipulates that the Fund shall form reserves that amount to 3% of the total deposits subject to the provisions of this statute within five years of the date this statute comes into effect. These reserves are formed from the subscription fees collected from member banks, and the surplus of activities achieved during the year after issuing a decision by the Board of Directors in this regard.

As the investment fields available for the Fund are limited and subject to quick liquidation, therefore, the expected revenues shall not be adequate to reach the 3% target within five years.

The total reserves reached from collection of subscription fees and surplus of activities since the establishment of the Fund till the end of 2014 was around 209.6 million dinars. The following table shows this progress during the period from 2010 to 2014.

Table 4

Development of Fund Reserves

(in dinars)

Year	Subscription Fees	Surplus of activities	Total
2010	0.000	615,302	615,302
2011	0.000	149,298	149,298
2012	49,438,290	1,114,048	50,552,338
2013	83,673,430	1,872,335	85,545,765
2014	70,336,002	2,415,961	72,751,963
Total	**203,447,722**	**6,166,944**	**209,614,666**

Annual subscription fees

Article 11 of the Statute stipulates that each bank shall be committed to pay an annual subscription fee as determined by the Central Bank of Libya and shall be reviewed and amended, if needed, by the same bank. The subscription fee is calculated according to the total value of deposits in the bank by the end of December of the former year. Decision no. 34 of 2010 by the Central Bank of Libya was issued regarding the authorization of the CBL Governor to issue two decisions regarding the Fund:

- To determine the annual subscription fee
- To calculate the fine for delay of payment of subscription fees

Decision no.68 of 2011 was issued by the Governor regarding setting the annual subscription fee in the DIF and the fine for delay of its payment. The Decision set the amount of 0.002% of the total deposited liabilities in the member bank.

The said decision exempted the fiscal year 2011 of being subject to this percentage and replaced it with 0.001 % of the total deposited liabilities at the member bank, in view of the conditions that the country went through. The said decision specified the fine imposed on delay of payment of fees to be calculated as per the following equation:

$$\frac{\textit{the rate of deduction} + 1\% \textit{ of the annual fees}}{365} = \text{The value of the fine for each day of delay}$$

Then, Decision no. 44 of 2013 was issued by the Governor concerning the amendment of some of the provisions of Decision no. 68 of 2011 regarding the determination of annual subscription fees. The value of the annual subscription fees in DIF shall be considered to be 70% of the total deposits. This amendment shall enter into force starting the fiscal year 2013. The member banks in the Fund shall be relieved of payment of the annual subscription fees for the year 2011 and any amounts paid for the said year shall be considered as fees for the following fiscal year 2012.

It is worth mentioning that the annual subscription fees is confined to a ceiling of 20 million dinars and a minimum of 50 thousand dinars as per the Decision no. 5 of 2014 issued by CBL Governor.

DIF investments

According to the provisions of Article 17 of the Statute, the Fund shall invest the money it gets from annual subscription fees of the member banks and financial fines imposed on member banks by the Central Bank of Libya and the revenues of investing this money, as per the investment policy set up by its Board of Directors.

The Statute specified the fields of investments and stipulated that this should be through bills issued by the state institutions in Libya and guaranteed bonds including deposit certificates in the Central Bank of Libya and other investments proposed by the Board of Directors and approved by the Governor.

The Fund seeks to utilize its resources in the available investment fields with the aim of boosting its role in enhancing the targeted reserves. In spite of the fact that the Fund is a non-profit organization, the profits realized are not distributed but they are considered part of the surplus of the activities to be carried over from one year to another in support of the reserves of the Fund as per the provisions of Article 91/iii/ of Law no. 1 of 2005 concerning banks and its amendments.

Decision no. 6 of 2012 was issued by the DIF Board of Directors regarding the formation of the Investment Committee to suggest the general policy of investment according to accurately specified controls that would guarantee safeguarding the DIF funds and not entering into any risks that may lead to losses. The Committee embarked on its tasks and it is currently setting up the key foundations of its work in collaboration with the Studies and Investment Department. The following table shows the development of the investments and revenues of the Fund during the period from 2010 – 2014.

Table 5

DIF investments (in dinars)

Item	Investment in CDs	Revenues of CDs	Rent of the Investment (*) building
2010	5,985,078	38,151	0.000
2011	6,982,591	68,646	0.000
2012	60,847,587	429,855	0.000
2013	118,703,371	815,337	0.000
2014	141,665,206	1,099,260	405,000

(*) The fund rented the building as of April 2014

Revenues and expenses

The total revenues of the Fund during the period from 2010 - 2014 reached about 9.5 million dinars while the total expenses spent on various items of expenditure reached around 3.3 million dinars. Thus, the surplus of the activities at the end of 2014 reached around 6.2 million dinars including 2.4 million dinars for 2014 alone.

The following table shows the development of annual revenues and expenses during the period from 2010 to 2014.

Table 6

Development of the DIF revenues and expenses (in dinars)

Year	Revenues	Expenses	Surplus/(deficit)
2010	772,307	157,005	615,302
2011	436,125	286,827	149,298
2012	1,587,247	473,199	1,114,048
2013	2,726,593	854,258	1,872,335
2014	3,948,934	1,532,973	2,415,961
Total	9,471,206	3,304,262	6,166,944

It is worth mentioning that the Fund has not compensated any of its member banks within the framework of bank deposit insurance, due to the fact that none of the working commercial banks in the Libyan banking sector has defaulted, and none of them declared bankruptcy or has been liquidated in the Libyan banking sector that enjoys financial stability and safety.

Meeting of Commercial Banks Managing Directors

Table 7
Key data of member banks (in millions of dinars)

Member banks	Capital	Number of branches by the end of 2014	Total assets by the end of 2014	Deposits which are subject to the provisions of the Law by the end of 2014
Sahara Bank	378.0	57	11,077.6	7,750.0
Gumhouria Bank	1000.0	157	31,514.1	22,261.0
Wahda Bank	432.0	78	12,272.6	8,863.4
National Commercial Bank	500.0	63	15,324.7	10,798.6
Commerce and Development Bank	105.0	36	5,180.0	4,001.7
Aman Bank	100.0	30	2,159.7	1,108.7
Alejmaa Alarabi Bank	57.5	14	949.4	584.6
Wafa Bank	51.9	3	287.7	180.2
Mutawasit Bank	16.5	3	198.5	113.4
North African Bank	349.0	54	2,911.5	1,492.5
Waha Bank	150.0	8	1,503.5	876.5
Sarai Bank	33.3	2	184.9	83.0
Arab Commercial Bank	33.3	2	201.8	90.8
United bank	96.8	12	488.6	301.2
First Libyan Gulf bank	260.0	1	975.6	442.8
Libyan dinars Unit (*)	-	1	9,981.8	9,956.5
Total	**3563.3**	**521**	**95,212.0**	**68,904.9**

(*) Owned by the Libyan Foreign Bank.

Activities and performance of the member banks

The number of commercial banks working in Libya reached 15 banks by the end of 2014 in addition to the Libyan Dinars Unit which is affiliated to the Libyan Foreign Bank. The number of branches and agencies of those banks reached 521. It is worth mentioning that the Libyan Qatari Bank joined the membership of the Fund before it officially started its activities.

Bank concentration

The bank concentration index in Libya through (IHH) Hirschman Index Herfirdahl indicated that there is a high bank concentration due to the fact that Gumhouria Bank took over the largest market share that reached 33.3 % of the total banking sector assets, 33.3% of the total deposits of the sector, and 43.4% of the total banking credit in 2014. As for bank branches, Gumhouria Bank has 30 % of the total branches and commercial agencies.

On the other hand, it has been noticed that there is deposit concentration at the Libyan Dinars Unit affiliated to the Libyan Foreign Bank. One of the deposits represents 85% of the total deposits of this unit and 14.6% of the total deposits of commercial banks. This concentration has its risks on the whole sector. Therefore, individuals and public as well as private institutions should be advised to deal with small and medium- sized banks that enjoy good financial position and good governance.

The commercial banks performance was as follows during the period from 2010 to 2014:

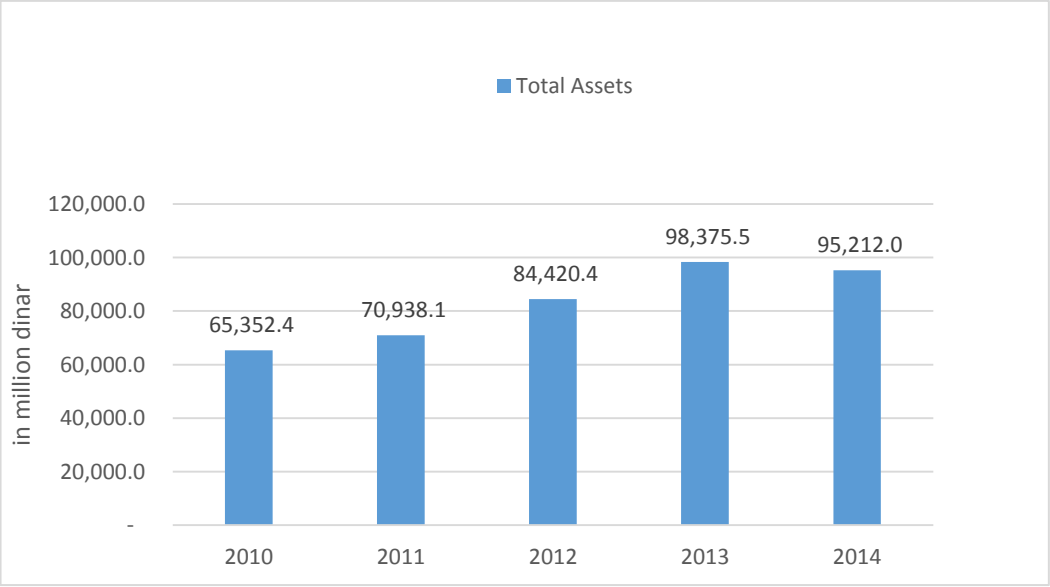
Asset development

The aggregate balance sheet of the commercial banks during the period from 2010 to 2014 registered a remarkable growth of the bank assets that reached 54.7% which amounted to 29.9 billion dinars during the years 2010 - 2013. This asset growth reflected also on the increase of the bank liquidity rate and the volume of bank credit. However, it is noted that the volume of those assets decreased in 2014 against its volume in 2013 by 3.2% to reach 95.2 billion dinars due to the decline in the economic activity and decrease in deposit rates in banks during this year.

Table 8
Bank assets development
(in million dinar)

Year	Total assets	Growth rate %
2010	65,352.4	11.2
2011	70,938.1	8.5
2012	84,420.4	19.0
2013	98,375.5	16.5
2014	95,212.0	3.2-

Figure (1)
Development of total assets



Bank Liquidity situation

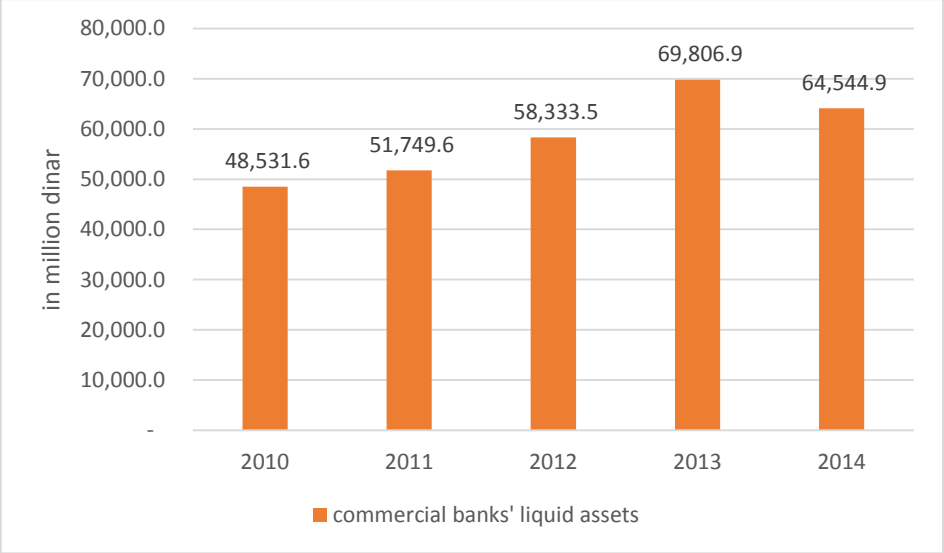
The volume of bank liquidity represented in cash and balances at banks increased to reach 48.5 billion dinars by the end of 2010 which represented 64.5 billion dinars at the end of 2014 with a growth rate of 33%. This is attributed to the huge increase in public expenditure rates during that period and to the fact that the public treasury repaid its debts to the commercial banks. However, it is noticed that the bank liquidity rate decreased during 2014

compared to 2013 with about 5.3 billion dinars for the abovementioned reasons.

Table 9
Development of liquid assets in the banking sector
(in million dinars)

Year	Liquid assets	Growth rate
2010	48,531.6	11.4
2011	51,749.6	6.6
2012	58,333.5	12.7
2013	69,806.9	19.6
2014	64,544.9	7.5 -

Figure(2):development of liquid assets



Bank Credit Development

The volume of loans and credit facilities granted for various reasons increased from 13.0 billion dinars by the end of 2010 to about 20.0 billion dinars at the end of 2014 with an increase of about 7.0 billion dinars and at a growth rate of around 53.8% or annual average of 13.4% as shown in Table 10 below. The majority of this increase is attributed to the Murabaha transactions conducted by commercial banks during the past three years. The ratio of loans and credit facilities to the total assets during 2014 was 21.1%. Furthermore, the ratio of loans and credit facilities to the total deposits was 25.2%. These are low levels indicating that banks utilized their investments in

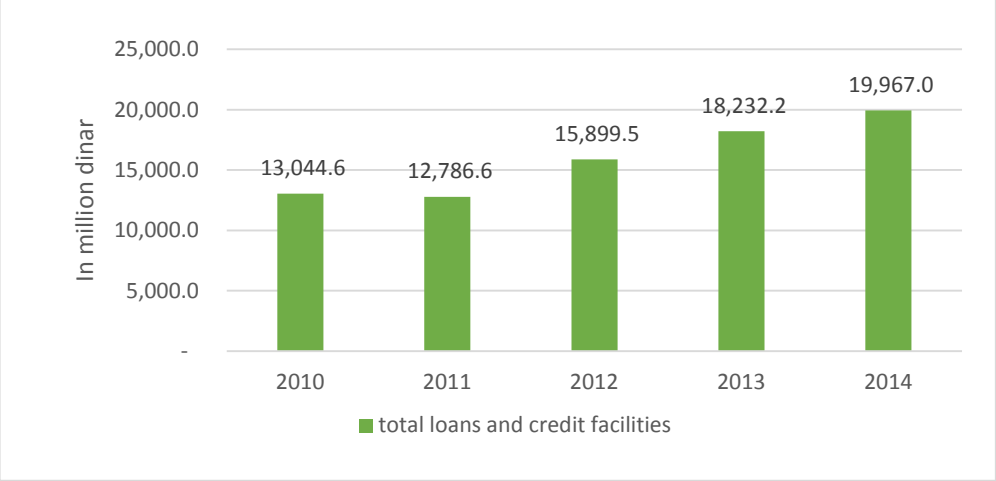
other areas rather than loans and credit facilities due to the high risks accompanying them. This also becomes evident when the banks invest their money in deposit certificates in the Central Bank of Libya as it is a secured investment tool although its interest rate is low.

The ratio of credit to the GDP in 2010 was 14% and 49.1% at the end of 2013 (due to the huge decline in the oil production and the impact on all other sectors). These ratios are very low compared to those in neighbouring countries or other oil producing countries in which the ratio is higher than 60% of the GDP under natural circumstances.

Table (10)
Total loans and credit facilities
(in million dinars)

year	Total loans and credit facilities	Growth rate %
2010	13,044.6	10.4
2011	12,786.6	2.0 –
2012	15,899.5	24.3
2013	18,232.2	14.7
2014	19,967.0	9.5

Figure (3)
Development of bank credit



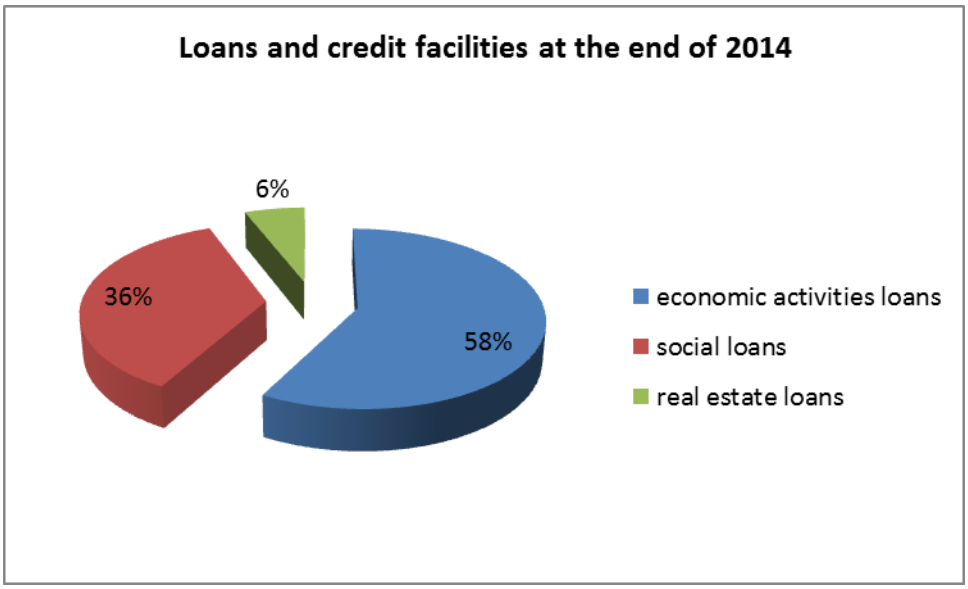
As regards the distribution of the total loans and credit facilities, loans and facilities granted to various economic activities represent 58.4% of the

credit portfolio of banks while social loans (consumer loans) represent 35.9% of the total portfolio. As for real estate loans whose value is continuously decreasing due to the reluctance of banks to grant tis type of loans for a long time now, it only represent 5.7% of the total portfolio.

Table 11
Development of bank credit by purpose
(in million dinars)

Year	Economic activities loans	real estate loans	Social loans	Total	Growth rate
2010	8,086.8	1,187.2	3,770.6	13,044.6	10.4
2011	8,294.7	1,154.7	3,337.1	12,786.6	2.0 –
2012	9,671.8	1,136.4	4,973.5	15,781.6	23.4
2013	11,506.4	1,134.0	6,726.0	17,532.6	14.7
2014	12,748.5	1,134.0	7,218.4	19,967.0	9.5

Figure (4)
Development of loans and credit facilities



Development of deposits:

The balance of deposits at the commercial banks increased during the period from 2010 to 2014 from 55.3 billion dinars at the end of 2010 to 79.1 billion dinars at the end of 2014 with an increase of 23.8 billion dinars and with a growth rate of 43%. The majority of the increase in deposits at commercial banks is attributed to the increase of the deposits of the financial institutions, public and semi-public institutions and authorities as well as the deposits of the private sector due to the expansion of public expenditure and extension of more loans by specialized banks. The demand deposits that were estimated at 56.6 billion dinars at the end of 2014 represented the majority of deposits as they represented 71.5% of the total deposits.

Table 12
Development of demand deposits by sector
(in million dinars)

Year	Government deposits	Public sector deposits	Private sector deposits	Total deposits	Growth rate %
2010	6,077.8	25,396.6	23,838.6	55,313.0	13.6
2011	5,969.1	23,909.6	28,601.4	58,480.1	5.7
2012	6,961.5	28,508.3	32,876.4	68,346.2	16.9
2013	5,789.0	46,849.7	30,924.0	83,562.7	22.2
2014	5,425.2	40,928.0	32,746.5	79,099.7	5.3 –

Figure (5): development of demand deposits by sector

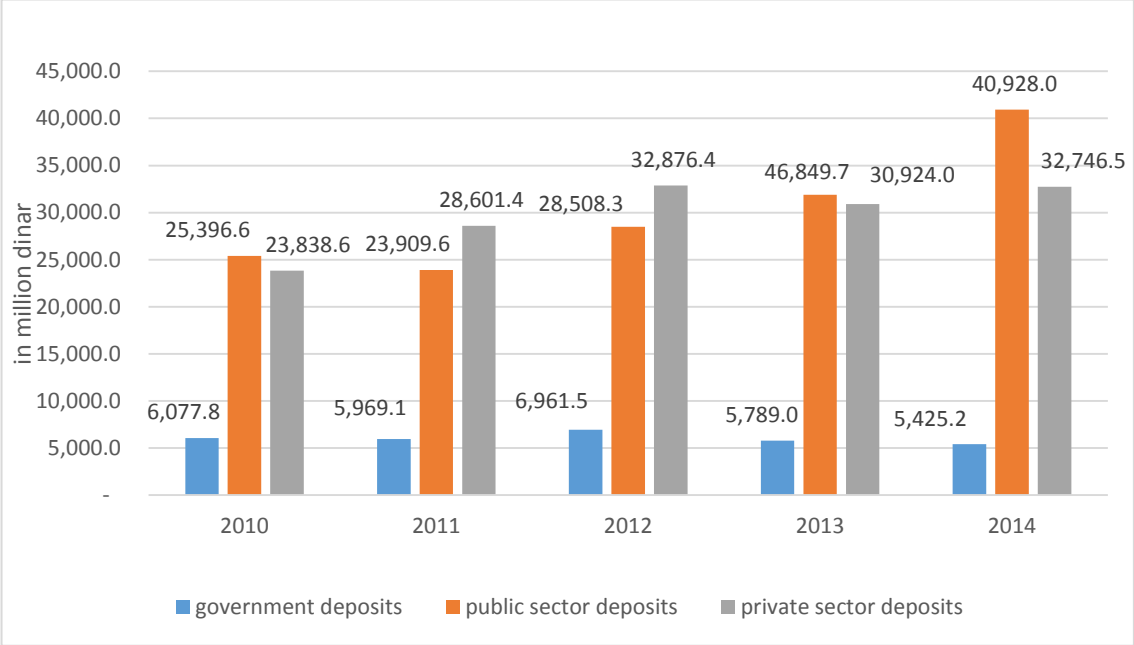
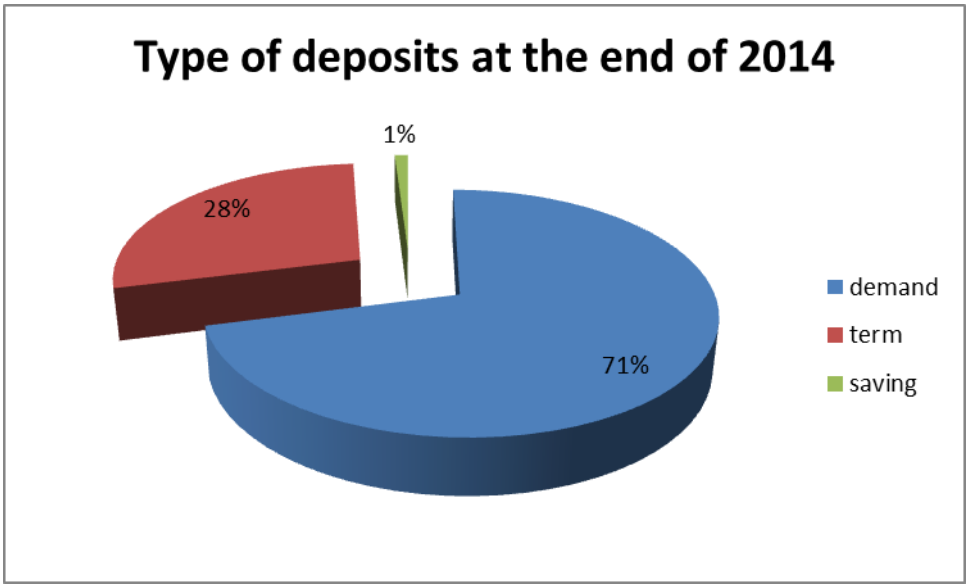


Table 13
Bank deposits structure
(in million dinars)

Year	Demand deposits	Term deposits	Saving deposits	Total deposits
2010	42,338.1	12,231.8	743.1	55,313.0
2011	46,376.4	11,419.8	683.9	58,480.1
2012	54,728.8	11,997.0	705.3	68,346.2
2013	61,834.9	21,064.9	662.9	83,562.7
2014	56,592.8	21,907.1	599.8	79,099.7

Figure (6): Type of deposits



Shareholders' equity

The Shareholders' equity increased in commercial banks during the period from 2010 to 2014 from about 4.5 billion dinars at the end of 2010 to 4.9 billion dinars at the end of 2014 with an increase of 0.4% billion dinars which represents a growth rate of 8.9%. This growth rate is attributed to the profits banks realized which contributed to boost its capital during this period.

Table 14

Development Shareholders' equity at commercial banks

Year	capital	reserves	Total property rights	Growth rate %
2010	3351.2	1166.6	4517.8	23.5
2011	3352.9	1012.3	4365.2	3.4 –
2012	3495.2	1158.1	4653.3	6.6
2013	3550.2	1193.5	4743.7	1.9
2014	3566.6	1332.7	4889.3	3.0

Figure (7): development of Shareholders' equity

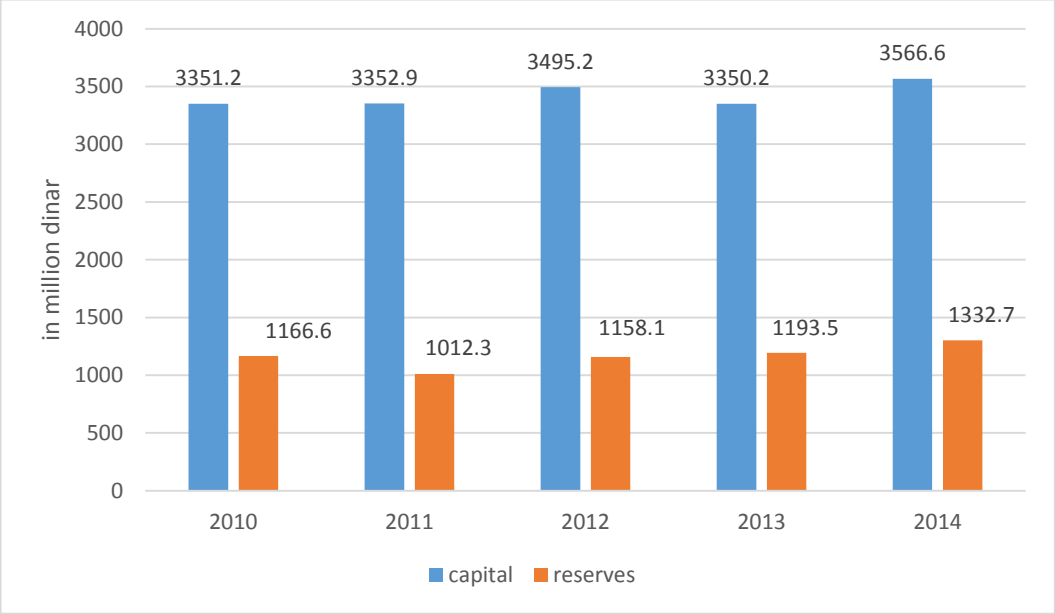


Table 15 shows the development of the percentage of performance indicators of commercial banks due to financial positions and income statements of those banks during the period from 2010 to 2014 which were submitted to Bank Supervision and Cash Department at the Central Bank of Libya and to DIF. It is noticed that in spite of the improvement of performance of some banks in some aspects their performance declined in other aspects.

Money growth

Table 15: commercial banks performance indicators (percentage)

Indicators	2010	2011	2012	2013	2014
Capital indicators: C					
Total capital/ weighted risks of assets %	13.8	13.1	10.7	12.0	11.8
Paid capital/total assets %	5.1	4.7	4.2	3.6	3.7
Shareholders' equity /total assets %	6.9	6.2	5.1	4.4	5.1
Shareholders' equity /total deposits %	8.2	7.5	6.3	5.1	6.2
Quality of assets indicators: A					
Non –performing loans (NPLs)/total assets %	3.4	3.8	4.0	3.9	4.4
NPLs/total loans %	17.2	21.0	21.0	21.0	21.0
Debt provision / total NPLs %	85.0	79.3	70.9	65.2	64.0
Debt provision /total loans %	14.7	16.7	14.9	13.7	13.4
Management efficiency indicators : M					
Loans/total assets %	21.0	18.0	19.1	18.3	21.0
Expenditures/revenues %	50.7	60.3	57.2	62.8	غ . م
Total assets/number of staff %	3.7	4.0	4.7	5.2	5.0
Revenues/number of staff (in million dinar)	92.6	57.6	76.2	73.0	غ . م
Total assets/number of branches (in million dinar)	136.7	147.5	167.9	189.2	182.7
Profitability indicators : E					
Revenue/assets%	1.3	0.6	0.7	0.5	0.3
Revenue/property rights %	15.0	10.0	13.7	12.0	5.4
Revenue/deposits	1.0	0.5	0.7	0.6	0.3
Liquidity indicators: L					
Liquid assets/total assets %	74.3	73.0	68.6	71.0	67.8
Total loans/total deposits%	23.6	21.9	23.6	21.8	25.2
Total deposits/total assets %	84.6	82.4	80.8	84.9	83.1

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Saving money

Table (15)

Balance sheet on 31/12/2014
(in dinars)

Item	2013	2014
Assets		
Active assets		
Cash in-hand and in banks	450,862.206	3,093,444.207
Accounts receivable	21.000	9,942.250
Investment in CDs	118,703,371.479	141,665,206.255
Accrued revenues	1,475,267.161	3,345,860.601
Due subscription fees	14,479,716.000	60,115,833.872
Expenses in advance	0.000	13,205.700
Total active assets	**135,109,237.846**	**208,243,492,885**
Fixed assets		
Buildings	8,067,700.000	8,067,700.000
Equipment and tools "net"	447,022.509	303,220.872
Total fixed assets	**8,514,722.509**	**8,370,920.872**
Other assets	677,046.433	743,413.849
Total assets	**144,301,006.788**	**217,357,827.606**
Liabilities		
Active liabilities	738,304.159	1,043,162.067
Property rights	143,562,702.629	216,314,665.539
Total liabilities	**144,301,006.788**	**217,357,827.606**

Table 17

Income statement for the period
from 1/1/2014 to 31/12/2014

Item	2013	2014
Revenues	**2,726,592.572**	**3,948,933.974**
Penalties	1,911,255.347	2289,320.833
Rental	0.000	405,000.000
CDs interest revenue	815,337.225	1,254,613.141
Minus		
Expenses	**854,257.977**	**1,532,973.016**
Expenses in advance	854,257.977	1,532,973.016
Net income	**1,872,334.595**	**2,415,960.958**

Annex

Libyan Desert

Summary of Core Principles for Effective Deposit Insurance Systems (*)

Principle 1 – PUBLIC POLICY OBJECTIVES

The principal public policy objectives for deposit insurance systems are to protect depositors and contribute to financial stability. These objectives should be formally specified and publicly disclosed. The design of the deposit insurance system should reflect the system's public policy objectives.

Principle 2 – MANDATE AND POWERS

The mandate and powers of the deposit insurer should support the public policy objectives and be clearly defined and formally specified in legislation.

Principle 3 – GOVERNANCE

The deposit insurer should be operationally independent, well-governed, transparent, accountable, and insulated from external interference.

Principle 4 – RELATIONSHIPS WITH OTHER SAFETY-NET PARTICIPANTS

In order to protect depositors and contribute to financial stability, there should be a formal and comprehensive framework in place for the close coordination of activities and information sharing, on an ongoing basis, between the deposit insurer and other financial safety-net participants.

Principle 5 – CROSS-BORDER ISSUES

Where there is a material presence of foreign banks in a jurisdiction, formal information sharing and coordination arrangements should be in place among deposit insurers in relevant jurisdictions.

Principle 6 – DEPOSIT INSURER'S ROLE IN CONTINGENCY PLANNING AND CRISIS MANAGEMENT

The deposit insurer should have in place effective contingency planning and crisis management policies and procedures, to ensure that it is able to effectively respond to the risk of, and actual, bank failures and other events.

The development of system-wide crisis preparedness strategies and management policies should be the joint responsibility of all safety-net participants..

The deposit insurer should be a member of any institutional framework for ongoing communication and coordination involving financial safety-net participants related to system-wide crisis preparedness and management

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(*)Source: The International Association of Deposit Insurers (IADI).

Principle 7 – MEMBERSHIP

Membership in a deposit insurance system should be compulsory for all banks.

Principle 8 – COVERAGE

Policymakers should define clearly the level and scope of deposit coverage. Coverage Policy makers should define clearly the level and scope of deposit coverage. Coverage should be limited, credible and cover the large majority of depositors but leave a substantial amount of deposits exposed to market discipline. Deposit insurance coverage should be consistent with the deposit insurance system's public policy objectives and related design features.

Principle 9 – SOURCES AND USES OF FUNDS

The deposit insurer should have readily available funds and all funding mechanisms necessary to ensure prompt reimbursement of depositors' claims, including assured liquidity funding arrangements. Responsibility for paying the cost of deposit insurance should be borne by banks.

Principle 10 – PUBLIC AWARENESS

In order to protect depositors and contribute to financial stability, it is essential that the public be informed on an on going basis about the benefits and limitations of the deposit insurance system.

Principle 11 – LEGAL PROTECTION

The deposit insurer and individuals working both currently and formerly for the deposit insurer in the discharge of its mandate must be protected from liability arising from actions, claims, lawsuits or other proceedings for their decisions, actions or omissions taken in good faith in the normal course of their duties. Legal protection should be defined in legislation.

Principle 12 – DEALING WITH PARTIES AT FAULT IN A BANK FAILURE

The deposit insurer, or other relevant authority, should be provided with the power to seek legal redress against those parties at fault in a bank failure.

Principle 13 – EARLY DETECTION AND TIMELY INTERVENTION

The deposit insurer should be part of a framework within the financial safety-net that provides for the early detection of, and timely intervention in, troubled banks. The framework should provide for intervention before the bank becomes non-viable. Such actions should protect depositors and contribute to financial stability.

Principle 14 – FAILURE RESOLUTION

An effective failure resolution regime should enable the deposit insurer to provide for
protection of depositors and contribute to financial stability. The legal framework should include a special resolution regime.

Principle 15 – REIMBURSING DEPOSITORS

The deposit insurance system should reimburse depositors' insured funds promptly, in order to contribute to financial stability. There should be a clear and unequivocal trigger for insured depositor reimbursement.

Principle 16 – RECOVERIES

The deposit insurer should have, by law, the right to recover its claims in accordance with the statutory creditor hierarchy.

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