

IADI

International Association of Deposit Insurers



What's New at IADI?

Volume 1, Issue 6
June 2003

October 2003 Conference – Register Early -Space is Limited!



- Second Annual IADI Conference – Program and registration information is now available
- IADI forms Eurasia Regional Committee
- IADI Guidance on Differential Premiums – Coming Soon!
- Financial Stability Form Appoints new Chairman
- Banking Crises from an International Perspective – Remarks of Stefan Ingves at a recent SEDESA Seminar
- Profile on Jamaica Deposit Insurance Corporation

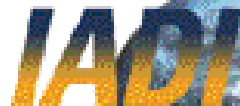
Preparations for the Second Annual IADI Conference are in full swing. The Conference will be held in Seoul, Korea on October 23 and 24, 2003.

The conference program (see special pullout section on page 2) includes presentations on deposit insurance as an integral part of the financial safety net, strategies to promote effective deposit insurance systems, interrelationships among banking safety-net players, and lessons learned from dealing with problem institutions. There will be a special session on IADI's guidance on differential premiums and future challenges for deposit insurance practitioners.

Korea's Deputy Prime Minister & Minister of Finance and Economy Jin-Pyo Kim has been invited to deliver the Keynote Speech for the Conference. Registration forms and the Preliminary Conference Program can be found at: <http://www.iadi.org/html/>.

Conference fees are US\$500 for Members, Associates and Observers of IADI (US\$750 for all others). Registration information can be obtained from Kim Utnegaard at kim.utnegaard@iadi.org.

IADI's Second Annual General Meeting will take place in Seoul at 3 pm on October 22, 2003.



International Association of Deposit Insurers

SHARING DEPOSIT INSURANCE
EXPERTISE WITH THE WORLD

Tuesday October 21st, 2003

09:00 Organizational Meeting
10:00 IADI Regional Committee and
Standing Committee Meetings

Wednesday October 22, 2003

09:00 Executive Council Meeting
12:00 Meeting and Working Lunch of the Training and Conference
Committee **Special Presentation** - "Developing Leaders in Deposit
Insurance Organizations" by David J.S. Winfield, Executive
Director, The Toronto Centre
15:00 IADI Second Annual General Meeting

18:30 Welcoming Reception: **Keynote Speech** by:
In-Won Lee, President & Chairman, Korea Deposit Insurance
Corporation
19:30 Dinner

Thursday October 23, 2003

Second Annual IADI Conference



Effective Depositor Protection: Enhancing Governance Arrangements

Chair: Wonkeun Yang, Executive Director, KDIC
9:00 Opening Session
9:10 **Keynote Address**, Jean Pierre Sabourin, Chair of the Executive
Council and President, IADI
9:30 Session I: Deposit Insurance - An Integral Part of the Financial Safety
Net

"Financial Stability Assessment: Implications for Governance
Arrangements, Stefan Ingves, Director, MEA, IMF
11:00 Session II: Strategies to Promote Effective Deposit Insurance Systems
IADI Country Reports on the Design of Deposit Insurance Systems,
George Hanc, Associate Director, FDIC
12:30 **Speech** "Managing Risk in Turbulent Times", by Jung-Jae Lee,
Chairman, Financial Supervisory Commission and Governor,
Financial Supervisory Service, Korea
14:30 Session III: Key Issues for Deposit Insurers
16:15 Session IV: IADI Guidance on Differential Premiums

19:00 Reception: **Keynote Speech** "Managing Financial Crisis and
Financial Reform in Korea" by: Jin-Pyo Kim, Deputy Prime
Minister & Minister, Ministry of Finance and Economy

Friday October 24, 2003

09:00 Session V: Lessons Learned from Dealing with Institutional Failures.
Presentations by Hajime Shinohara, Deputy Governor, Deposit
Insurance Corporation of Japan **and**
Pongsak Hoontrakul, SASIN Graduate Institute of Business,
Chulalongkorn University, Thailand

11:00 Special Session: **Deposit Insurance: Present & Future**
Future Challenges for Deposit Insurance Practitioners by Wonkeun
Yang
International Deposit Insurance Survey Results and Work Going
Forward by David K. Walker, Director, Policy and International
Affairs, Canada Deposit Insurance Corporation
12:00 IADI Regional Chairs Panel
13:00 Update on IADI Activities by Secretary General J.R. LaBrosse

19:00 Farewell Dinner hosted by Seok-Won Kim, Vice President, KDIC

IADI Eurasia Committee Formed

The Executive Council is pleased to announce that the formation of the **Eurasia Committee** on a recommendation received from **The Household Deposit Insurance Fund of Ukraine** and **CJSC Kazakhstan Deposit Insurance Fund**. Mr. Valeriy I. Ogiyenko, Chief Executive Officer, **The Household Deposit Insurance Fund of Ukraine** has been appointed as the Chair of this Committee.

IADI to Develop Guidance on Differential Premiums

In response to widespread interest, IADI's Research and Guidance Committee has launched work on guidance for differential premium systems. A Business Plan was sent out for comments on the issues to be addressed by a group of experts from Argentina, Brazil, Canada, France, Hungary, Japan, Jordan, Korea, Mexico, Nigeria, Philippines, Ukraine and the USA.

Work is now underway on developing a draft discussion paper, which is expected to be released in the fall of 2003 for review. Any questions or comments on the business plan or work going forward should be sent to David K. Walker (dwalker@cdic.ca).

Banking Crisis from an International Perspective

Stefan Ingves, Director, Monetary and Exchange Affairs Department, International Monetary Fund, gave a speech on banking crises from an international perspective at the Seminar on Financial Safety Nets organized by SEDESA (Seguro de Depósitos Sociedad Anónima) in Buenos Aires on April 8, 2003. You will find his remarks at the following location:

<http://www.imf.org/external/np/speeches/2003/040803.htm>

Looking for Spanish Translations?

Spanish translations of publications from the Committee on Payment and Settlement Systems can be found at the following location: http://www.bis.org/cpss/cpsspubl_es.htm.

Financial Stability Forum

Following consultations within the Financial Stability Forum's (FSF) membership, the G7 Finance Ministers and central bank Governors have confirmed their support for the designation of Roger W. Ferguson Jr. as Chairman of the FSF, for a term of three years. The News Release is available at the following location: <http://www.bis.org/press/p030519.htm>

Mr Ferguson is Vice Chairman of the Board of Governors of the Federal Reserve System. He succeeds Andrew Crockett, who served as the FSF's first Chairman until the end of March 2003.

The Financial Stability Forum was created in February 1999 to promote international financial stability through enhanced information exchange and international cooperation in financial supervision and surveillance. It brings together on a regular basis national authorities responsible for financial stability in significant international financial centers, the international financial institutions, international regulatory or supervisory bodies, and committees of central bank experts.

The FSF's next meeting is planned for September 2003. For further information on the FSF and its membership, see www.fsforum.org.

A report on initiatives of the FSF has been prepared by Serge Jeanneau and it can be found at:

http://www.bis.org/publ/qtrpdf/r_qt0306h.pdf.

IADI/EBRD Seminar on Deposit Insurance

Seminar proceedings from January 29 – 31, 2003 will soon be available on IADI's Web site under the "Resources" area.

Member Profile

In this issue we profile the [Jamaica Deposit Insurance Corporation](http://www.jdic.org), a founding Member of IADI.



<http://www.jdic.org>

JDIC is an independent statutory Corporation responsible to the Jamaican Parliament through the Ministry of Finance and Planning. The Corporation, by legislated mandate, provides protection to small savers and exercises a shared role in safeguarding the country's financial system.

Born out of the financial crisis of the mid-1990's, JDIC was established by an Act of Parliament, the Deposit Insurance Act, 1998, and commenced operations on August 31st of the same year. Prior to the establishment of the Deposit Insurance Scheme (DIS), the system enjoyed an implicit 100% guarantee of savings, and the cost of the bank failures resulted in enormous burden on the public purse.

The provision of explicit and limited deposit insurance coverage by the DIS was one of several system-enhancements aimed at restoring confidence and stability to the financial sector, and encouraging greater system-wide market discipline. The companion measures include significantly strengthened regulatory and supervisory machinery, underpinned by supporting legislation.

The DIS is funded by an initial capital injection of J\$1M from the Government, with all further funds contributed by way of annual premiums collected from member institutions. Member institutions are charged annually a flat rate premium of 0.15% of their insurable deposits (total

deposits less Government and inter-bank deposits). The new rate became effective in November 2002, moving from 0.10%, and followed an increase in the coverage limit from J\$200,000 to J\$300,000, in July 2001. The Corporation is currently examining the feasibility of introducing a risk-based premium system.

Since the establishment of JDIC there have been no failures and the reduction in membership from 35 institutions to the present 19, has resulted mainly from mergers and in a few instances, institutions have surrendered their deposit-taking licences, in response to regulatory enforcement. Consequently, the Deposit Insurance Fund (DIF) has grown steadily without incurring any major liabilities. The Fund's balance at the end of the financial year, March 31, 2003, was J\$793M, and conservatively, is projected to reach J\$1.8B or 1.8% of insured deposits by 2005, providing there are no failures.

JDIC does not have regulatory or supervisory authority so to effectively carry out its mandate the Corporation must work closely with the Bank of Jamaica, which has oversight for all deposit-taking financial institutions. The Corporation is entitled to request and receive from the Central Bank copies of its on-site reports and other relevant information, which relates to the safety and financial soundness of member institutions.

Major Features:

- Compulsory membership for all institutions licensed under the Banking, Financial Institutions and Building Societies Acts.
- Flat rate premium – 0.15% of Insurable Deposits.
- Non-Indexed Coverage limit of J\$300,000 (US\$5,335) per depositor / per institution
- Present authority levels limited to

- payments to depositors in the case of a failure. Legislation for other resolution strategies being pursued.
- Powers to borrow from Government or financial markets to supplement the DIF.

Note: US\$1.00 = J\$56.23 at March 31, 2003



Winston Carr (JDIC), J.P Sabourin (CDIC) and Adolfo Diz (SEDESA) discuss provisions of the IADI statutes at IADI's Constituent Meeting, May 6, 2002.

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This newsletter was issued on June 17, 2003. Want to share your expertise? To submit articles or items for consideration for the next issue please send them to info@iadi.org, by August 1, 2003.