



International Association of Deposit Insurers

## 2009/2010 ANNUAL REPORT

Working Together to Build More  
Resilient Financial Systems

## IADI

International Association of Deposit Insurers

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## Vision

To share deposit insurance expertise with the world.

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## Mission

To contribute to the enhancement of deposit insurance effectiveness by promoting guidance and international cooperation.

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## Objects

To contribute to the stability of financial systems by promoting international cooperation in the field of deposit insurance and to encourage wide international contact among deposit insurers and other interested parties.

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*The Reporting period for this Annual Report covers IADI's financial year from 1 April 2009 to 31 March 2010.*



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## About IADI

*Founded in 2002, the International Association of Deposit Insurers* (IADI or Association) is a non-profit organization constituted under Swiss Law and domiciled at the Bank for International Settlements (BIS) in Basel, Switzerland. IADI contributes to the stability of financial systems by promoting international cooperation in the field of deposit insurance, and encouraging wide international contact among deposit insurers and other interested parties.

The IADI organization is hosted by the BIS, which also supports several other groups that seek to promote national and international financial stability. These organizations include the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, the Central Bank Governance Forum, and the Financial Stability Board (formerly the Financial Stability Forum). The Financial Stability Institute, also located at the BIS, provides training to financial institution supervisors and deposit insurers. These organizations share common goals and similar constituents — including financial supervisors, deposit insurers, and monetary authorities — that participate in country financial safety-nets. These organizations provide resources and services to ensure that countries' financial systems operate effectively, support economic growth, and interact in a global environment increasingly characterized by cross-border interests. Being grouped with similar organizations enables IADI to engage in partnerships and to collaborate to achieve its objectives and increase its value to its Members.

IADI has identified six major goals for the Association. As set out in its statutes, IADI strives to:

- Advance the understanding of common interests and issues related to deposit insurance;
- Provide guidance to enhance the effectiveness of deposit insurance systems and structures;
- Facilitate the sharing and exchange of expertise and information on deposit insurance issues through training, development, and education programs;
- provide advice on the establishment or enhancement of effective deposit insurance systems;
- Undertake research and provide guidance on issues relating to deposit insurance; and
- Take such other actions as may be necessary or useful for its objectives and activities.

IADI is governed by an Annual General Meeting (AGM) of Members and its Executive Council (EXCO). The AGM elects the members of the Executive Council and the officers of the Association, including the President, and Treasurer. At the sixth AGM, held in Kuala Lumpur in November 2007, Mr. Martin J. Gruenberg, Vice Chairman of the Federal Deposit Insurance Corporation (FDIC) in the US, was elected IADI President and Chair of the Executive Council for a term of three years. At the 23rd Executive Council meeting in February 2008, Mr. Mutsuo Hatano, Deputy Governor, Deposit Insurance Corporation of Japan, was appointed by the Executive Council to serve in the newly created position of Vice Chair of EXCO for three years. At the eighth AGM in

September 2009, Ms. Bakhyt Mazhenova, Chairman of the Kazakhstan Deposit Insurance Fund, was elected to serve as IADI Treasurer for three years.

The AGM is responsible for: electing the Association's officers; approving the annual budget and business plans, including the annual fees and initial fund contributions of Participants; approving the IADI Annual Report and audited financial statements; releasing Council members from all responsibility in respect of the past financial year; appointing an independent external auditor; and approving the process for developing guidance to enhance the effectiveness of deposit insurance systems.

EXCO ensures the sound functioning of the Association's affairs, and its responsibilities and powers are defined in the statutes and bylaws of the Association. EXCO is structured as an inclusive organization to ensure maximum participation, and the number of its members is approved by the AGM. EXCO members are elected by the AGM, typically to serve three-year terms.

EXCO establishes committees to support IADI's objectives. There are currently six standing committees and seven regional committees. Terms of reference for each committee are approved by EXCO, and include objectives and responsibilities. For information on EXCO and standing and regional committees, please see the "Leadership" section, which includes organization charts.

### *IADI has grown from 25 founding members to 60 members as of 31 March 2010*

The operations of IADI are managed by its Secretariat, under the direction of the Secretary General. Donald Inscoe, former Deputy Director of Financial Risk Management and Research for the FDIC, was appointed by EXCO on 12 February 2008, and took up the position of IADI Secretary General on 1 May 2008. Mr. Inscoe's term ends on 15 September 2010.

IADI has grown from 25 founding Members to 60 Members as of 31 March 2010. IADI is funded by initial fund contributions and annual fees, which vary depending on the type of Participant. The Bank for International Settlements (BIS) provides IADI's office space and meeting facilities. In addition, the BIS provides valuable support in accounting, legal services, information technology and human resources. IADI also receives significant donations from individual Members for staffing through secondments, sponsoring of meetings, hosting seminars, and other contributions to support the Association's budgeted initiatives. Numerous IADI Participants, including many IADI Partners, have co-sponsored meetings and contributed subject matter experts to address issues related to deposit insurance and financial stability. A list of IADI Participants is included at the end of this report.

As we emerge from an episode of financial instability, IADI will continue to work with deposit insurance organizations and other participants in the financial safety-net to promote international cooperation, contribute to more resilient financial sectors, and maintain depositors' confidence in banks.



## President's Message

This past year has been defined by broad international efforts to respond to the aftermath of the global financial crisis. One of the important lessons of the crisis is that effective systems of deposit insurance are important not only for the protection of individual depositors but for financial stability. Inadequate systems of deposit insurance place individual depositors at risk and can significantly impact public confidence in the financial system as a whole. The International Association of Deposit Insurers (IADI) plays a key role in promoting effective systems of deposit insurance worldwide. Its principle mission has been to lead efforts to establish international standards for the operation of effective systems of deposit insurance and to sponsor training and research to enhance the operations of national deposit insurance systems.

In June 2009, IADI and the Basel Committee on Banking Supervision (BCBS) jointly published the Core Principles for Effective Deposit Insurance Systems. The Core Principles were developed in response to a recommendation of the Financial Stability Forum in April 2008 that "authorities should agree on an international set of principles for effective deposit insurance systems." The Core Principles were subsequently submitted to the Financial Stability Board (FSB), which added them to its Compendium of Standards.

The Core Principles will serve as a valuable benchmark for jurisdictions to use to strengthen existing and develop new systems of deposit insurance. The Core Principles are comprehensive in nature, addressing issues of coverage, funding, powers, membership, cross border cooperation, transitioning from blanket to limited coverage, public awareness, early detection and timely intervention and resolution, reimbursement of depositors, and recoveries on assets. The Core Principles are adaptable to a broad range of country circumstances and reflect lessons learned from the recent crisis regarding the importance of adequate regulatory and supervisory frameworks and resolution procedures for failing institutions.

IADI is now working in partnership with the BCBS, the International Monetary Fund (IMF), the World Bank, the European Forum of Deposit Insurers (EFDI), and the European Commission (EC) on the development of a methodology for assessing compliance with the Core Principles. The Core Principles Methodology is in the final stages of development and is being field-tested in the Czech Republic, Mexico, and India. It is due to be completed by the end of 2010 at which time it will be considered for addition to the FSB's 12 Key Standards for Sound Financial Systems. Once adopted, the Core Principles Methodology is expected to be utilized to assess deposit insurance systems by the IMF in its Financial Sector Assessment Program (FSAP), and by the FSB and the Group of Twenty (G-20) in its peer review of deposit insurance systems.

As we develop the Core Principles and Methodology, we continue to actively expand IADI's membership to facilitate international understanding of the Core Principles and compliance on a global basis. IADI welcomed nine new members during the 2009-2010 fiscal year, including Australia, Azerbaijan, Belgium, Ecuador, Germany, Guernsey, Italy, Paraguay and Switzerland.

Another IADI initiative has been the active development of its training program and training partnership with the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS). IADI has been working closely since late 2008 with the FSI on the joint development of training programs and conferences for deposit insurers, financial sector supervisors, finance ministries, and central banks worldwide. During 2009, IADI entered into a partnership with FSI to provide co-sponsored seminars, conferences and e-learning to IADI Members. Looking forward, IADI expects to work

with the FSI on training opportunities related to the Core Principles for Effective Deposit Insurance Systems and the Core Principles Methodology.

IADI is also pursuing an active research program related to lessons learned from the financial crisis. During the past year IADI, together with the IMF and with the assistance of EFDI, undertook survey research on behalf of the FSB on deposit insurance issues arising from the crisis. As part of these efforts, during 2009, IADI and the IMF prepared a joint memo for the FSB on "Unwinding Temporary Deposit Insurance Arrangements" that identified the actions 48 jurisdictions had taken to enhance deposit insurance systems in response to the financial crisis and actions taken to date to unwind temporary measures and full guarantees. The memo was updated in March 2010 at the request of the FSB. Additional research related to the financial crisis is ongoing under IADI's Research and Guidance Committee.

IADI recently established a Financial Inclusion Subcommittee (FIS) under its Research and Guidance Committee (RGC) in response to a request from the G-20 Financial Inclusion Experts Group (FIEG) for IADI's involvement in the FIEG effort as a standard setter. IADI's FIS has developed a work plan which, among other tasks, calls for a financial inclusion review of the Core Principles to identify areas where additional guidance may be needed. Engagement between IADI's FIS and the G-20 FIEG effort is ongoing, and the FIS has begun discussions with other standard-setters as part of an effort to coordinate their involvement on these issues.

IADI is currently developing an extensive worldwide deposit insurance system database and reporting tool together with the BIS's Monetary and Economics Department (MED). As part of this arrangement, in November 2009, IADI and the MED entered into a memorandum of understanding for IADI to use cBIS, a custom-designed database application owned by the BIS, to manage IADI's survey data on worldwide deposit insurance systems. Both IADI and the BIS benefit from this arrangement since both parties have a common interest in the development of the survey database and the system capabilities for reporting the survey data to member organizations.

All of these initiatives have depended on close collaboration by IADI with our global partners in international financial regulation. The location of IADI's Secretariat at the BIS in Basel, Switzerland has proven to be critical in facilitating collaboration on the Core Principles and Methodology, training, research, and other endeavors with other BIS-sponsored organizations, including the FSB, BCBS, FSI, International Association of Insurance Supervisors (IAIS), and the BIS's MED. The operational, administrative, and financial support IADI receives from the BIS has proven to be essential to the success of all of these efforts.

The term of IADI's current Secretary General, Donald Insoe will conclude in mid-September 2010. IADI's Executive Council has approved Don's successor – Carlos Isoard – to serve as IADI's Secretary General for a three-year term. A founding member of IADI, Carlos has had a distinguished career with the Banco de Mexico and as a Member of the Governing Board of Mexico's deposit insurance agency, Instituto para la Protección al Ahorro Bancario (IPAB). I would like to acknowledge the leadership Don has provided to IADI. He has worked tirelessly and effectively to advance IADI's objectives and has performed in a superb manner. I am confident that Carlos will provide comparably outstanding services as he assumes his position.

Sincerely,

Martin J. Gruenberg  
*President*



## Letter from the Secretary General



The year saw considerable advances being made towards achieving IADI's strategic objectives and in its activities to strengthen the Association and its Members' deposit insurance systems.

These activities were often a response to the global financial crisis of the previous year, and focused on reforming national deposit insurance systems, and interaction with the other financial safety-net participants at the national and international levels.

Nine new Members joined the Association in 12 months, bringing the total to 60 Members on 31 March 2010. These new Members represent several regions, including jurisdictions in Latin America, Europe, Eurasia, and the Asia-Pacific region. The increase in Members is attributable to a number of factors; among the most significant are the growing recognition that providing confidence in banks supports financial stability and contributes to economic growth, and the leadership provided by IADI to implement a set of international standards for deposit insurance, undertake research, and support Members to strengthen national deposit insurance programs.

Altogether during the year, IADI sponsored or co-sponsored 20 events, including national and regional conferences, seminars, executive training activities, EXCO meetings and the AGM. Seminars and conferences focused on the lessons learned from the financial crisis, and ways to strengthen Members' deposit insurance systems to provide for a more resilient financial system. Training and seminars highlighted the operations, processes and technology needed to resolve failing banks and reimburse depositors, to enable faster and more effective payouts, alternative resolutions to minimize costs and manage moral hazard, and best practices to manage deposit insurance funds. E-learning modules were made available to IADI Members and subscribers through a new partnership with the Financial Stability Institute (FSI) through the FSI Connect program. The FSI modules include tutorials on the basics of deposit insurance, systems and practices for managing deposit insurance funds and claims management, and the role of the receiver for failed banks.

IADI's accomplishments were facilitated by resources donated by IADI's Participants – including deposit insurers, and multinational and international organizations – to provide research and implement international deposit insurance standards. IADI's Members sponsored numerous events to examine the underpinnings of the financial crisis and lessons therefrom, support cooperation among deposit insurers and other participants in the financial safety-net, and investigate the implications for strengthening deposit insurance systems, and deliver training to build capacity to improve national deposit insurance systems.

New capabilities were implemented to strengthen IADI as the international deposit insurance authority. These included a collaborative partnership to share a database survey system developed by the BIS. This survey database is being used to collect, validate, and provide information on deposit insurance programs, and to identify and document interventions implemented to strengthen deposit insurance during the financial crisis. IADI's Executive Council also approved a capacity building program, which will provide technical assistance to its Members.

The Secretariat worked with EXCO to undertake initiatives to strengthen corporate governance and IADI's balance sheet. The resources devoted to the Association's strategic initiatives increased significantly, underwritten through increases in revenues and capital – which includes initial fund contributions and the operating surplus. These results were achieved through membership growth, prudent resource management, and contributions from Members and other Participants. In particular, the Secretariat took steps to address unpaid receivables and increase balance sheet transparency. IADI's financial results are published in the enclosed financial statements. Consistent with best industry practices, IADI has implemented a new policy for rotation of its external auditor.

I would like to acknowledge the contributions from our Members and Participants, and the organizations that support IADI and the operations of the Secretariat. The Deputy Secretary General provides overall administration and daily direction to the Secretariat, and acts on my behalf in my absence. The BIS provides office space, administration, IT resources, and contributions to operations. Three IADI Members – the Korea Deposit Insurance Corporation, the Deposit Insurance Corporation of Japan and the Federal Deposit Insurance Corporation – seconded staff. Many Members and other Participants devoted resources that support IADI operations and the Association's strategic objectives.

The Secretariat will undergo a transition in most of its staff next year after 1 April 2010. My two-year appointment has been extended to end on 15 September 2010, and I will remain on board as an Advisor to assist with a transition to the new Secretary General. Working together with the President, Executive Council and Members, we have substantially achieved IADI's strategic objectives set out in the latest Business Plan.

I want to thank everyone for the support provided to me and the Secretariat.

**Don Inscoe**  
*Secretary General*

### Working Together

Events of the last two years have highlighted the importance of collaboration with other national, multinational, and international organizations that contribute to financial stability. IADI has undertaken numerous initiatives to cooperate with these organizations to strengthen deposit insurance systems and provide a responsive leadership role.

A deposit insurance organization (DIO) is one of the key players participating in a country's financial safety-net. These players typically include the central bank, the ministry of finance or treasury, and the bank supervisory and regulatory agency. In support of these relationships, IADI collaborates with its counterpart international organizations, including the Basel Committee on Bank Supervision (BCBS), the Financial Stability Board (FSB), the Financial Stability Institute (FSI), the International Monetary Fund (IMF), the World Bank, and numerous other organizations.

Examples of such collaborations are:

- **Core Principles for Effective Deposit Insurance Systems:** Pursuant to a recommendation by the Financial Stability Forum (the FSB's predecessor), IADI and the BCBS collaborated with the European Forum of Deposit Insurers (EFDI) to publish the first international set of Core Principles for Effective Deposit Insurance Systems in 2009. The Core Principles are designed to serve as a benchmark for jurisdictions to use to strengthen existing deposit insurance systems and develop new systems. During 2009, the FSB included the Core Principles for Effective Deposit Insurance Systems in its Compendium of Standards.
- **Core Principles Methodology:** IADI, the BCBS, the EFDI, the IMF, the World Bank, and the European Commission are jointly working on the development of a methodology to assess the application of the Deposit Insurance Core Principles within a country or jurisdiction. It is anticipated that this effort will be

completed by the end of 2010. Starting in the Spring of 2011, the Methodology will be available to the FSB in its peer reviews or thematic reviews, and the IMF and World Bank will begin to use it for their Financial Sector Assessment Program (FSAP) reviews.

- **IADI research efforts on behalf of the FSB:** IADI is contributing to research efforts related to the financial crisis and deposit insurance issues arising from the crisis. In early 2009, IADI prepared two analyses: "Transitioning from a Blanket Guarantee to An Explicit, Limited-Coverage Deposit Insurance System," and "Convergence in Regulatory Practices in Deposit Insurance." More recently, IADI and the IMF prepared a joint memo on "Unwinding Temporary Deposit Insurance Arrangements," which identified specific actions that various jurisdictions have taken to enhance deposit insurance systems in response to the financial crisis, and actions taken to date to unwind temporary measures and full guarantees.
  - **IADI-FSI joint conferences and training:** IADI is working closely with the FSI on the development of training programs and conferences for deposit insurers, financial sector supervisors, and central banks worldwide. The FSI and the BCBS partnered with IADI to host the 2009 annual conference addressing the Core Principles for Effective Deposit Insurance Systems at the BIS in September 2009. In February 2010, the FSI and IADI co-sponsored a seminar on "Cross-Border Banking Resolution Issues" at the BIS. The annual conference brought together over 200 participants from 80 organizations, and the cross-border seminar was over-subscribed.
  - **IADI-FSI joint development of online deposit insurance tutorials:** IADI and the FSI are engaged in the ongoing development of a series of online tutorials addressing deposit insurance issues. The tutorials will be available via FSI Connect. An e-learning tutorial on "Premiums and Fund Management" was released
- in December 2009. Three additional e-learning tutorials are in development and will be released later in 2010. Plans are underway for the development of a fifth tutorial on the Core Principles in 2011.
- **IADI-BIS collaborative survey database effort:** IADI's Research and Guidance Committee (RGC) is currently developing an extensive worldwide deposit insurance system database with support from the BIS's Monetary and Economic Department (MED). The database and its completion are critical components of IADI's research priorities. As part of this arrangement, IADI and MED entered into a memorandum of understanding in November 2009 for IADI to use cBIS, a custom-designed database application developed by the BIS, to manage IADI's survey data on worldwide deposit insurance systems. Both IADI and the BIS benefit from this arrangement since both parties have a common interest in the development of the survey database.
  - **Other collaborations to achieve the strategic objectives of the Association:** Many organizations support and participate in IADI's regional seminars and conferences, including Associates – usually central banks – and not-for-profit partners. These participants often include local representatives of the organizations listed above, such as the World Bank, IMF, regional development banks, the BIS, and other organizations, including SEACEN, the Financial Services Volunteer Corps, USAID and the US Treasury Office of Technical Assistance. These participants often provide agenda planning, participants, speakers, facilities, and funding. In addition, senior country officials representing central banks, finance ministers, and supervisory bodies often participate in the conferences. Please see Strategic Objectives 2 (Undertake Training and Development) and 3 (Expand and Enhance the Value of IADI Membership) for more information on these collaborative activities.

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## Strategic Objectives

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### Strategic Objectives of the Association

In support of the Association's mission and goals, five major strategic objectives guide its programs and operations. The objectives are:

- Undertake Research and Issue Core Principles and Effective Practices
- Undertake Training and Development
- Expand and Enhance the Value of IADI Membership
- Enhance IADI's Leadership Role in Strengthening Deposit Insurance Systems
- Strengthen the Secretariat to Support the Needs of IADI's Membership and the Objectives of the Association



# Undertake Research and Issue Core Principles and Effective Practices

## Issue Core Principles for Effective Deposit Insurance Systems

In July 2008, pursuant to a recommendation by the Financial Stability Forum, the BCBS and IADI initiated a collaboration to develop an internationally agreed set of core principles for effective deposit insurance using the IADI Core Principles for Effective Deposit Insurance Systems as a basis. A joint working group composed of representatives from the BCBS's Cross-Border Bank Resolution Group and IADI's Guidance Group was formed to develop a set of core principles to be submitted to the BCBS and IADI for their respective review and approval. The consultative document, entitled Core Principles for Effective Deposit Insurance Systems, was published for comment in May 2009 and approved by IADI and the BCBS in June 2009.

The Core Principles are based on IADI research and guidance papers, and on IADI-endorsed guidance developed by several founding IADI Members and other organizations, including the Financial Stability Forum's Working Group on Deposit Insurance in 2001 and the Asia-Pacific Economic Cooperation (APEC) Policy Dialogue on Deposit Insurance in 2005. In developing the Core Principles, IADI drew heavily on the experience of its participant Members, Associates, and Partners. The Core Principles are reflective of, and designed to be adaptable to, a broad range of country circumstances, settings, and structures. The Core Principles are intended as a voluntary framework for effective deposit insurance practices. The FSB welcomed the Core Principles at its inaugural meeting in June 2009.

## Establish a Methodology to Assess Compliance with the Deposit Insurance Core Principles

IADI and the BCBS jointly initiated an effort in 2010 to develop a methodology (Compliance Methodology) to enable self-assessments and third-party assessments of deposit insurance systems using the Core Principles as the standard. This effort is a collaboration with the EFDI and several multinational and

international organizations with an interest in setting or promoting financial stability standards. The IMF is acting as the advisor, by virtue of its experience in performing Financial Sector Assessment Program (FSAP) reviews on financial supervision. Third-party assessments may include those conducted by international institutions such as the IMF and World Bank FSAP, as well as peer reviews of G20 members carried out or sponsored by the FSB. Self-assessments and third-party assessments are conducted with a view to implementing or reforming deposit insurance systems, and strengthening their ability to support financial stability.

In December 2009, IADI, BCBS, EFDI and IMF representatives met in Washington, DC to form a steering committee to develop a Compliance Methodology. The steering committee met with representatives of IADI in Basel, Switzerland in February 2010 and set up four working groups to focus on clusters of Core Principles and specify criteria for measuring compliance with the Core Principles. The working groups' members represent IADI, the EFDI, the BCBS, the IMF, the World Bank and the European Commission. In March 2010, the steering committee met with the working groups in Washington, DC to develop the first draft of essential and additional criteria that could be used to measure compliance with each Core Principle. The draft Methodology will be circulated to Members of IADI, the EFDI and the BCBS for feedback. A copy of the latest draft as of September 2010 is attached in Annex I. After pilot field tests and public consultation, the Compliance Methodology will be submitted to IADI and BCBS members, and subsequently to the FSB by December 2010 for inclusion in the FSB's key international standards.

The Core Principles for Effective Deposit Insurance Systems are currently listed by the FSB in authoritative international standards for financial stability. Once the Compliance Methodology is completed, the Core Principles may be considered for inclusion in the Financial Stability Board's Compendium of Standards for sound financial systems.

## Strategic Plan for IADI Research and Guidance

The IADI serves as a strategic international organization, providing guidance and effective practices related to the core business and operations of deposit insurance systems. In 2008, IADI approved a "Strategic Plan of IADI Research, Guidance and Core Principles" to provide a roadmap to guide the Association and the work of IADI's Research and Guidance Committee. The strategic plan includes a process to identify and initiate research projects, set timelines, and obtain input from IADI's Members and other deposit insurers.

In 2010, the following guidance and research papers were approved for release and publication, following public consultation. Three IADI guidance papers -- "Governance" "Public Awareness" and "Funding" -- were formally released in May 2009.

- Deposit Insurance Coverage (Discussion Paper)

This paper reviews issues in the determination of the level and scope of deposit insurance coverage, and suggests guidance. Key areas addressed include the setting of coverage levels, scope of coverage, adjustment of coverage limits, cross-border issues, coverage of retirement and pension funds, and the emergence of new financial instruments. The importance of effective communication regarding deposit insurance coverage is also stressed.

- Guidance for the Establishment of a Legal Protection Scheme for Deposit Insurance Systems (Guidance Paper)

This paper addresses the importance of statutory indemnification and provides guidance on approaches to ensure that employees of deposit insurers (and those working on the deposit insurers' behalf) receive legal protection against lawsuits for their actions taken in good faith. The lack of

## Undertake Research and Issue Core Principles and Effective Practices

legal protection can reduce deposit insurers' incentives to be vigilant in carrying out their responsibilities, particularly in cases where mandates emphasize early detection, intervention, and closure of troubled banks.

- Organizational Risk Management (Research Paper)

This paper describes the different approaches which deposit insurers currently use to identify, assess, manage, monitor, and report on the risks to which they are exposed. It is directed at countries considering the establishment of a deposit insurance system, or enhancing a system that is already in place.

Two other papers, namely, "Deposit Insurance from Shariah Perspective" and "Deposit Insurance Fund Sufficiency" were completed and released for public consultation.

In addition, in 2010 IADI updated or published research plans for public comment. Research plans provide the background and purpose of the proposed research and the steps and schedule for addressing the work. The following research plans were published on IADI's website in 2010:

- Discussion Paper on Early Detection and Timely Intervention
- Updating the Guidance Paper on Differential Premium Systems
- Discussion Paper on Handling of a Systemic Crisis
- Discussion Paper on Approaches in Designing an Islamic Deposit Insurance System
- Discussion Paper on the Insurability of Islamic Deposits
- Discussion Paper on Cross-Border Deposit Insurance Issues
- Discussion Paper on Public Policy Objectives

- Proposed Research Plan for Developing an Effective Payout System
- Discussion Paper on Transitioning.

### Surveys and Database

In 2009, IADI reached agreement with the BIS on adapting a BIS survey system to collect, validate, and disseminate information to support research on issues related to deposit insurance and financial stability. Adapting the BIS system for IADI's use eliminated development costs and risks, and accelerated its implementation. The 2008 International Deposit Insurance Systems (IDIS) survey conducted by the Canada Deposit Insurance Corporation (CDIC) is the foundation survey. These survey results have been posted on the IADI external website.

In 2009, the Association implemented an end-to-end survey process to ensure the quality of surveys and limit the burden on respondents. In 2010, IADI initiated several new surveys to support its research efforts and requests from Association Members. At the request of the FSB, IADI collaborated with the IMF and EFDI to survey jurisdictions that had enhanced depositor protection in response to the financial crisis, to document the changes adopted, and to obtain information regarding the plans for unwinding the protection as the financial crisis subsided. Additionally, IADI conducted surveys to: identify jurisdictions that have conducted a payout; identify those that either have or are developing payout systems; measure changes to Members' deposit insurance programs resulting from the financial crisis; research issues on transitioning out of blanket guarantees and increased levels or scope of coverage; and determine Members' training needs. The survey of training needs also included input for determining Members' needs as regards capacity building assistance, and how these needs can be met by drawing on the skills of other Members.

All of the surveys will be included in the IADI Members-only database and made available for research on deposit insurance, and for internal research on IADI's operations.

### IADI Advisory Panel for Research and Guidance

IADI has established an Advisory Panel of top experts to provide outside advice and independent reviews of IADI research papers and proposed guidance, through a system of peer review. The Advisory Panel experts have the practical experience to help policymakers implement and maintain effective deposit insurance systems. IADI draws on that expertise and the expertise of others to promote effective deposit insurance systems. The Advisory Panel (detailed in Annex II) provided input to the following papers during the past year:

- Deposit Insurance Fund Sufficiency
- Deposit Insurance Coverage
- Guidance for the Establishment of a Legal Protection System for Deposit Insurance Systems
- Organizational Risk Management (Research Paper)
- Discussion Paper on Cross-Border Deposit Insurance Issues (first draft)



## Undertake Training and Development

### Undertake Training and Development

Training activities based on the Core Principles for Effective Deposit Insurance

Systems have been developed in response to the collective and regional training needs of the IADI Members. IADI is collaborating with other organizations to increase the number of seminars and training opportunities.

Partnerships with the FSI and the South East Asian Central Banks (SEACEN) Research and Training Centre have been established to jointly sponsor seminars/conferences. The FSI and IADI are providing e-learning to Members through FSI's web-based application FSI Connect.

During the fall of 2009, a Member survey was conducted to assess the top priorities for training during the next three years. As a result, seminars are being developed on bank resolution practices, and claims management and reimbursing depositors. The resolutions seminars in 2010 will provide presentations on alternative resolution methods, delivered in multiple locations, and conducted in partnership with IADI Member sponsors and SEACEN.

#### **Eighth IADI Annual Conference on "Core Principles for Effective Deposit Insurance Systems"**

IADI, the FSI, and the BCBS co-sponsored the IADI Annual Conference. This year, the Conference featured presentations on the Core Principles for Effective Deposit Insurance Systems, on 23–24 September 2009, at the Bank for International Settlements in Basel, Switzerland. More than 200 participants from 80 organizations attended the event, including deposit insurers, financial supervisors, central bankers, and multinational and international financial institutions.

The conference was organized to promote the Core Principles and contribute to their adoption and implementation. The event featured presentations by internationally recognized experts, deposit insurance practitioners, regulators, policymakers, and academics. Martin Gruenberg, IADI President and Vice Chairman of the FDIC, provided opening remarks. Nout Wellink, Chairman of the Basel Committee, Jaime Caruana, General Manager of the BIS, and

#### **The following events were sponsored by IADI and its partners during the year:**

FSI-FSVC-IADI Joint Regulatory Seminar on Global Turmoil and the changing Face of Financial Supervision, Amman, Jordan, April 2009;

Claims Management: Reimbursement to Insured Depositors, Washington DC (Arlington, VA), April 2009;

Fourth International Week of Deposit Insurance, May 2009;

Asia-Pacific Regional Committee Annual Meeting and International Conference, The Primary Responsibility of Deposit Insurers in the Case of Bank Failure, Almaty, Kazakhstan, May 2009;

Africa Regional Committee Conference and Seminar on the Role of Deposit Insurance in the Stability of Financial Systems, Mombasa, Kenya, July 2009;

Latin America Regional Committee Meeting and International Conference on the Role of Deposit Insurance in the Current Crisis, Lima, Peru, August 2009;

Claims Management: Reimbursement to Insured Depositors, Istanbul, Turkey, August 2009;

International Seminar on Lessons and Implications in Managing the Global Financial Crisis, Taipei, October 2009;

IADI Annual Conference: The Core Principles for Effective Deposit Insurance Systems (jointly sponsored with FSI and BCBS), Basel, Switzerland, September 2009;

Claims Management: Reimbursement to Insured Depositors, Kuala Lumpur, Malaysia, November 2009;

Seminar on Understanding the Fundamentals of Islamic Deposit Insurance, Kuala Lumpur, Malaysia, November 2009;

Middle East and North Africa Conference and seminar on Enhancing Confidence, Amman, Jordan, November 2009;

Asia-Pacific Regional Committee Meeting and International Conference, Funding of Deposit Insurance Systems, Goa, India, January 2010;

Europe Regional Committee Meeting and Seminar on Payout Systems – Toolkit for Meeting the Challenge of Fast Payout, Prague, Czech Republic, January 2010;

IADI/Financial Stability Institute Cross-Border Seminar, Basel, Switzerland, February 2010;

Deposit Insurance Corporation of Japan Roundtable, Towards an Exit Strategy from the Global Financial Crisis, Tokyo, Japan, March 2010; and

Caribbean Regional Committee Conference on Bank Insolvency in the Caribbean Law & Best Practice, Montego Bay, Jamaica, March 2010.



## Undertake Training and Development

Josef Tošovský, FSI Chairman, were among the keynote speakers.

The Annual Conference highlighted:

- The background to the development of the Core Principles from research conducted by IADI and its participants;
- The role of deposit insurance in protecting depositors, maintaining public confidence, and promoting financial stability;
- Preconditions for supporting an effective system of deposit insurance;
- Individual key elements of deposit insurance;
- The necessity for close coordination and information-sharing among deposit insurers and other financial system safety-net participants.

IADI President Martin Gruenberg noted that he was especially honored to co-host the conference on the occasion of the international rollout of the Core Principles for Effective Deposit Insurance Systems. The creation of the Core Principles reflects the significant role that deposit insurance plays in maintaining financial stability. He further observed that, "Without a doubt, during the course of the crisis, we really came to learn that one of the essential elements is a robust framework for an effective deposit insurance system within the financial safety-net. The effort to develop an international set of Core Principles for Effective Deposit Insurance Systems was prompted by the experiences from this crisis." The Core Principles will help countries strengthen existing systems and aid in the establishment of new deposit insurance systems.

Mr. Gruenberg discussed how the Core Principles were initiated, and commended the efforts of his predecessor, J.P. Sabourin. Mr.

Sabourin's understanding of the importance of deposit insurance led to the groundwork research from which the Core Principles were developed. The research on deposit insurance practices and the documented experience of deposit insurance in past crises enabled jurisdictions to quickly respond to issues arising during the most recent crisis. The need for an internationally agreed set of Core Principles became apparent early in the crisis. While the Core Principles provide the foundation for effective deposit insurance, they also reflect the necessary interaction among all of the participants in the financial safety-net that enables an effective Deposit Insurance System to function. He also paid tribute to the joint IADI-Basel Committee on Banking Supervision (BCBS) working group and other participants for developing the Core Principles.

The conference concluded with a panel on the next steps for establishing the Core Principles for assessing deposit insurance systems, and the increasing role of deposit insurance as a contributor to financial stability.

### *Claims Management: Reimbursement to Insured Depositors*

The IADI training program "Claims Management: Reimbursement to Insured Depositors" was held three times in 2009. The Federal Deposit Insurance Corporation hosted deposit insurance officials from 24 countries in Washington on 21–23 April; IADI and the European Forum of Deposit Insurers (EFDI) co-sponsored a session on 25–27 August in Istanbul, Turkey, hosted by the Savings Deposit Insurance Corporation of Turkey, and welcomed 53 deposit insurance officials from 23 countries; and the Malaysia Deposit Insurance Corporation hosted 54 deposit insurance officials from 30 countries in Kuala Lumpur during the week of 2 November. Discussions focused on claims and recoveries, pre-closing activities, customer communication, paying insuring deposits, and the automated claims process. Representatives from Turkey, Germany, Sweden, the Netherlands, the Philippines, Canada, Mexico, Russia, the UK, and the US gave presentations on practical experiences

in reimbursing depositors and the circumstances unique to each country. Small group discussions and panel presentations included a discussion on the challenges faced by deposit insurers in obtaining accurate depositor information, and the timely payment of deposit insurance claims.

### *FSI – IADI Joint Seminar on Cross-Border Issues*

In February 2010, IADI and the FSI jointly hosted the Seminar on Cross-Border Banking Resolution Issues at the Bank for International Settlements in Basel, Switzerland. More than 60 people participated in the seminar, including IADI representatives, bank supervisors and other deposit insurance officials who are, or will be, responsible for dealing with policy and/or oversight aspects of resolving a banking institution with cross-border operations. The major objectives of the seminar were to share the latest work of the Financial Stability Board and the Basel Committee on cross-border banking resolution issues and the latest work by IADI on cross-border deposit insurance issues, specifically those raised by the crisis.

### *FSI Connect – Deposit Insurance Tutorials*

IADI and the FSI collaborated to develop the following online tutorials on deposit insurance:

- Basics of Deposit Insurance;
- Premiums and Fund Management;
- Deposit Insurance – Reimbursing Depositors – Parts 1 and 2; and
- Liquidation of Failed Bank Assets.

Each IADI Member is provided one subscription license to FSI Connect. The FSI Connect license provides access to over 160 FSI tutorials, on topics including financial institution supervision, risk management, resolutions, and deposit insurance.



**BANKOWY FUNDUSZ  
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**Annual IADI  
Conference and AGM  
Warsaw, Poland**



**Save the Week  
17-21 October 2011**





## Expand and Enhance the Value of IADI Membership

### Expand and Enhance the Value of IADI Membership

Over the year 2009/2010, participation in IADI grew substantially in the wake of the global financial crisis that highlighted IADI's important contribution to the response to the crisis, and the importance of explicit deposit insurance systems in maintaining financial stability and protecting consumers.

Greater participation enhances IADI's scope to achieve its objectives of contributing to the stability of financial systems by promoting international cooperation, and encouraging wide international contact among deposit insurers and other interested parties, in order to realize the Association's vision of "Sharing Deposit Insurance Expertise with the World".

IADI currently has 81 Participants: 60 Members, six Associates, three Observers, and 12 Partners.

In 2009/2010 nine new Members joined our Association:

- Deposit and Financial Instrument Protection Fund (Belgium)
- Guernsey Banking Deposit Compensation Scheme
- Corporación del Seguro de Depósitos – COSEDE (Deposit Insurance Corporation, Ecuador)
- Australian Prudential Regulation Authority (APRA)
- Azerbaijan Deposit Insurance Fund
- Deposit Protection Fund of the Association of German Banks
- Deposit Protection of Swiss Banks and Securities Dealers
- Fondo Interbancario di Tutela dei Depositi (Interbank Deposit Protection Fund, Italy)
- Fondo de Garantía de Depósitos, Banco Central del Paraguay (Deposit Insurance Fund, Central Bank of Paraguay)

Detailed Member Profiles are provided on each of these organizations in Annex III.

IADI Members are encouraged to share their expertise by interacting with deposit insurance organizations worldwide, participating in training programs and global and regional events related to deposit insurance, contributing to various research and guidance papers on cutting-edge deposit insurance issues, undertaking activities in their own jurisdictions during the International Week of Deposit Insurance, and participating in the international exhibition that is held in conjunction with the IADI Annual Conference.

#### IADI Capacity Building Program Initiative

IADI began efforts to share expertise through a program for capacity building (also known as technical assistance). The purpose of the IADI Capacity Building Program is to utilize worldwide IADI Member expertise and, to the extent practical, provide assistance to IADI Participants and deposit insurance schemes concerning deposit insurance, resolution and receivership matters, and other unique expertise of deposit insurance organizations upon request. Capacity building will include the following types of assignments: training assistance, on-site consultation, and advice on implementation/assessment of the DI Core Principles. The IADI training survey has identified Members that have specific expertise to offer. Examples include technical expertise for payout systems, data management, legal issues, and bank resolutions. The initial phase of the program will be launched in 2010/2011 with the introduction of an IADI website for providing information on DI organizations available to provide capacity building services.

#### Regional Committee Annual Meetings, Conferences, Workshops, and Seminars

Each of IADI's Members is assigned to participate in a Regional Committee to reflect common regional cross-border interests. Each region sponsors events to discuss topics of interest to its Members. This year, these events focused on the impact of the global

financial crisis, and implications for deposit insurers and other participants in the financial safety-net going forward. The regional events typically include participants and speakers from within the region, IADI members from different regions, deposit insurers and other organizations that may choose to join IADI, and other national, multinational and international organizations with an interest in financial stability.

#### Global Financial Turmoil and the Changing Face of Financial Sector Supervision in the Middle East and North Africa – Cairo, Egypt

The Financial Stability Institute (FSI), Financial Services Volunteer Corps (FSVC) and the MENA Financial Regulators Training Initiatives (FRTI) co-hosted a seminar for central banks, supervisors and deposit insurers in the Middle East and North Africa (MENA) on "Global Financial Turmoil and the Changing Face of Financial Sector Supervision" on 7-9 April 2009 in Cairo, Egypt.

The seminar provided an interactive forum to discuss the latest events and initiatives in the region, highlighting topics relating to the impact on MENA and its response to the financial crisis. Sponsors from the FSVC and FRTI participated, along with IADI Members from Jordan, Morocco, Sudan, Algeria, and the FDIC. Representatives from non-IADI Members included the Central Bank of Bahrain, Central Bank of Lebanon, Banking Supervision Department of the Palestine Monetary Authority, Qatar Central Bank, Saudi Arabian Monetary Authority, and the Central Bank of Tunisia. Experts from the US Office of the Comptroller of the Currency (OCC), Fortis Bank Belgium, EU Commission, former Chief Counsel OCC, US Federal Reserve, Financial Stability Institute, and Basel Committee on Banking Supervision provided presentations and discussion focused on interactions among financial safety-net participants.

The conference agenda covered the following topics:



## Expand and Enhance the Value of IADI Membership

- Implications of the current turmoil in financial markets;
- Latest developments and responses to the financial crisis in different regions;
- Proposed changes to the Basel II framework in response to the financial crisis, and lessons learnt regarding factors that are causing bank failures; and
- Banks' risk management techniques and the effects of the regulatory framework on supervision levels.

The seminar included panel discussions on macro-prudential assessments for financial stability, stress testing, liquidity risk management and the valuation of financial assets and liabilities. The seminar covered several deposit insurance issues, including the development of Core Principles for Effective Deposit Insurance Systems, different mandates for deposit insurers in the region and the challenges ahead, the role of deposit insurance in the US, and cross-border issues in banking supervision.

### Seventh Asia-Pacific Regional<sup>1</sup> Committee Meeting and International Conference – Almaty, Kazakhstan

The Kazakhstan Deposit Insurance Fund hosted the seventh Asia-Pacific Regional Committee (APRC) Meeting and International Conference on “The Primary Responsibility of Deposit Insurers in the Case of Bank Failure” on 27–29 May 2009 in Almaty, Kazakhstan.

The event was attended by officials from about 70 participants representing 20 countries, including 13 APRC members (Hong Kong, India, Indonesia, Japan, Kazakhstan, Korea, Malaysia, the Philippines, Russia, Singapore, Chinese Taipei, Thailand, and Vietnam), as well as deposit insurers from Bulgaria, Jordan, Poland, Tanzania, and the US. The representatives of the Deposit Protection

<sup>1</sup> The Asia Regional Committee was renamed to Asia-Pacific Region in 2010 to reflect its expanded geographic membership. Please refer to ‘Participants in the Association’ which lists IADI’s members according to regional representation.

Agency and the National Bank of the Kyrgyz Republic as well as the Azerbaijan Deposit Insurance Fund were introduced at the APRC Meeting as observers. Conference speakers also included the Governor of the National Bank of Kazakhstan and the Regional Sector Coordinator of the World Bank Central Asian Regional Office.

The Conference addressed the following topics:

- Mitigation of the global financial crisis and the role of the deposit insurer;
- Claims process and payout mechanisms, including depositors' register preparation; and
- Depositors' access to their deposits in case of bank resolution.

### Fifth Africa Regional Committee Conference and Seminar – Mombasa, Kenya

The Deposit Protection Fund Board of Kenya, on behalf of the Africa Regional Committee, hosted the Fifth Africa Regional Conference on “The Role of Deposit Insurance in the Stability of Financial Systems” on 7–9 July 2009 in Mombasa, Kenya.

The conference was opened by Professor Njuguna Ndungú, Governor of the Central Bank of Kenya, who noted that deposit insurance systems in Africa are undergoing



John Chikura, Africa Region Chairperson

transformations through legislative changes that bring them more in line with international best practices. Professor Ndungú noted that nine states in Africa have established a deposit insurance system, and several more are studying or planning a DIS.

IADI representatives from Kenya, Zimbabwe, Nigeria, Sudan, Tanzania, South Africa, Ghana, Algeria, the US, Canada, Korea, Jordan, and Switzerland attended, including the former Managing Director of the Nigeria Deposit Insurance Corporation, who noted the importance of having effective inter-relationships among safety-net participants to provide strong and stable banking systems and support economic growth, and a representative from the World Bank.

The Conference addressed the following topics:

- Role of deposit insurance in the stability of financial systems;
- Links between financial stability, consumer education, and economic growth;
- Design of an effective deposit insurance system and the IADI/BCBS core principles;
- Role and experience of deposit insurance schemes in the financial safety-net;
- Effective bank failure resolution practices; and
- Impact on countries in the Africa region, and lessons from the recent global financial crisis.

Representatives of other states in Africa with an interest in deposit insurance or supervision included IADI Associate South Africa, Zambia, Lesotho, Swaziland, Ghana, Mozambique, Mauritius, and Ethiopia. Experts from the IMF and the Financial Services Volunteer Corps also participated and provided presentations.

## Expand and Enhance the Value of IADI Membership

### Sixth Latin America Regional Committee and Annual International Conference – Lima, Peru



The Latin America Regional Committee (LARC) and Peru's Fondo de Seguro de Depósitos – Deposit Insurance Fund (FSD) hosted the Committee's sixth Conference and Annual Regional Meeting on "The Role of Deposit Insurance in the Global Crisis" on 20–21 August 2009 at the JW Marriott Hotel in Lima, Peru.

Representatives from Argentina, Brazil, Colombia, El Salvador, Mexico, Paraguay, Peru, and Uruguay participated.

The Conference assembled input from experts on financial stability – including deposit insurers and bank supervisors from the region – in order to have them share among their peers their recent experiences as well as their best practices.

Representatives from the BIS Representative Office for the Americas, the Centro de Estudios Monetarios Latinoamericanos – Centre for Latin American Monetary Studies, and the Inter-American Development Bank also took part in the meetings, sharing with the participants their concern on the repercussions that the financial crisis might have on the international financial

organizations they represent, as well as the changes that are to be undertaken in financial regulation.

The meeting of the LARC on 21 August agreed to establish and update a database with statistical information on each participant in the region, and to identify a research topic of common interest.

### Lessons and Implications in Managing the Global Financial Crisis – Chinese Taipei

This seminar was hosted by the Central Deposit Insurance Corporation (CDIC) in Taipei on 22–23 October 2009. Representatives from the Asia-Pacific Regional Committee (APRC), IADI Members, officials from the BIS Representative Office for Asia and the Pacific, senior officials of financial safety-net players, deposit insurance practitioners and academics, and senior executives of member banks insured by the CDIC participated in the seminar.

The seminar covered several topics related to maintaining financial stability, including:

- Reforming financial regulation in view of lessons from the crisis;
- Financial innovations in the global perspective;
- Major challenges ahead for deposit insurers; and
- Financial risk management in a volatile global environment.

The seminar highlighted the circumstances that led to the financial crisis, and how these events will bring about change in the financial services industry, regulation, and deposit insurance.

### Understanding the Fundamentals of Islamic Deposit Insurance – Kuala Lumpur, Malaysia

The Malaysia Deposit Insurance Corporation (MDIC) hosted the second Islamic Deposit Insurance Seminar on "Understanding the Fundamentals of Islamic Banking and Islamic Deposit Insurance" on 5–6 November 2009, at the Lanai Kijang, Bank Negara Malaysia in Kuala Lumpur, Malaysia. The seminar highlighted the need for deposit insurance designed for Islamic banking.

The seminar was part of the MDIC's efforts, as Chair of IADI's Islamic Deposit Insurance Group, to provide a forum for discussion and facilitate the sharing and exchange of expertise and information on Islamic deposit insurance issues.

Participants included IADI and non-IADI member countries, as well as local participants. Subject matter experts in Shariah and Islamic banking were invited to share their knowledge and experiences in relevant topics.

The Conference addressed the following topics:

- Overview of Islamic banking, including the differences between Islamic and conventional banking operations;
- Introduction to Islamic banking deposit and financing products;
- Unique risks of Islamic banking; and
- Resilience of Islamic finance during financial crises.

Subject matter experts in Shariah and Islamic banking shared their knowledge and expertise, to foster understanding of current practices and issues and contribute to the development of deposit insurance for Islamic banking in relevant jurisdictions.



## Expand and Enhance the Value of IADI Membership

### Second MENA Conference on Enhancing Confidence – Amman, Jordan



The Jordan Deposit Insurance Corporation (JODIC), in cooperation with IADI and the Financial Services Volunteer Corps (FSVC), hosted the second Middle East and North Africa (MENA) Regional Conference on “The Role of Deposit Insurance in Promoting Financial Stability in the MENA Region: Enhancing Confidence” on 18–20 November 2009 at Le Meridien Hotel, Amman, Jordan.

About 120 experts and practitioners from regional and international deposit insurance corporations, the IME, the World Bank and officials from the Arab central banks participated in the conference.

The conference addressed the following topics:

- The impact of the global financial crisis on the economies of the Middle East and North Africa region, and the way in which they responded to the crisis by adopting a number of fiscal, monetary and financial policies. These policies include: cutting interest rates, injecting liquidity into the market, providing financial assistance to banks, and initiating temporary blanket

deposit insurance guarantees such as those in Jordan, the United Arab Emirates and Kuwait.

coverage limits, strengthens the confidence of depositors, contributes to reducing the cost of resolution of a troubled bank, and mechanism to deal with bank failure.

- The conference included a special session about insuring Shariah-based deposits, their definition, objectives, the permissibility of Islamic deposit insurance from the Shariah perspective, Islamic banking distribution in the world and the challenges that are involved.

The conference date was set to precede impending termination dates for blanket deposit insurance guarantees in the MENA region. Participants noted that a coordinated response is needed to maintain confidence and minimize the potential for cross-border capital movements in the region.

- The important role of deposit insurance in enhancing financial stability, protecting small depositors, and strengthening

### Eighth Asia-Pacific Regional Committee (APRC) Meeting and International Conference on Funding of Deposit



#### Insurance Systems – Goa, India

The Deposit Insurance & Credit Guarantee Corporation (DICGC) of India hosted the 8th Annual Meeting of the Asia Pacific-Regional Committee (APRC) – formerly the Asia Regional Committee – followed by International Conference on “Funding of Deposit Insurance Systems” on 18 – 20 January at the Hotel Taj Exotica, Goa, India.

The events attracted over 80 participants from APRC member organizations

confidence in the banking system as a member of the financial safety-net. Many countries in the MENA region are considering the development of a deposit insurance system that specifies the responsibility of the government authorities toward depositors, sets



## Expand and Enhance the Value of IADI Membership

(Bangladesh, Hong Kong, India, Indonesia, Japan, Kazakhstan, Korea, Malaysia, the Philippines, Russia, Chinese Taipei, Thailand, and Vietnam) and other jurisdictions (Azerbaijan, Canada, Kenya and the US). The Azerbaijan Deposit Insurance Fund submitted its application to join IADI as a Member during the conference.

The inaugural address was delivered by Dr. D. Subbarao, Governor, Reserve Bank of India (RBI), which covered various issues pertaining to deposit insurance, including its role during the financial crisis, securing financial stability and future challenges. The keynote address on “Funding of Deposit Insurance Systems” was delivered by Mrs. Usha Thorat, Deputy Governor, RBI and former Chairperson of DICGC. Mr. Subir Gokarn, Deputy Governor of RBI and the Chairman of the Corporation, presented his views on “Financial Development and Deposit Insurance: Some Linkages”. IADI President Mr. Martin Gruenberg provided a global view of deposit insurance and recent efforts toward securing financial stability.

Conference topics included:

- Funding of deposit insurance systems, country experience, and different perspectives and approaches;
- Management of deposit insurance funds, including sufficient fund size, permissible investments, transparency and disclosure; and
- Core Principles for Effective Deposit Insurance Systems, including the guidance on funding.

The Annual Meeting of the APRC included a discussion on the recent developments in IADI, the APRC Country Report, and activities. It was decided that the next APRC meetings will be hosted by the Deposit Insurance Protection Agency (Thailand) in Bangkok, Thailand, in January 2011.

### Seminar on Payout Systems – Toolkit for Meeting the Challenge of Fast Payout – Prague, Czech Republic



The Europe Regional Committee (ERC) and the Deposit Insurance Fund (Czech Republic) hosted the 2010 ERC outreach seminar on “Payout Systems – Toolkit for Meeting the Challenge of Fast Payout” on 28–29 January 2010 at the Czech National Bank in Prague, Czech Republic. The event brought together IADI Members and non-Members in the Europe region, as well as officials from the European Commission.

Sixteen speakers and 50 participants met to share their countries’ experience in operational and technical challenges for paying depositors when a bank is closed by the authorities.

Deposit insurers and central banks participated from Hungary, Russia, the US, Malaysia, Mexico, Sweden, Slovakia, the UK, Italy, Serbia, Turkey, Belgium, Canada, Greece, Armenia, Poland, Croatia, Germany, Lithuania, Romania, Azerbaijan, Estonia, Albania, Slovenia, Norway, the Netherlands, Bulgaria, Portugal, France, the Czech Republic, and Afghanistan.

Many deposit insurers have been taking steps to reduce the amount of time required for a payout. In the European Union, Directive 94/19/EC on DIS was amended on 11 March 2009. The Directive requires deposit insurers to reduce the payout delay to 20 working days

by 31 December 2010. As a result, 27 member states in the EU have started to review or enhance their capabilities to pay depositors.

The conference addressed the following topics:

- Handling a large bank payout with advanced IT solutions;
- Obtaining timely and accurate data on depositor accounts, and “single-customer view”;
- Contingency planning and operational considerations for an accelerated or 20-day payout; and
- Experiences, lessons learned, and best practices in different countries and regions.

The seminar included potential IADI Members for outreach.

### Deposit Insurance Corporation of Japan (DICJ) Fifth Roundtable – Tokyo, Japan

The Deposit Insurance Corporation of Japan (DICJ) hosted the international conference and the fifth DICJ Roundtable on “Towards an Exit Strategy from the Global Financial Crisis” on 3–4 March 2010, at the Hyatt Regency hotel in Tokyo, Japan.

Twenty-three representatives attended from deposit insurance institutions gathered from 13 countries or jurisdictions around the world, including Japan, Hong Kong, Singapore, Chinese Taipei, Malaysia, the US, the UK, and Korea.

Welcoming remarks were provided by Mr. Shunichi Nagata, Governor DICJ, Mr. Katsunori Mikuniya, Commissioner, Financial Services Agency, and Mr. Kenzo Yamamoto, Executive Director, Bank of Japan. National officials represented the DICJ, Financial Services Agency, Ministry of Finance, Bank of Japan, and Agricultural and Fishery Cooperative Savings Insurance. Academics from four universities and two embassies (Thai and British) in Japan also participated.

The conference addressed the following topics:

## Expand and Enhance the Value of IADI Membership

- Transitions from blanket guarantees back to limited coverage levels;
- Re-privatizations of wholly and partially nationalized banks; and
- New regulatory landscape from the viewpoint of the deposit insurer.

Presenters and participants discussed the issues, prospects, and circumstances that will sustain stability in the wake of future financial crises.

### Bank Insolvency in the Caribbean Law & Best Practice – Montego Bay



The Jamaica Deposit Insurance Corporation (JDIC) hosted the Caribbean Regional Committee Conference on “Bank Insolvency in the Caribbean: Law and Best Practice” on 24–26 March 2010, at the Rose Hall Resort and Spa, Montego Bay, Jamaica.

Over 140 policymakers, representatives of the judiciary, legislators, banking and finance professionals, academics and representatives

of multilateral institutions from the Caribbean region, Asia, North America, Europe, and Africa attended.

Experts from the Caribbean region and several other countries, including Canada, Japan, Malaysia, Switzerland, the UK, the US, as well as multinational agencies provided their perspectives on various topics.

The conference addressed the following topics:

- Best practices for efficient and timely resolution of banking crises;

- Containing contagion to provide financial stability;
- International legal framework: institutional preconditions, principal legal issues and cross-border concerns;
- Supervision perspectives for financial conglomerates, College of Insurance

Regulation;

- Deposit insurance as provider of confidence in the financial system; and
- The case for a Lex Specialis for bank insolvency.

Participants included IADI Members, other deposit insurance organizations, government officials from the region, private sector law firms, universities, accounting and consulting concerns, central banks, monetary authorities, financial institution and securities supervisors, the Ministry of Finance, banks, investment companies, the Caribbean Development Bank, judiciaries and law enforcement agencies.



*Antoinette McKain, Chief Executive Officer, Jamaica Deposit Insurance Corporation*



# Enhance IADI's Leadership Role in Strengthening Deposit Insurance Systems

## Enhance IADI's Leadership Role in Strengthening Deposit Insurance Systems

### Collaboration and Cooperation among Participants in the Financial Safety-net

During the year under review, IADI collaborated with other organizations that support financial stability. These organizations have contributed knowledge, experience and financial resources to many events, including the IADI Annual Conference and numerous regional conferences and seminars. IADI Partners and sponsors of activities during the year include the BIS, BCBS, FSI, IMF, World Bank, Financial Services Volunteer Corps (FSVC), SEACEN and US Treasury Office of Technical Assistance.

The IADI has provided leadership and undertaken numerous initiatives to increase international recognition of the importance of deposit insurance systems in maintaining financial stability, and to help policymakers develop and implement effective deposit insurance systems. The following initiatives involved interaction among deposit insurers, financial sector supervisors, and central banks:

- Core Principles for Effective Deposit Insurance Systems and Methodology. Core Principles were published by IADI and the BCBS in June 2009. Subsequently, a collaborative effort was initiated to develop a methodology to evaluate deposit insurance programs for compliance with the Core Principles, to identify weaknesses or opportunities for improvement. Methodology development participants include the BCBS, IMF, World Bank, European Forum of Deposit Insurers, and European Commission;

- Deposit Insurance Core Principles Conference. IADI's Annual Conference in 2009 was co-sponsored by the BCBS and FSI, and hosted by the BIS. It attracted over 200 attendees representing all financial safety-net participants;
- Collaborative research on issues arising from the financial crisis. In early 2009, at the request of the Financial Stability Board, IADI and the IMF, with assistance from EFDI, prepared analyses on Transitioning from a Blanket Guarantee to An Explicit, Limited-Coverage Deposit Insurance System, and Convergence in Regulatory Practices in Deposit Insurance. Later in the year, further work was undertaken to develop a follow-up Unwinding Report on regional efforts to coordinate unwinding efforts and related issues;
- Development of training programs and conferences and online deposit insurance tutorials. IADI has in place a partnership with the FSI to sponsor conferences and provide web-based deposit insurance training. IADI and SEACEN are providing seminars on failed bank resolutions;
- Data on deposit insurance. IADI and the BIS Monetary and Economic Department (MED) have agreed to share a system to collect, validate and disseminate survey data reported by deposit insurance organizations. IADI began using its own copy of this system during the year under review, and several surveys have been entered into the database.

### Deposit Insurance Organization of the Year Award 2009

Each year, IADI recognizes a Member that makes a special contribution to furthering IADI's objectives and international leadership role. The Deposit Insurance Organization (DIO) of the Year Award for 2009 was presented to Mr. Ahmet Ertürk, Chairman of the Savings Deposit Insurance Fund of Turkey (SDIF), in celebration of the SDIF's



important achievements and contributions to furthering IADI objectives.


The SDIF fulfilled its mandate and used its powers to protect depositors, preserve and strengthen public confidence in the Turkish financial system, and promote international cooperation among deposit insurers and other interested parties. The SDIF has a broad mandate of deposit insurance, and significant practitioner experience as a result of the 2000–2001 financial crisis. It implemented a risk-based advanced premium system in 2008.

The SDIF has contributed actively to IADI through its participation in six IADI committees and subcommittees, and has undertaken research in several areas of deposit insurance. In addition, the SDIF hosted the EFDI-IADI joint conference in October 2008, and Claims and Recovery Seminar in August 2009, which enhanced IADI's global credibility and reputation.

Previous recipients of the Deposit Insurance Organization of the Year Award are the Central Deposit Insurance Corporation (Chinese Taipei, 2005), the Canada Deposit Insurance Corporation (2006), the Fundo Garantidor de Créditos (Brazil, 2007), and the Federal Deposit Insurance Corporation (USA, 2008).



# Enhance IADI's Leadership Role in Strengthening Deposit Insurance Systems



**IADI News Release:**  
**International Week of Deposit Insurance Acknowledges Deposit Insurers' Contributions to Support Financial Stability**

Basel, Switzerland 11 May 2009: The International Association of Deposit Insurers (IADI) is announcing the **4<sup>th</sup> Annual International Week of Deposit Insurance from 11 to 15 May 2009**. This year's week recognizes the numerous initiatives taken by IADI and its members to contribute to financial stability by protecting depositors. The week closely follows IADI's seventh anniversary on 6 May 2009, with the theme **"Increasing the Effectiveness of Deposit Insurance."**

"The financial crisis has highlighted the critical role effective systems of deposit insurance play in maintaining public confidence and financial stability, particularly during periods of stress. IADI and its members have worked diligently during this period to strengthen deposit insurance systems around the world. We are particularly pleased to have reached agreement with the Basel Committee on Banking Supervision on International Core Principles for Effective Deposit Insurance Systems."

Steps are being taken by international and national organizations to strengthen deposit insurance systems. Recent international initiatives include:

- On 12 March 2009 IADI and the Basel Committee on Banking Supervision jointly published [Core Principles for Effective Deposit Insurance Systems](#) for public consultation. The Core Principles set an important benchmark for countries to use in establishing or reforming deposit insurance systems.
- On 8 May 2009 IADI released [three guidance papers](#) that provide practitioner experience on key aspects of deposit insurance. These papers were formerly provided as discussion papers, and provide background support for the corresponding *Core Principles*:
  - [Public Assessment of Deposit Insurance Systems](#)
  - [Building a Deposit Insurance System](#)
  - [Seventh Anniversary of Deposit Insurance Systems](#)

**IADI member countries' response to the recent financial crisis**

Numerous reforms or improvements are being initiated by countries in response to the crisis to strengthen their deposit insurance systems and provide financial stability. Worldwide, at least 27 countries have increased coverage limits, and 18 have introduced a temporary blanket guarantee to fully protect most depositors.

Many IADI members have requested or have been authorized – through law or regulation – to improve their ability to protect depositors and provide financial stability. These actions often reflect experiences from previous crises or lessons learned from responsive policy actions. Going forward, IADI and its Members will work with international organizations and national safety net participants to further improve existing schemes and coordinate transitions from blanket guarantees to explicit limit coverage when financial stability returns.

The International deposit insurance week will be followed by other events co-sponsored by IADI with other organizations that promote international financial stability. **IADI's Eighth Annual Conference and General Meeting** will take place in Basel Switzerland on 23 – 24 September 2009. The Annual Conference will be co-sponsored by the Financial Stability Institute and the Basel Committee on Banking Supervision, with the theme, **"Core Principles for Effective Deposit Insurance."** The conference will bring together leading experts to provide a forum to consider the roles of Core Principles in supervision and deposit insurance, necessary prerequisites for effective systems, and individual principles and practitioners experience.

IADI is a non-profit organization headquartered at the Bank for International Settlements in Basel, Switzerland. IADI has 52 Members, 6 Associates, 5 Observers, and 12 Partners. IADI aims to contribute to the stability of financial systems by promoting international collaboration among deposit insurers and encouraging wide international contact among deposit insurers and other interested parties.

For more information, please contact:

Don Inscoc, Secretary General  
[don.inscoc@iadi.org](mailto:don.inscoc@iadi.org)  
 +41 61 280 9931

Kim White, Deputy Secretary General  
[kim.white@iadi.org](mailto:kim.white@iadi.org)  
 +41 61 280 9933

For information on IADI and its participants, please see IADI's website: [www.iadi.org](http://www.iadi.org) and [http://www.iadi.org/profiles/IADI\\_English\\_Profile-31\\_March\\_2009.pdf](http://www.iadi.org/profiles/IADI_English_Profile-31_March_2009.pdf)

[List of IADI Members](#)

[Countries with deposit insurance systems](#)

## Fourth Annual International Week of Deposit Insurance

The fourth Annual International Deposit Insurance Week took place on 11–15 May 2009, with the theme "Increasing the Effectiveness of Deposit Insurance". This

regulation, to improve their ability to protect depositors and provide financial stability. These actions often reflected experiences from previous crises or lessons learned from responsive policy actions. Going forward, IADI and its Members will work with international organizations and national

which amended the Philippine Deposit Insurance Corporation Amendments charter, increasing deposit insurance coverage to PHP 500,000 (USD 10,537) from PHP 250,000 and providing the deposit insurer with enhanced authority to carry out its mandate effectively. "The increase in the maximum deposit insurance coverage from PHP 250,000 to PHP 500,000 is a means to encourage our depositors to remain confident in our banks", PDIC President José C. Nograles said.



year's Week recognized the numerous initiatives taken by IADI and its Members to contribute to financial stability by protecting depositors. The week closely followed IADI's seventh anniversary on 6 May 2009.

Many IADI Members have expressed a desire, or have been authorized through law or

safety-net participants to further improve existing schemes and coordinate transitions from blanket guarantees to explicit limit coverage when financial stability returns.

The Philippine Deposit Insurance Corporation (PDIC) celebrated the Week with President Gloria Macapagal-Arroyo signing into law Republic Act No. 9576,

The Malaysia Deposit Insurance Corporation (MDIC) launched their public education campaign and conducted briefings for the media to create more awareness about the deposit insurance program and its crucial role in contributing to financial stability by protecting depositors.



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## Enhance IADI's Leadership Role in Strengthening Deposit Insurance Systems

Mexico's Instituto para la Protección al Ahorro Bancario (IPAB) continued its financial literacy program, in collaboration with the Ministry of Finance, the Financial Services Ombudsman, the Bankers' Association, the Interactive Museum of Economy and several commercial banks. The focus has been on promoting a savings culture and the main characteristics of deposit insurance. The goal is to generate certainty among small and medium-sized depositors about the availability of financial resources, and thereby contribute to the enhancement and stability of Mexico's banking system.

The Bulgarian Deposit Insurance Fund (BDIF) published an announcement on its website recognizing the International Week. It also started distributing its revamped Introductory Leaflet for Depositors and posted on its website an excerpt (in Bulgarian and English) from the Core Principles for Effective Deposit Insurance Systems. The excerpt, including the 18 Core Principles, was subsequently distributed widely along with the BDIF 2009 Annual Report.

*Interventions to provide stability during the financial crisis.* Numerous international and national organizations have taken steps to strengthen deposit insurance systems. Moreover, reforms or improvements have been initiated by several countries in response to the crisis to strengthen their deposit insurance systems and provide financial stability. Worldwide, at least 29 countries have increased coverage limits, and 19 have introduced a temporary blanket guarantee to fully protect most depositors.



# Strengthen the Secretariat to Support the Needs of IADI's Membership and the Objectives of the Association

## The Secretariat and its Staffing

The BIS hosts IADI at the BIS headquarters located in Basel, Switzerland, under a hosting agreement. The BIS-IADI hosting agreement was renewed and extended to provide an ongoing arrangement for IADI to interact with other organizations located at the BIS that contribute to financial stability.

The hosting agreement provides facilities and other support for five full-time staff at the BIS. The Secretariat is composed of the Secretary General, Deputy Secretary General, and up to three senior policy analysts. The Korea Deposit Insurance Corporation (KDIC) and the Deposit Insurance Corporation of Japan (DICJ) each sponsor a senior policy analyst. The senior policy analysts are appointed to serve two-year terms. A third position is offered to Members.

## Continuity of Operations

*Staff transition to take place in the 2010/2011 financial year.* The Secretariat staff continues to work with IADI Participants and sponsors to ensure that the operations address the needs of its Members. In the 2007/2008

financial year, two senior policy analysts were seconded to IADI by the Korea Deposit Insurance Corporation (KDIC) and the Deposit Insurance Corporation of Japan (DICJ) for two-year terms, ending in the second quarter of 2010. Each sponsor is expected to provide replacements during the 2010/2011 financial year. A strategy has been put in place to transfer the work to new senior policy analysts and a new Secretary General. An overlap of terms is planned for the senior policy secondees. Website maintenance is being formalized in an operations manual, and the other work performed by the senior policy analysts is well documented. The Secretariat is organizing its quarterly deliverables and annual statutory obligations for ease in the transition to prepare for the new Secretary General and secondees.

*Operations Review.* An evaluation of the Secretariat was performed to improve the operations and functioning of the Secretariat, and work assignments. The evaluation considered allocation of work, website arrangement, and consistency among Standing and Regional Committee Terms of Reference.

*Communicating with Members.* Member communications is a high priority for the

Secretariat, in order to keep Members and other interested parties informed of IADI activities and events. During the year under review, the Secretariat published four Newsletters which announced future IADI-sponsored events, and provided information on initiatives and on Member's activities. Newsletters are announced by e-mail and published on the website.

## Use of Technology in Furthering IADI's Objects

The Association's business and affairs are increasingly conducted via the internet. This approach enables more frequent discussions without the need for additional physical meetings and the associated costs in terms of both time and travel. Several Committees have made use of the technology for electronic meetings. The Association's website [www.iadi.org] is an important tool used by Members and other Participants. This year, the internal Members Only website was enhanced to provide a complete archive of IADI's internal documents, and to organize materials to allow more efficient updating of internal work in progress, and to enable Members to more quickly locate historical materials and governance documents, including Committee Terms of Reference, and new or updated policies.



# Leadership

## Leadership and Governance

The Association is managed by the President and the Executive Council (EXCO). The President and EXCO members are elected by IADI's Members at the Annual General Meeting. EXCO members are typically elected to serve three-year terms; each person's term on the Council is limited to six consecutive years. Currently, EXCO is composed of up to 22 members as approved by Association Members.

### President of the Association and Chair of the Executive Council

Martin J. Gruenberg, the Vice Chairman of the FDIC, was elected Chair of EXCO and President of IADI for a three-year term at the sixth Annual General Meeting held in Kuala Lumpur, Malaysia, on 2 November 2007. Mr. Gruenberg became Vice Chairman of the FDIC in 2005, and served as Acting Chairman from 15 November 2005 to 26 June 2006.

Prior to joining the FDIC, Mr. Gruenberg played an active role in the development of US banking and financial services industry legislation in the US Senate. He served as Senior Counsel on the staff of the Senate Committee on Banking, Housing, and Urban Affairs; he has also served as Staff Director of the US Senate Banking Committee's Subcommittee on International Finance and Monetary Policy.

### Vice Chair of the Executive Council

At the February 2008 EXCO meeting in Basel, Switzerland, the Council approved a new position – Vice Chair of EXCO – and appointed Mutsuo Hatano, Deputy Governor, Deposit Insurance Corporation of Japan (DICJ), to the position. Prior to his appointment at the DICJ, Mr. Hatano held senior positions in banking and corporate finance. Having a Vice Chair provides EXCO

with an experienced leader ready to act in the absence of the EXCO Chair.

### Treasurer of the Association

Bakhyt Mazhenova, Chairman of the Kazakhstan Deposit Insurance Fund (KDIC), was elected IADI Treasurer at the eighth Annual General Meeting held in Basel, Switzerland, on 24 September 2009 for a three-year term. Ms. Mazhenova previously completed six years of service on EXCO ending on 24 September 2009. This is her second, consecutive three-year term as Association Treasurer.

Prior to joining the KDIC, Ms. Mazhenova held senior positions in the National Bank of Kazakhstan and as Deputy Chairman and Head of the Treasury Department of the Central Asia Bank for Cooperation and Development.

### Composition of the Executive Council

Several changes in the EXCO membership became effective at the eighth Annual General Meeting in Basel, Switzerland on 24 September 2009. The AGM approved an EXCO recommendation to maintain the number of Council positions, which was set at 22 at the previous meeting on 29 October 2008, until the next AGM in 2010, reflecting the regional composition and interests of the Association.

The following members of the 2008–2009 EXCO concluded their terms on 24 September 2009 due to term limits or other circumstances:

- András Fekete-Győr, Deputy Managing Director and Chief Economist, National Deposit Insurance Fund of Hungary
- Bisser Manolov, Chairman of the Management Board, Bulgarian Deposit Insurance Fund
- Antoinette McKain, Chief Executive Officer, Jamaica Deposit Insurance Fund

The following members were elected to EXCO on 24 September 2009 to serve terms up to three years:

- Kakai Cheloti, Director, Deposit Protection Fund Board, Kenya
- Junior Frederick, General Manager, Deposit Insurance Corporation, Trinidad & Tobago
- Sung Hwan Bae, Executive Vice President, Korea Deposit Insurance Corporation
- H.N. Prasad, Chief Executive Officer, Deposit Insurance and Credit Guarantee Corporation (India)
- Josef Tauber, Chairman of the Board of Administration, Deposit Insurance Fund (Czech Republic)

The following members of the 2009–2010 Executive Council concluded their EXCO service due to retirement, reassignments within home country organizations, or other circumstances during the year ending on 31 March 2010:

- Kakai Cheloti, Director, Deposit Protection Fund Board, Kenya
- Ahmet Ertürk, Chairman and President, Savings Deposit Insurance Fund of Turkey
- Junior Frederick, General Manager, Deposit Insurance Corporation, Trinidad & Tobago
- Małgorzata Zaleska, President of the Management Board, Bank Guarantee Fund (Poland)

The following members of the 2009–2010 Executive Council concluded their EXCO service due to retirement or other circumstances after 31 March 2010:

- Loretta Minghella, Chief Executive, Financial Services Compensation Scheme (UK)
- Guy Saint Pierre, President & CEO, Canada Deposit Insurance Corporation

The following Designated Representatives were appointed to serve on the Executive Council until the 2010 AGM:

- Earl Boodoo, General Manager, Deposit Insurance Corporation, Trinidad & Tobago
- Ridvan Çabukel, Deputy President, Savings Deposit Insurance Fund of Turkey
- Rose Detho, Director, Deposit Protection Fund Board, Kenya
- Alex Kuczynski, Interim Chief Executive, Financial Services Compensation Scheme (UK)
- Jerzy Pruski, President of the Management Board, Bank Guarantee Fund (Poland)

## Secretary General

The Executive Council approved the appointment of Donald Inscoc (former Deputy Director of Financial Risk Management and Research, FDIC) on 12 February 2008, for a two-year, full-time term. Mr. Inscoc became Secretary General on 1 May 2008. His term has been extended to provide for a transition when the new Secretary General takes over in the 2010/2011 financial year.

The responsibilities of the Secretary General are set out in the IADI Statutes, and include:

- Acting as Secretary to EXCO;
- Managing the Secretariat and providing services to the Association;
- Processing applications for participation in the Association;

- Maintaining appropriate records and registers of Participants; and
- Executing other functions assigned by EXCO.

Mr. Inscoc is employed by the BIS on a full-time basis on behalf of IADI, and his office is located at the BIS offices in Basel, Switzerland. He reports to the IADI President. Having a full-time Secretary General posted at the BIS enables IADI to interact more extensively with other safety-net organizations that conduct activities through the BIS. The European location is central to the Association's Member countries, and enables the Secretary General to participate in regional activities of the Association.

The Secretary General is supported by the Deputy Secretary General, Kim White, who has been employed by IADI since 2002, and has served as Deputy since 2004.

## Corporate Governance and Policies

The Secretary General is responsible for reviewing the statutes and bylaws, and leads initiatives to update policies for the management of the Secretariat and Association.

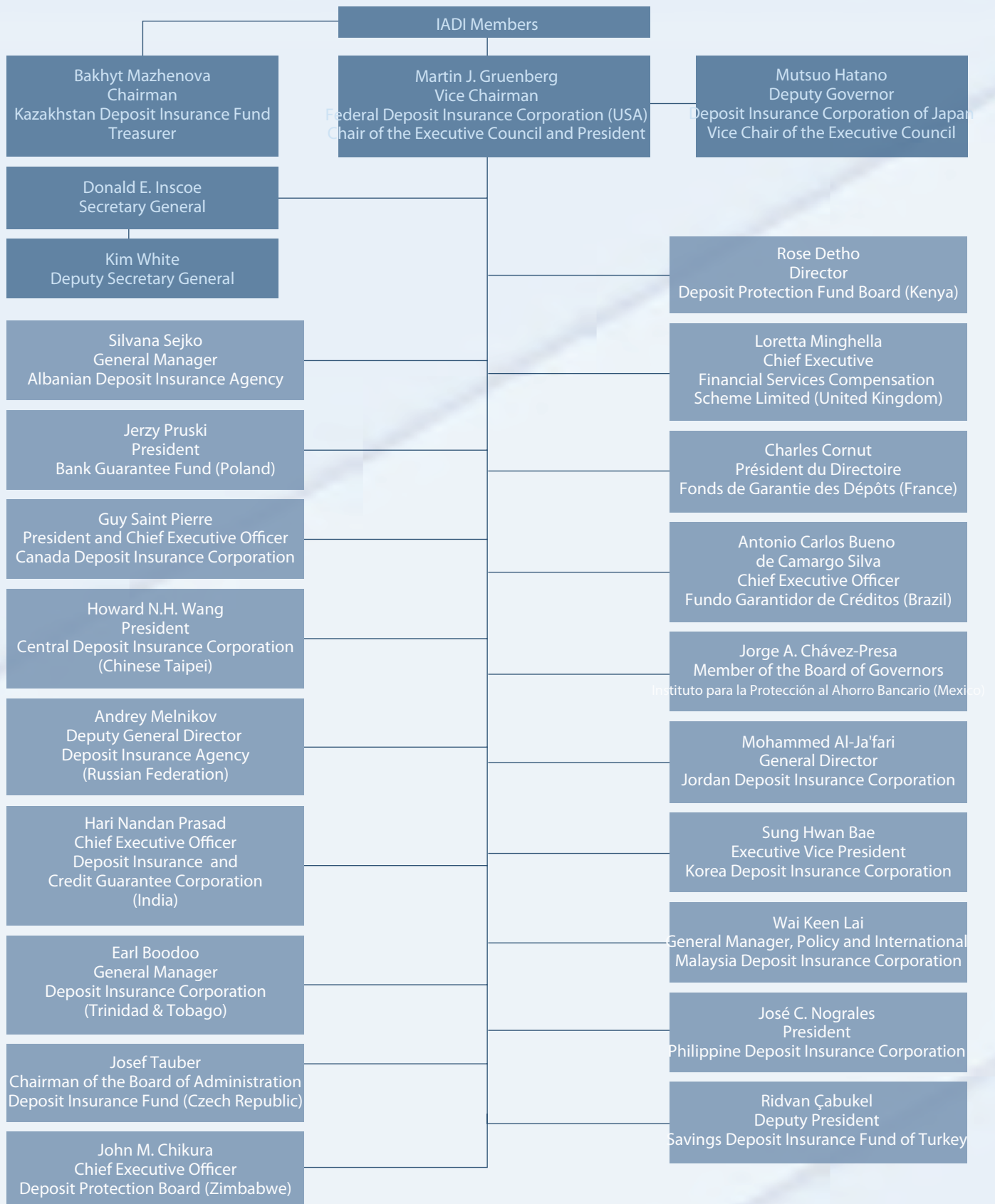
The following activities during 2009/2010 were undertaken by the Secretariat with support from Members, and with the requisite approvals from EXCO and the AGM:

- Bylaw review and update. This year, EXCO approved several changes to the bylaws to align or clarify statute amendments implemented in the previous year, recognized the role of the Vice Chair, and clarified the Council's role in establishing and terminating committees.
- Statute amendment. The number of for-profit organizations participating

in IADI has been declining, and fell to three such organizations in the current year. The EXCO agreed that, while such organizations may attend IADI events open to the public, it was not appropriate for IADI to accept financial contributions from such organizations as "Observers". Upon the recommendation of EXCO, at the September 2009 AGM Members approved a change to the statutes to remove for-profit entities from the Observer category.

- Initial fund contributions. New Members are required to pay a non-refundable initial fund contribution to join IADI. Annual fees and initial fund contributions are recommended by EXCO for AGM approval, currently CHF 11,390. The initial fund contribution is paid in installments. EXCO approved a recommendation of the Membership and Communications Committee to allow new Members an option to defer the first installment and pay the full initial fund contribution over a three-year period.
- External auditor rotation. The AGM approved a policy for periodic rotation of external auditors at its October 2008 meeting. A new audit partner – Ernst & Young, Global Partners Ltd. – was approved to audit the financial statements as of 31 March 2010.

## Executive Council as of 31 March, 2010





## Standing Committees

### Audit Committee

Chairperson: José C. Nograles  
*Philippine Deposit Insurance Corporation*

Ridvan Çabukel  
*Savings Deposit Insurance Fund of Turkey*

Earl Boodoo  
*Deposit Insurance Corporation (Trinidad and Tobago)*

Rose Detho  
*Deposit Protection Fund Board (Kenya)*

Maria Fres-Felix (Observer)  
*Philippine Deposit Insurance Corporation*

Hari Nandan Prasad  
*Deposit Insurance and Credit Guarantee Corporation (India)*

Mutsuo Hatano (Observer)  
*Deposit Insurance Corporation of Japan*

### Governance Committee

Chairperson: Martin J. Gruenberg  
*Federal Deposit Insurance Corporation (USA)*

Mohammed Al-Ja'fari  
*Jordan Deposit Insurance Corporation*

András Fekete-Győr  
*National Deposit Insurance Fund of Hungary*

Fred S. Carns  
*Federal Deposit Insurance Corporation (USA)*

Mutsuo Hatano  
*Deposit Insurance Corporation of Japan*

Jorge A. Chávez-Presa  
*Instituto para la Protección al Ahorro Bancario (Mexico)*

Earl Boodoo  
*Deposit Insurance Corporation (Trinidad and Tobago)*

John Chikura  
*Deposit Protection Board (Zimbabwe)*

Yvonne Fan  
*Central Deposit Insurance Corporation (Chinese Taipei)*

José C. Nograles  
*Philippine Deposit Insurance Corporation*

Andrey Melnikov  
*Deposit Insurance Agency (Russian Federation)*

### Finance and Planning Committee

Chairperson: Mutsuo Hatano  
*Deposit Insurance Corporation of Japan*

Fred S. Carns  
*Federal Deposit Insurance Corporation (USA)*

Andrey Melnikov  
*Deposit Insurance Agency (Russian Federation)*

José C. Nograles (Observer)  
*Philippine Deposit Insurance Corporation*

Charles Cornut  
*Fonds de Garantie des Dépôts (France)*

András Fekete-Győr  
*National Deposit Insurance Fund of Hungary*

Silvana Sejko  
*Albanian Deposit Insurance Agency*

Bisser Manolov  
*Bulgarian Deposit Insurance Fund*

Bakhyt Mazhenova (Observer)  
*Kazakhstan Deposit Insurance Fund*

## Standing Committees

### Membership and Communications Committee

Chairperson: Mohammed Al-Ja'fari  
*Jordan Deposit Insurance Corporation*

Roumyana Markova (Vice-Chairperson)  
*Bulgarian Deposit Insurance Fund*

Andrey Melnikov  
*Deposit Insurance Agency (Russian Federation)*

Jorge A. Chávez-Presa  
*Instituto para la Protección al Ahorro Bancario (Mexico)*

John M. Chikura  
*Deposit Protection Board (Zimbabwe)*

Charles Cornut  
*Fonds de Garantie des Dépôts (France)*

Ana Graciela Trejo Padilla  
*Instituto de Garantía de Depósitos (El Salvador)*

Mutsuo Hatano  
*Deposit Insurance Corporation of Japan*

András Fekete-Győr  
*National Deposit Insurance Fund of Hungary*

Antoinette McKain  
*Jamaica Deposit Insurance Corporation*

### Training and Conference Committee

Chairperson: Fred S. Carns  
*Federal Deposit Insurance Corporation*

Rose Detho  
*Deposit Protection Fund Board (Kenya)*

Alex Kuczynski  
*Financial Services Compensation Scheme (UK)*

John M. Chikura  
*Deposit Protection Board (Zimbabwe)*

Shinichi Sakai  
*Deposit Insurance Corporation of Japan*

Paul Chin  
*Jamaica Deposit Insurance Corporation*

Silvana Sejko  
*Albanian Deposit Insurance Agency*

Yvonne Fan  
*Central Deposit Insurance Corporation (Chinese Taipei)*

Wai Keen Lai  
*Malaysia Deposit Insurance Corporation*

András Fekete-Győr  
*National Deposit Insurance Fund of Hungary*

Howard N. H. Wang  
*Central Deposit Insurance Corporation (Chinese Taipei)*

Romuald Szymczak  
*Bank Guarantee Fund (Poland)*

Sunghyun Yun  
*Korea Deposit Insurance Corporation*



### Research and Guidance Committee

Chairperson: Yvonne Fan  
*Central Deposit Insurance Corporation (Chinese Taipei)*

Jacob Ade Afolabi  
*Nigeria Deposit Insurance Corporation*

Mohammed Al-Ja'fari  
*Jordan Deposit Insurance Corporation*

Antonio Carlos Bueno de Camargo Silva  
*Fundo Garantidor de Créditos (Brazil)*

Charles Cornut  
*Fonds de Garantie des Dépôts (France)*

András Fekete-Györ  
*National Deposit Insurance Fund of Hungary*

Mutsuo Hatano  
*Deposit Insurance Corporation of Japan*

Jorge A. Chávez-Presa  
*Instituto para la Protección al Ahorro Bancario (Mexico)*

Sung Hwan Bae  
*Korea Deposit Insurance Corporation*

Bakhyt Mazhenova  
*Kazakhstan Deposit Insurance Fund*

Andrey Melnikov  
*Deposit Insurance Agency (Russian Federation)*

José C. Nograles  
*Philippine Deposit Insurance Corporation*

Valeriy I. Ogiyenko  
*Deposit Guarantee Fund (Ukraine)*

Andrey Pekhterev  
*Deposit Insurance Agency (Russian Federation)*

Jerzy Pruski  
*Bank Guarantee Fund (Poland)*

Barbara Ryan  
*Federal Deposit Insurance Corporation (USA)*

Julien Reid  
*Autorité des marchés financiers (Québec)*

David K. Walker  
*Canada Deposit Insurance Corporation*

## Regional Committees

### Africa

Chairperson: John M. Chikura  
*Deposit Protection Board (Zimbabwe)*

Rose Detho (Vice-Chairperson) <i>Deposit Protection Fund Board (Kenya)</i>	Umaru Ibrahim <i>Nigeria Deposit Insurance Corporation</i>
Nkosana Mashiyi (Associate Member) <i>The National Treasury (South Africa)</i>	Babu Msami <i>Deposit Insurance Board of Tanzania</i>

### Asia-Pacific<sup>2</sup>

Chairperson: Mutsuo Hatano  
*Deposit Insurance Corporation of Japan*

Singha Nikornpun (Vice-Chairperson) <i>Deposit Protection Agency (Thailand)</i>	Sung Hwan Bae <i>Korea Deposit Insurance Corporation</i>
H.N. Prasad <i>Deposit Insurance and Credit Guarantee Corporation (India)</i>	Andrey Melnikov <i>Deposit Insurance Agency (Russian Federation)</i>
Enhhyang Batsukh <i>Bank of Mongolia</i>	Der Jiun Chia <i>Monetary Authority of Singapore</i>
José C. Nograles <i>Philippine Deposit Insurance Corporation</i>	Wai Keen Lai <i>Malaysia Deposit Insurance Corporation</i>
Nestor A. Espenilla Jr. <i>Bangko Sentral ng Pilipinas</i>	Tong-u-Rai Limpiti <i>Bank of Thailand</i>
A. G. Karunasena <i>The SEACEN Centre</i>	Colin Pou <i>Hong Kong Deposit Protection Board</i>
Paul Tattersall <i>Australian Prudential Regulation Authority</i>	Bakhyt Mazhenova <i>Kazakhstan Deposit Insurance Fund</i>
Masahiro Kawai <i>Asian Development Bank</i>	Ooi Sin Teik <i>Singapore Deposit Insurance Corporation</i>
Bui Khac Son <i>Deposit Insurance of Vietnam</i>	Howard N.H. Wang <i>Central Deposit Insurance Corporation (Chinese Taipei)</i>
Murshid Kuli Khan <i>Bangladesh Bank</i>	

<sup>2</sup> The Asia Regional Committee was renamed to Asia-Pacific Region in 2010 to reflect its expanded geographic membership. Please refer to 'Participants in the Association' which lists IADI's members according to regional representation.

### Caribbean

Chairperson: Earl Boodoo  
*Deposit Insurance Corporation (Trinidad and Tobago)*

Antoinette McKain <i>Jamaica Deposit Insurance Corporation</i>	Cassandra C. Nottage <i>Deposit Insurance Corporation, Central Bank of The Bahamas</i>
Warrick Ward <i>Barbados Deposit Insurance Corporation</i>	

### Eurasia

Chairperson: Andrey Melnikov  
*Deposit Insurance Agency (Russian Federation)*

Bakhyt Mazhenova (Vice-Chairperson) <i>Kazakhstan Deposit Insurance Fund</i>	Alexander Turbanov <i>Deposit Insurance Agency (Russian Federation)</i>
Azad Javadov <i>Azerbaijan Deposit Insurance Fund</i>	Vladimir Sahakyan (Invitee) <i>Deposit Fund of Armenia</i>
Valeriy Ogiyenko <i>Deposit Guarantee Fund (Ukraine)</i>	Murotali Alimardonov (Invitee) <i>Deposit Guarantee Fund of Tajikistan (as an Affiliated Member)</i>



## Regional Committees

### Europe

Chairperson: András Fekete-Györ  
National Deposit Insurance Fund of Hungary

Charles Cornut (Vice-Chairperson)  
*Fonds de Garantie des Dépôts (France)*

Herman Debremaeker  
*Deposit and Financial Instruments Protection Fund (Belgium)*

Dirk Cupei  
*The Association of German Banks*

Ridvan Çabukel  
*Savings Deposit Insurance Fund of Turkey*

Sakir Ercan Gül  
*Savings Deposit Insurance Fund of Turkey*

Patrick Loeb  
*Deposit Protection of Swiss Banks and Securities Dealers*

Bisser Manolov  
*Bulgarian Deposit Insurance Fund*

Andrey Melnikov  
*Deposit Insurance Agency (Russian Federation)*

Josip Nevjestic  
*Deposit Insurance Agency of Bosnia and Herzegovina*

Valeriy I. Ogiyenko  
*Deposit Guarantee Fund (Ukraine)*

Ben Dunning  
*Deposit Insurance Schemes of Guernsey*

Roberto Moretti  
*Interbank Deposit Protection Fund (Italy)*

Alex Kuczyinski  
*Financial Services Compensation Scheme (United Kingdom)*

Silvana Sejko  
*Albanian Deposit Insurance Agency*

Josef Tauber  
*Deposit Insurance Fund (Czech Republic)*

Magnus Thor  
*Swedish National Debt Office*

Eugen Dijmărescu  
*Deposit Guarantee Fund in the Banking System (Romania)*

Jerzy Pruski  
*Bank Guarantee Fund (Poland)*

### Latin America

Chairperson: Jorge A. Chávez-Presa  
*Instituto para la Protección al Ahorro Bancario (Mexico)*

Manuel Augusto Alonzo Araujo  
*Fondo para la Protección del Ahorro, Banco de Guatemala*

Antonio Carlos Bueno de Camargo Silva  
*Fundo Garantidor de Créditos (Brazil)*

José Ricardo Villagrán  
*Corporación de Seguro de Depósitos (Ecuador)*

Eugenio C. Gallegos del Santo  
*Seguro de Depósitos Sociedad Anónima (Argentina)*

Juan Klingenberg  
*Fondo de Seguro de Depósitos (Peru)*

Hernán M. Colmán Rojas  
*Unidad Administradora del Fondo de Garantía de Depósitos, Banco Central del Paraguay*

David Alastre  
*Fondo de Garantía de Depósitos y Protección Bancaria (Venezuela)*

Ana Graciela Trejo Padilla  
*Instituto de Garantía de Depósitos (El Salvador)*

Adela Hounie  
*Corporación de Protección del Ahorro Bancario (Uruguay)*

Mónica Aparicio Smith  
*Fondo de Garantías de Instituciones Financieras (Colombia)*

Vilma Rosa León-York  
*Fondo de Garantía de Depósitos de las Instituciones Financieras (Nicaragua)*

Luis Salinas Álvarez (Invitee)  
*Sociedad Gestora de Fondos de Garantía de Depósitos en Entidades de Crédito, A.I.E. (Spain)*

### Middle East and North Africa

Chairperson: Mohammed Al-Ja'fari  
*Jordan Deposit Insurance Corporation*

Abderrahim Bouazza (Vice-Chairperson)  
*Bank Al-Maghrib, Fonds Collectif de Garantie des Dépôts (Morocco)*

Khater Abi Habib  
*Institut National de Garantie des Dépôts (Lebanon)*

Choab El Hassar  
*Bank of Algeria*

Ezeldin Mirghani Yasein  
*Bank Deposit Security Fund (Sudan)*

Ridvan Çabukel  
*Savings Deposit Insurance Fund of Turkey*

Sakir Ercan Gül  
*Savings Deposit Insurance Fund of Turkey*

Mohamed Mahraoui  
*Bank Al-Maghrib, Fonds Collectif de Garantie des Dépôts (Morocco)*

Anekik Laid (Invitee)  
*Deposit Insurance Corporation of Algeria*

**Report of the statutory auditor on the limited statutory  
examination**

with financial statements as of 31 March 2010 of

**International Association of Deposit Insurers**



To the General Meeting of  
**International Association of Deposit Insurers, Basel**

Zurich, 28 May 2010

## Report of the statutory auditor on the limited statutory examination

As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of International Association of Deposit Insurers for the financial year ended 31 March 2010.

These financial statements are the responsibility of the Executive Council. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the limited statutory examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of the Association's personnel and analytical procedures as well as detailed tests of the Association's documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law (art. 957 et seqq. Code of Obligations (CO)) and the articles of association.

Ernst & Young Ltd



Rolf Bächler  
Licensed audit expert  
(Auditor in charge)



Stefan Marc Schmid  
Licensed audit expert

### Enclosure

- Financial statements (balance sheet, income statement, cash flow statement and notes)

**INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS ("IADI")**  
**Statement of Financial Position**  
**As at 31 March 2010**  
**(in Swiss Francs)**



	Note	31 March 2010	31 March 2009
<b>ASSETS</b>			
Cash	6	1'097'785	662'044
Investments held to maturity	7		113'665
Prepayments	8	22'823	4'433
Accounts receivable	9	26'979	149'849
		<u>1'147'586</u>	<u>929'992</u>
Total fixed assets	10	267	623
		<u><b>1'147'853</b></u>	<u><b>930'615</b></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable	11	9'231	17'311
Deferred revenue	12	8'543	
		<u>17'774</u>	<u>17'311</u>
<b>Unrestricted Net Assets</b>			
Capital: Initial Fund Contributions	13	550'231	500'568
Retained unrestricted assets		412'736	130'111
Unrestricted assets for the current year		167'112	282'625
		<u>1'130'079</u>	<u>913'304</u>
		<u><b>1'147'853</b></u>	<u><b>930'615</b></u>

There may be minor differences in this table due to rounding



# INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS ("IADI")

## Statement of Activities

For the period ending 31 March 2010

(in Swiss Francs)



		For the period ended 31 March 2010	For the period ended 31 March 2009
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>			
<b><u>Operating revenue</u></b>			
Members Fees	1	617'908	536'733
Associates Fees	1	51'255	46'865
Observers Fees	1	5'695	27'338
<b>Total operating revenue</b>		<b>674'858</b>	<b>610'936</b>
<b><u>Operating Expenses</u></b>			
Salaries		(227'879)	(224'706)
Conferences, Seminars and Meetings		(81'287)	(12'532)
Training Initiatives		(59'658)	(112'349)
Travel		(43'791)	(59'044)
Administration		(27'739)	(9'161)
Audit		(4'104)	(4'535)
IT and Communications		(1'329)	(21'138)
Membership & Outreach support		(17'052)	(1'493)
Publications and Research		(1'646)	(2'522)
Depreciation	10	(356)	(576)
<b>Total operating expenses</b>		<b>(464'840)</b>	<b>(448'056)</b>
<b>CHANGES IN OPERATING UNRESTRICTED NET ASSETS</b>		<b>210'017</b>	<b>162'880</b>
Interest Income	14	2'680	12'458
Uncollected Receivables		(15'435)	
Uncollected Annual Fees from Prior Years		(15'789)	
Exchange Difference	3	(14'361)	107'288
Donations			
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		<b>167'112</b>	<b>282'625</b>

There may be minor differences in this table due to rounding

**INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS ("IADI")**  
**Statement of cash flows**  
**For the year ending 31 March 2010**  
**(in Swiss Francs)**

	Notes	For the year ended 31 March 2010	For the period ended 31 March 2009
<b>Cash flow from / (used in) operating activities</b>			
Operating unrestricted net assets		167'112	282'625
<b>Non-cash flow items included in operating unrestricted net assets</b>			
Depreciation	10	356	576
<b>Net change in operating assets and liabilities</b>			
Deferred revenue		8'543	(134'881)
Accounts receivable		122'870	(97'323)
Prepayments		(18'390)	(4'206)
Accounts payable		(8'080)	(69'724)
<b>Net Cash flow from / (used in) operating activities</b>		<b>272'411</b>	<b>(22'933)</b>
<b>Cash flow from / (used in) investing and other activities</b>			
Fixed deposits		113'665	381'255
<b>Net Cash flow from / (used in) investing and other activities</b>		<b>113'665</b>	<b>381'255</b>
<b>Cash flow from / (used in) financing activities</b>			
Capital contributions from new members	13	49'663	25'392
<b>Net Cash flow from / (used in) financing activities</b>		<b>49'663</b>	<b>25'392</b>
<b>Net Increase / (decrease) in cash</b>		<b>435'739</b>	<b>383'714</b>
<b>Cash at beginning of accounting period</b>		<b>662'044</b>	<b>278'329</b>
<b>Cash at end of accounting period</b>	6	<b>1'097'783</b>	<b>662'043</b>

(See accompanying notes)



**International Association of Deposit Insurers**  
**Notes to the Financial Statements**  
**Year Ended 31 March 2010**

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**1. NATURE OF ORGANIZATION**

The International Association of Deposit Insurers (IADI, "the Association") is a non-profit organization organized under Swiss Law, domiciled in Basel, at the Bank for International Settlements.

Its Objects are to contribute to the stability of financial systems by promoting international cooperation in the field of deposit insurance and to encourage wide international contact among deposit insurers and other interested parties.

The Association receives annual Member, Associate and Observer fees from its participants:

**Members:** Entities that, under law or agreements, provide deposit insurance, depositor protection or deposit guarantee arrangements as set out in Article 2 of the Statutes.

**Associates:** Entities that do not fulfill all the criteria of Members, but who are considering the establishment of a deposit insurance system or other entities that are part of a financial safety net and have a direct interest in the effectiveness of a deposit insurance system.

**Observers:** Other interested parties such as international organizations, financial institutions, or not-for-profit professional firms. At the AGM of 24 September 2009, IADI Members amended the Statutes to eliminate the participation of for-profit Observers in the Association.

**Partners:** Entities who enter into cooperative arrangements with the Association in the pursuit and furtherance of the Objects of the Association. They may be involved in the activities of the Association in a manner determined by the Executive Council.

**Annual Fees:**

**Members:** CHF 11,390 fee with an initial fund contribution of CHF 11,390 payable over two years, have a right to vote at meetings and hold office.

**Associates:** CHF 8,542.50 fee, no vote but may participate in the activities of IADI.

**Observers:** CHF 5,695 fee, no vote but may participate in the activities of IADI.

**Partners:** No fees due

**The governing bodies** of the Association are the General Meeting of Members and the Executive Council. The Executive Council has established Standing Committees covering Audit, Training and Conferences, Research and Guidance, Membership and Communications, Finance and Planning, and Governance. Seven regional committees have been established (Africa, Asia-Pacific, the Caribbean, Eurasia, Europe, Latin America, and the Middle East & North Africa). The Secretary General acts as the Secretary to the Executive Council supported by the Deputy Secretary General.

**The Executive Council** is composed of individuals who govern the business and affairs of the IADI. Martin Gruenberg, Vice Chairman of the Federal Deposit Insurance Corporation, is the Chair of the Executive Council and President of the Association. Mutsuo Hatano is the Vice Chair of the Executive Council. The Treasurer is Bakhyt Mazhenova, Chairman of the Kazakhstan Deposit Insurance Fund.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The accounts of IADI are drawn up on an historical cost basis and income and expense items are recorded on the accrual basis.

### **A. Scope of the financial statements**

These financial statements contain all assets and liabilities that are controlled by the Association and in respect of which the economic benefits as well as the rights and obligations lie predominantly with the Association.

### **B. Functional and presentation currency**

Being an international organization, the Association is exposed to various currencies when conducting its activities. The main currencies of the Association are CHF, US\$, and EUR.

All transactions are recorded in CHF at the exchange rates prevailing at the date of the transaction. Exchange differences arising from the retranslation of monetary assets and liabilities are included as net foreign exchange gains or losses in the Statement of Activities.

### **C. Cash**

The Association considers cash to be current bank accounts.

### **D. Investments held to maturity**

Investments are made in accordance with the investment policy approved by the Executive Council on 30 September 2005, and as amended on 27 March 2009. All revenues from cash and investments are accounted for in Interest Income.

### **E. Accounts Receivable and Accounts Payable**

Accounts receivable and accounts payable are principally short-term amounts relating to the settlement of transactions as a result of activities of the organisation. They are included in the balance sheet at cost.

### **F. Fixed Assets**

The fixed assets are capitalised and depreciated on a straight line basis over the estimated useful lives of the assets concerned, as follows:

Information Technology Equipment – 4 years

### **G. Uncollected Annual Fees**

Provisions are recognised, as a charge to the statement of activities, if the Association has a concern over the recovery of outstanding accounts receivable.



### 3. SENSITIVITY TO FOREIGN EXCHANGE MOVEMENTS

The CHF denominated results in the financial statements have been affected by fluctuations in the US\$, and EUR.

At the Executive Council Meeting on 11 June 2008, it was agreed to change the official currency of the Association to Swiss Francs (previously U.S. dollars) to reduce sensitivity to foreign exchange movements. Beginning with the financial year ending 31 March 2009, IADI collects its Annual Fees in CHF, and most expenses are paid in CHF.

### 4. BENEFITS RECEIVED

The Association is hosted by the Bank for International Settlements, Basel, and benefits from administration, meeting facilities, IT services, accounting and other advisory services provided by the Bank for International Settlements. IADI's members also contribute significant resources to support the strategic objectives of the Association, including staff seconded to IADI and support for regional conferences and Executive training.

The total amount of these benefits has not been determined.

### 5. INCOME TAXES

The Association is exempt from income tax.

### 6. CASH

	Exchange rates at 31 March 2010	31 March 2010 CHF Value	Exchange rates at 31 March 2009	31 March 2009 CHF Value
CHF Current Accounts		1,092,726		577,266
US\$ Current Accounts	CHF / USD: 1.05265	3,688	CHF / USD: 1.13665	14,378
EUR Current Accounts	CHF / EUR: 1.42329	1,371	CHF / EUR: 1.51061	68,930
CAD Current Account		-		1,470
		<b>1,097,785</b>		<b>662,044</b>

### 7. INVESTMENTS HELD TO MATURITY

	31 March 2010 CHF Value	31 March 2009 CHF Value
Fixed deposits	-	113,665
Interest accrued (net of withholding tax)	-	2,029
	-	<b>115,694</b>

A fixed deposit of US\$ 100,000 matured on 1 April 2009.



## 8. PREPAYMENTS

Prepayments related to travel expenses for next financial year in the amount of CHF 22,823.

## 9. ACCOUNTS RECEIVABLE

	<b>31 March 2010</b>	<b>31 March 2009</b>
	CHF Value	CHF Value
Membership fees	25,897	17,050
Observer fees	-	18,471
Withholding tax recoverable	-	15,074
Other receivables	1,082	99,254
	<b>26,979</b>	<b>149,849</b>

Uncollected annual fees from previous years have been written off for an amount of CHF 15,789. Withholding tax from previous years has been written off in an amount of CHF 15,435.

## 10. FIXED ASSETS

### Information Technology Equipment

Fixed assets are:

	<b>31 March 2010</b>	<b>31 March 2009</b>
	CHF Value	CHF Value
Opening net book value	623	1,199
Additions	-	-
Disposals	-	-
Depreciation	356	576
	<b>267</b>	<b>623</b>

Initially recorded at their cost of purchase and are depreciated on a straight-line basis using the estimated useful life of the asset (see note 2).

## 11. ACCOUNTS PAYABLE

Accounts payable mainly consists of year-end accruals for transactions incurred as a result of the Association's activities during March 2010. These amounts are payable to the Bank for International Settlements, the Auditors and other parties who have performed services for the benefit of the Association.

	<b>31 March 2010</b>	<b>31 March 2009</b>
	CHF Value	CHF Value
Audit	3,800	4,000
Salaries	-	-
Conferences, Seminars and Meetings	931	1,395
Travel	-	3,068
Administration, IT and Communications	4,500	8,848
	<b>9,231</b>	<b>17,311</b>

## 12. DEFERRED REVENUE

The Deferred Revenue for the current financial year is broken down as follows:

	<b>31 March 2010</b>	<b>31 March 2009</b>
	CHF Value	CHF Value
Members	8,543	-
Associates	-	-
Observers	-	-
	<b>8,543</b>	<b>-</b>

## 13. CAPITAL: Initial Fund Contributions

	<b>31 March 2010</b>	<b>31 March 2009</b>
	CHF Value	CHF Value
Initial Fund Contributions	618,571	516,061
less unpaid Initial Fund Contributions	(68,340)	(15,493)
Paid up Initial Fund Contributions	<b>550,231</b>	<b>500,568</b>
Number of Members	60	52

The unpaid Initial Fund Contributions relate to payments due in future accounting periods.

## 14. INTEREST INCOME

	<b>31 March 2010</b>	<b>31 March 2009</b>
	CHF Value	CHF Value
Bank accounts	2,681	872
Money market deposits	-	11,586
	<b>(2,681)</b>	<b>12,458</b>

# Participants in the International Association of Deposit Insurers

IADI's Participants include Members, Associates, Observers and Partners.

Members are entities that, under law or agreement, have a deposit insurance system, and have been approved for membership in the Association. An Associate is an entity that does not fulfill all of the criteria to be a Member, but which is considering the establishment of a deposit insurance system, or is part of a financial safety-net and has a direct interest in the effectiveness of a deposit insurance system. Observers are interested parties that are not-for-profit entities which do not fulfill the criteria to be an Associate. Partners are not-for-profit entities that enter into a cooperative arrangement with the Association.

For complete definitions, please see the Statutes of the International Association of Deposit Insurers

## Members

*Albanian Deposit Insurance Agency*

Silvana Sejko

**General Manager**

*Australian Prudential Regulation Authority*

Paul Tattersall

**Senior Manager, Supervisory Support Division**

*Autorité des Marchés Financiers (Québec)*

Julien Reid

**Director, Standards and Business Intelligence**

*Azerbaijan Deposit Insurance Fund*

Azad Javadov

**Executive Director**

*Banco de Guatemala como Administrador del Fondo para la Protección del Ahorro*

Manuel Augusto Alonzo Araujo

**General Manager**

*Bangladesh Bank*

Murshid Kuli Khan

**Deputy Governor**

*Bank Al-Maghrib, Fonds Collectif de Garantie des Dépôts (Morocco)*

Abderrahim Bouazza

**Head of the Banking Supervision Department**

*Bank Deposit Security Fund (Sudan)*

Ezeldin Mirghani Yasein

**General Manager**

*Bank Guarantee Fund (Poland)*

Jerzy Pruski

**President**

*Barbados Deposit Insurance Corporation (BDIC)*

Warrick Ward

**Chief Executive Officer**

*Bulgarian Deposit Insurance Fund*

Bisser Manolov

**Chairman of the Management Board**

*Canada Deposit Insurance Corporation*

Guy Saint Pierre

**President and Chief Executive Officer**

*Central Deposit Insurance Corporation (Chinese Taipei)*

Howard N.H. Wang

**President**

*Corporación de Protección del Ahorro Bancario (Uruguay)*

Jorge Sánchez

**General Manager**

*Corporación del Seguro de Depósitos (COSEDE) Ecuador*

José Ricardo Villagrán

**Member of the Board**

*Deposit and Financial Instrument Protection Fund (Belgium)*

Herman Debremaeker

**Secretary General**

*Deposit Guarantee Fund (Ukraine)*

Valeriy I. Ogiyenko

**Executive Director**

*Deposit Guarantee Fund in the Banking System (Romania)*

Eugen Dijmărescu

**Director**

*Deposit Insurance Agency (Russian Federation)*

Andrey Melnikov

**Deputy General Director**

*Deposit Insurance Agency of Bosnia and Herzegovina*

Josip Nevjestic

**Director**

*Deposit Insurance and Credit Guarantee Corporation (India)*

Hari Nandan Prasad

**Chief Executive Officer**

*Deposit Insurance Board of Tanzania*

Babu Msami

**Director**

*Deposit Insurance Corporation, Central Bank of The Bahamas*

Cassandra Nottage

**Manager, Bank Supervision Department**

*Deposit Insurance Corporation*

*(Trinidad & Tobago)*

Earl Boodoo

**General Manager**

*Deposit Insurance Corporation of Japan*

Mutsuo Hatano

**Deputy Governor**

*Deposit Insurance Fund (Czech Republic)*

Josef Tauber

**Chairman of the Board of Administration**

*Deposit Insurance of Vietnam*

Khac Son Bui

**General Director**

*Deposit Protection Agency (Thailand)*

Singha Nikornpun

**President**

*Deposit Protection Board (Zimbabwe)*

John M. Chikura

**Chief Executive Officer**

*Deposit Protection Fund Board (Kenya)*

Rose Detho

**Director**



## Participants in the International Association of Deposit Insurers

*Deposit Protection of Swiss Banks and Securities Dealers (Switzerland)*

Patrick Loeb

**Director**

*Federal Deposit Insurance Corporation (USA)*

Martin J. Gruenberg

**Vice Chairman**

*Financial Services Compensation Scheme Limited (United Kingdom)*

Alex Kuczynski

**General Counsel**

*Fondo de Seguro de Depósitos (Peru)*

Juan Klingenberger

**President**

*Fondo de Garantía de los Depósitos de las Instituciones Financieras (Nicaragua)*

Vilma Rosa León-York

**President**

*Fondo de Garantía de Depósitos – Banco Central del Paraguay*

Hernán M. Colmán Rojas

**Director**

*Fondo de Garantía de Depósitos y Protección Bancaria (Venezuela)*

Humberto R. Ortega Díaz

**President**

*Fondo de Garantías de Instituciones Financieras (Colombia)*

Mónica Aparicio Smith

**General Director**

*Fonds de Garantie des Dépôts (France)*

Charles Cornut

**Président du Directoire**

*Fundo Garantidor de Créditos (Brazil)*

Antonio Carlos Bueno de Camargo Silva

**Chief Executive Officer**

*Guernsey Banking Deposit Compensation Scheme*

Charles Tracy

**Chairman of the Board**

*Hong Kong Deposit Protection Board*

Colin Pou

**Deputy Chief Executive Officer**

*Indonesia Deposit Insurance Corporation*

Firdaus Djaelani

**Chief Executive Officer**

*Institut National de Garantie des Dépôts (Lebanon)*

Khater Abi Habib

**Chairman and General Manager**

*Instituto de Garantía de Depósitos (El Salvador)*

Ana Graciela Trejo Padilla

**President**

*Instituto para la Protección al Ahorro Bancario (Mexico)*

Jorge A. Chávez-Presa

**Member of the Board of Governors**

*Interbank Deposit Protection Fund (Italy)*

Roberto Moretti

**Secretary General**

*Jamaica Deposit Insurance Corporation*

Antoinette McKain

**Chief Executive Officer**

*Jordan Deposit Insurance Corporation*

Mohammed Al-Ja'fari

**General Director**

*Kazakhstan Deposit Insurance Fund*

Bakhyt Mazhenova

**Chairman**

*Korea Deposit Insurance Corporation*

Sung Hwan Bae

**Executive Vice-President**

*Malaysia Deposit Insurance Corporation*

Wai Keen Lai

**General Manager, Policy and International**

*National Deposit Insurance Fund of Hungary*

András Fekete-Györ

**Deputy Managing Director**

*Nigeria Deposit Insurance Corporation*

Umaru Ibrahim

**Acting Managing Director/Chief Executive Officer**

*Philippine Deposit Insurance Corporation*

José C. Nograles

**President**

*Savings Deposit Insurance Fund of Turkey*

Sakir Ercan Gül

**Chairman**

*Seguro de Depósitos Sociedad Anónima (Argentina)*

Eugenio C. Gallegos del Santo

**Chairman**

*Singapore Deposit Insurance Corporation*

Ooi Sin Tek

**Chief Executive Officer**

*Swedish Deposit Guarantee Board*

Magnus Thor

**Head of the Guarantee Department**

*the Association of German Banks (Germany)*

Dirk Cupei

**Director, Deposit Protection**

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### Associates

*Bangko Sentral ng Pilipinas*

Nestor A. Espenilla

**Deputy Governor**

*Bank of Algeria*

Choaïb El-Hassar

**Deputy Governor**

*Bank of Mongolia*

Enhuyag Batsukh

**First Deputy Governor**

*Bank of Thailand*

Tong-u-rai Limpiti

**Assistant Governor, FIDF Management**

**Group**

*Monetary Authority of Singapore*

Der Jiun Chia

**Executive Director, Banking**

*National Treasury (South Africa)*

Nkosana Mashiya

**Chief Director/Financial Regulation Macro**

**Economic Policy**

# Participants in the International Association of Deposit Insurers

*South African Reserve Bank*  
Andre Bezuidenhout  
**Head, Financial Stability Department**

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## Partners

*Asian Development Bank Institute*  
Masahiro Kawai  
**Dean and Chief Executive Officer**

*Association of Supervisors of Banks of the Americas (ASBA)*  
Rudy V. Araujo Medinacelli  
**Secretary General**

*Centro de Estudios Monetarios Latinoamericanos (CEMLA)*  
Javier Guzmán Calafell  
**Director General**

*European Bank for Reconstruction and Development*  
Alan Popoff  
**Deputy Director, Financial Institutions**

*European Forum of Deposit Insurers*  
Roberto Moretti  
**Chairman**

*Inter-American Development Bank (IADB)*  
Kurt Focke  
**Chief, Capital Markets and Financial Institutions Division**

*International Monetary Fund*  
David S. Hoelscher  
**Assistant Director**

*The SEACEN Centre*  
A.G. Karunasena  
**Executive Director**

*The Toronto International Leadership Centre for Financial Sector Supervision*  
Christina Rulfs  
**Program Director**

*US Department of the Treasury  
Office of International Affairs Technical Assistance*  
Paul A. Leonovich  
**Associate Director for Banking & Financial Services**

*Union of Arab Banks*  
Fouad Shaker  
**Secretary General**

*The World Bank*  
Claire McGuire  
**Senior Financial Sector Specialist  
Financial Systems Department**

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## Observers

(Terminated via September 2009 AGM as from beginning of fy 2010/2011)\*

*Deloitte Consulting LLP*

*Excel Technology International*

*Goodmans LLP*

\* Bylaws have changed (AGM decision to modify statutes)

**DRAFT REPORT**

**CORE PRINCIPLES FOR  
EFFECTIVE DEPOSIT INSURANCE SYSTEMS**

**A PROPOSED METHODOLOGY  
FOR  
COMPLIANCE ASSESSMENT**

**COMMENTS AND PROPOSED CHANGES ARISING FROM:  
31 AUGUST 2010 BENCHMARKING MEETING**

**Revised : 2 September 2010**



1  
2  
3  
4

## Core Principles for Effective Deposit Insurance Systems

### 5 Introduction

6 In July 2008, the Basel Committee on Banking Supervision (BCBS) and the International  
7 Association of Deposit Insurers (IADI) decided to collaborate to develop an  
8 internationally agreed set of core principles for deposit insurance using the IADI Core  
9 Principles for Effective Deposit Insurance Systems (February 2008) as a basis.<sup>1</sup> A joint  
10 working group comprised of representatives from the BCBS's Cross-Border Bank  
11 Resolution Group (CBRG) and IADI's Guidance Group was formed to develop a set of  
12 core principles to be submitted to the BCBS and IADI for their respective review and  
13 approval. The Consultative Document, entitled *Core Principles for Effective Deposit*  
14 *Insurance Systems*, was completed in March 2009 and endorsed by the international  
15 community in June 2009. The document presents 18 Core Principles, each of which is  
16 augmented by supporting explanations and guidance. An accompanying set of  
17 Preconditions addresses mainly external elements necessary to support effective  
18 deposit insurance systems.

19 The Core Principles are reflective of, and designed to be adaptable to, a broad range of  
20 country circumstances, settings and structures. The Core Principles are intended as a  
21 voluntary framework for effective deposit insurance practices. National authorities are  
22 free to put in place supplementary measures that they deem necessary to achieve  
23 effective deposit insurance in their jurisdictions. The Core Principles are not designed to  
24 cover all the needs and circumstances of every deposit insurance system or prescribe a  
25 single specific form of deposit insurance. Instead, specific country circumstances should  
26 be considered in the context of existing laws and powers to fulfill the public policy  
27 objectives and mandate of the deposit insurance system.

28 An assessment of a country's compliance with the Core Principles can be a useful tool  
29 for countries that are implementing, reviewing or actively reforming a deposit insurance  
30 system. A comprehensive, credible and action-oriented assessment of a deposit  
31 insurance system should identify strengths and weaknesses in the existing deposit  
32 insurance system and form a basis for remedial measures by deposit insurers and  
33 policymakers (i.e., government authorities or if it is primarily a private system, its  
34 member banks).

35 The following Methodology was developed collaboratively by representatives of the  
36 BCBS, IADI, the European Forum of Deposit Insurers (EFDI), the European Commission  
37 (EC), the International Monetary Fund (IMF) and the World Bank (WB). The remainder  
38 of this introductory section addresses the Methodology use, compliance assessment,  
39 and practical considerations in conducting an assessment. The next section focuses on

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<sup>1</sup> IADI was established in 2002 with a mission to contribute to the enhancement of deposit insurance effectiveness by promoting guidance and international cooperation. The IADI Core Principles were developed for the benefit of countries considering the adoption or the reform of a deposit insurance system.

1 evaluating a country's preconditions. The last section lists in detail the criteria for  
2 assessing compliance with the Core Principles.

### 3 **Use of methodology**

4 The methodology can be used in multiple contexts: (i) self-assessment performed by the  
5 deposit insurer; (ii) IMF and World Bank assessments of the quality of deposit insurance  
6 systems, for example, in the context of the Financial Sector Assessment Program  
7 (FSAP); (iii) reviews conducted by private third parties such as consulting firms; and (iv)  
8 peer reviews conducted, for example, within IADI regional committees. IADI, in  
9 cooperation with the BCBS, will be active in interpreting the Core Principles and  
10 providing training with disseminating norms and good practices during the assessment  
11 process.

12 Whether conducted by a deposit insurer (self-assessment) or an outside party, a fully  
13 objective assessment of compliance with the Core Principles should be performed by  
14 suitably qualified parties who bring varied perspectives to the process. It is crucial that  
15 the parties be made up of suitably qualified persons including individuals with experience  
16 working in a deposit insurance system. A fair assessment of the deposit insurance  
17 system also requires the genuine cooperation of all relevant authorities. The process of  
18 assessing each of the 18 Core Principles requires a judgmental weighting of numerous  
19 elements that only qualified assessors with practical, relevant experience can provide.  
20 To the extent that the assessment requires legal and accounting expertise in the  
21 interpretation of compliance with the Core Principles, these legal and accounting  
22 interpretations must be in relation to the legislative and accounting structure of the  
23 relevant country. The assessment must be comprehensive and in sufficient depth to  
24 allow a judgment on whether criteria are fulfilled in practice, not just in theory. Similarly,  
25 laws and regulations need to be sufficient in scope and depth. There also must be  
26 effective enforcement of and compliance with those laws and regulations on the part of  
27 regulators and supervisors and the deposit insurer. Finally, the assessment of  
28 compliance with the core principles will build upon any recent work in similar areas such  
29 as the FSAPS.

### 30 **Definitions of key terms used in methodology**

31 The term "deposit insurer" is used in this methodology to refer to the specific legal entity  
32 responsible for providing deposit insurance, deposit guarantees or similar deposit  
33 protection arrangements. In some jurisdictions this function may be assigned to another  
34 participant in the financial safety net. The term "deposit insurance system" refers to the  
35 deposit insurer and its relationships with the financial system safety-net participants that  
36 support deposit insurance functions and resolution processes. The "financial system  
37 safety net" is defined to include the functions of prudential regulation and supervision,  
38 resolution authority, a lender of last resort and deposit insurance. In many countries, a  
39 department of government (generally a Ministry of Finance or Treasury) is responsible  
40 for financial sector policy and is included in the financial system safety net..

### 41 **Compliance assessment**

42 The primary objective of an assessment should be to evaluate compliance with Core  
43 Principles for Effective Deposit Insurance Systems. The assessment should review the  
44 functions inherent in providing effective deposit insurance systems as opposed to an

1 assessment of just the deposit insurer. In so doing the assessment will identify the  
2 strength(s) of the deposit insurance system, and the nature and extent of any  
3 weaknesses. Importantly, the assessment is a means to an end, not an objective in  
4 itself. The assessment process should help the deposit insurer and policymakers  
5 benchmark their deposit insurance system against the Core Principles to judge how well  
6 the system is meeting its public policy objectives. The assessment, in turn, can also aid  
7 the deposit insurer and policymakers in making improvements to the deposit insurance  
8 system and financial safety net, as necessary.

9 The Methodology proposes a set of essential and additional criteria for each Core  
10 Principle. The essential criteria are the only elements on which to gauge full compliance  
11 with a Core Principle. The additional criteria are aspirational in nature and comprise  
12 suggested good practices. The essential criteria and to a significant degree the  
13 additional criteria, are drawn from the Core Principles document and related background  
14 papers prepared by IADI and BCBS. Although the additional criteria will not be used for  
15 assessing compliance with a Core Principle, a country, or deposit insurer in the case of a  
16 self-assessment, could choose to be assessed against the additional criteria in order to  
17 identify areas in which improvements to the deposit insurance system could be made.

18 Assessments by external parties follow a four-grade scale as follows:<sup>2</sup>

- 19 • **Compliant:** When the essential criteria are met without any significant  
20 deficiencies.<sup>3</sup>
- 21 • **Largely compliant:** When only minor shortcomings are observed and the  
22 authorities are able to achieve full compliance within a prescribed time frame.
- 23 • **Materially non-compliant:** Severe shortcomings which cannot be rectified  
24 easily.
- 25 • **Non-compliant:** No substantive implementation of the Core Principle.
- 26 • **Not applicable:** Not considered given the structural, legal and institutional  
27 features of the deposit insurance system.

28  
29 This opinion should be qualitative rather than providing any kind of graded assessment.  
30 The four-grade scale can be broken down further or grouped by degree of compliance,  
31 and by whether efforts to achieve full compliance are currently underway:

- 32 • **Compliant**, no further efforts required.
- 33 • **Largely compliant**, and efforts to achieve full compliance underway.
- 34 • **Largely compliant**, and efforts to achieve full compliance not underway.
- 35 • **Materially non-compliant**, and efforts to achieve compliance underway.
- 36 • **Materially non-compliant**, and efforts to achieve compliance not underway.
- 37 • **Non-compliant**, and efforts to achieve compliance underway.
- 38 • **Non-compliant**, and efforts to achieve compliance not underway.

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<sup>2</sup> This scale is used for external assessments in the Basel Core Principles Methodology (Banking Supervision). <http://www.bis.org/publ/bcbs130.htm>

<sup>3</sup> Note: To achieve a “Compliant” grade it is not necessary to achieve full compliance on all essential criteria in all cases. For example, if a deposit insurance system is fully compliant with 8 out of 9 essential criteria of a specific Core Principle but is not fully compliant on a relatively minor area of a single criterion, then the overall compliance rating for the Core Principle could still be designated “Compliant”. Assessors must exercise judgment in these situations.



1 Grading is not an exact science and the Core Principles can be met in different ways.  
2 The assessment criteria should not be seen as a checklist approach to compliance but  
3 as a qualitative exercise. The number of criteria receiving a compliance grade and the  
4 commentary that should accompany each grade will be weighed in the scoring process  
5 for each Core Principle, however, not all criteria will carry equal weight. It is critical for the  
6 assessors to receive training on consistent application of the methodology. The Core  
7 Principles are benchmarks for effective deposit insurance practice. In implementing  
8 them, deposit insurers and policymakers will need to take into account country specific  
9 factors.

10  
11 Assessors should pay close attention to the adequacy of preconditions and include their  
12 opinion on gaps and weaknesses in the preconditions and actions that deposit insurers  
13 and policymakers could take to mitigate those weaknesses. The assessment of  
14 compliance with individual Core Principles could flag the Core Principles which are likely  
15 to be primarily affected by preconditions considered to be weak, after factoring in  
16 specific country circumstances, mandate and structures of the deposit insurance system  
17 (see Annex 3 for further details). However, assessors should not undertake to assess  
18 preconditions themselves. Instead, assessors should rely on the results of recent  
19 IMF/WB FSAP reports wherever possible. If a report has not been conducted in a  
20 significant period of time, assessors should request from the authorities that they be  
21 provided with updates on any changes since the previous FSAP report. If no such  
22 reports on preconditions are available assessors should assign a “Insufficient  
23 Information” to the precondition review.

24 Recommendations with regard to the preconditions should not be part of the action plan  
25 associated with the Core Principles assessment, but should be included in other general  
26 recommendations for strengthening the deposit insurance system.

## 27 **Practical considerations in conducting an assessment**

28 Annex I to this document presents a format for conducting an assessment and preparing  
29 a report. It is based on the format developed by the IMF and the World Bank for  
30 conducting assessments of compliance with the Basel Core Principles of Banking  
31 Supervision (BCP).

32 Certain practical considerations should be made when conducting an assessment.

- 33 • First, the assessor must have access to a range of information and interested  
34 parties. This may include, but not be limited to published information (such as  
35 relevant laws, regulations and policies) and more sensitive information (such as  
36 previously completed self-assessments, information on the health of insured  
37 institutions such as supervisory examination results, and operational guidelines  
38 for the deposit insurer). This information should be provided as long as it does  
39 not violate legal requirements for the deposit insurer to hold such information  
40 confidential.<sup>4</sup> The assessor will also need to meet with a range of individuals  
41 and organisations, including other financial system safety-net participants and  
42 relevant government ministries, commercial bankers and auditors. Special note

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<sup>4</sup> Assessments of Core Principles of Banking Supervision have shown that secrecy issues can often be solved through ad hoc arrangements between the assessor and the assessed institution. See Core Principles Methodology (Banking Supervision), p. 4.

- 1 should be made of instances when any required information is not provided, as  
2 well as of what effect this might have on the accuracy of the assessment.
- 3 • Second, the assessment of compliance with each Core Principle requires the  
4 evaluation of a chain of related requirements, such as law, prudential regulation  
5 and supervisory guidelines, among other things . The assessment must ensure  
6 that the requirements are or can be put into practice. For example,  
7 policymakers must ensure that the deposit insurer has the necessary  
8 operational autonomy, skills and resources.
  - 9 • Third, in addition to identifying deficiencies, the assessment should also  
10 highlight positive features and specific achievements.
  - 11 • Fourth, cooperation and information sharing among safety-net participants is  
12 necessary for the effectiveness of the deposit insurance system. The assessor  
13 should be able to judge whether such information sharing occurs to the extent  
14 needed. Depending on the extent of cross-border banking, it is also important  
15 that the assessor is able to judge whether information sharing between and  
16 among deposit insurers and other safety-net participants in different countries  
17 occurs to the extent needed.

## 18 **Preconditions**

19 A deposit insurance system will be most effective if a number of external elements or  
20 preconditions are in place. Although these elements are mostly outside the jurisdiction of  
21 the deposit insurance system, they can have a direct effect on the deposit insurer's ability  
22 to fulfill its mandate. In choosing to implement a deposit insurance system, a number of  
23 interrelated components of the national financial system should be considered: the  
24 condition of the economy and banking system; the sound governance of agencies  
25 comprising the safety net; whether there is strong prudential regulation and supervision;  
26 and whether there is a well-developed legal framework and accounting and disclosure  
27 regime. Any assessment of the effectiveness of a deposit insurance system should begin  
28 with an assessment of these preconditions. Public attitudes and expectations regarding  
29 deposit protection are also important factors to be considered.

30 It is important to identify where existing conditions are not ideal. If actions are necessary  
31 to address any deficiencies, they can be taken with the adoption or reform of a deposit  
32 insurance system.

### 33 **Assessment of the economy and banking system**

34 To be effective, policymakers should seek to ensure that the deposit insurance system is  
35 instituted, consistent with both the country's economic and institutional settings and  
36 aligned with the public-policy objectives they are attempting to achieve. The  
37 establishment or reform of a deposit insurance system is more difficult if underlying  
38 issues relating to the health and stability of the economy and the banking system have  
39 not been addressed. Although conditions are unlikely to be perfect, it is important to  
40 determine how the economic and institutional structure of the country may impact on the  
41 deposit insurance system.

1 Policymakers should therefore undertake a situational analysis of the economic  
2 environment in order to identify conditions that could adversely affect the economy of the  
3 banking system and evaluate whether a deposit insurance system can be effective  
4 operating in such an environment. Key elements for review are:<sup>5</sup>

- 5 1. Conditions that could adversely affect the economy or the banking system are to be  
6 identified and an evaluation is made whether a deposit insurance system can be  
7 effective operating in such an environment.
- 8 2. If actions are necessary, they are taken before or in concert with the adoption or  
9 reform of a deposit insurance system.

## 10 **Macroeconomic stability**

11 Macroeconomic instability hampers the functioning of markets and can distort financial  
12 intermediation. It is more difficult for banks and their clients to judge different types of  
13 risks in times of deteriorating economic growth, high inflation, and extreme exchange  
14 rate volatility.

15  
16 The introduction or reform of a deposit insurance system will not on its own be sufficient  
17 to restore macroeconomic stability. As an element of the financial safety net, the deposit  
18 insurance system complements the prudential regulation and the lender of last resort  
19 functions. When macroeconomic conditions are unstable the introduction or reform of a  
20 deposit insurance system will be less effective. Key element for review is:

- 21  
22 1. Conditions and factors affecting the banking system and influencing the  
23 effectiveness of a deposit insurance system should be analyzed before the  
24 introduction or reform of the system. These may include: an assessment of the  
25 level of economic activity, current monetary and fiscal policies, consumer price  
26 and asset inflation as well as the condition of financial markets.

## 27 28 **Sound banking system**

29 In looking at the financial system, the issue is not just whether there are unsound  
30 institutions in the system but whether the banking system in its entirety is sound. The  
31 assessment should look at both the financial health and structure of the banking sector.  
32 Key elements for review are:

- 33  
34 1. An assessment of the health of the banking system and other deposit taking  
35 institutions which includes a detailed evaluation of capital adequacy, liquidity,  
36 credit quality, risk-management policies and practices, and the extent of any  
37 problems. When problems exist, an assessment is made as to whether they are  
38 confined to individual deposit taking institutions or are systemic in nature.
- 39  
40 2. The structure of the banking system in terms of the number, type and  
41 characteristics of deposit taking institutions as these will have design implications  
42 for a deposit insurance system. Policymakers also may need to examine the



1 extent of interconnectedness, competition, concentration, and the ownership of  
2 institutions.<sup>6</sup>

3

4 3. Any pre-existing depositor protection arrangements that may exist (e.g.,  
5 depositor preference) and how these arrangements would interact with the introduction  
6 or reform of a deposit insurance system.

### 7 **Sound governance of agencies comprising the financial safety-net**

8 The sound governance of agencies comprising the safety-net strengthens the financial  
9 system's architecture and contributes directly to financial system stability. Governance  
10 generally refers to the processes, structures and information used for directing and  
11 overseeing the management of an organisation. Importantly, governance also pertains  
12 to the relationship between the organisation and the authority from which it receives its  
13 mandate or other authority to which it is ultimately held accountable. Sound governance  
14 is comprised of independence, accountability, transparency and disclosure, and integrity.  
15 Key elements for review are:

- 16 1. Each safety-net participant is operationally independent. The organisation(s)  
17 have the ability to use the powers and means assigned to them without undue  
18 influence from external parties. The deposit insurer and other safety-net  
19 participants should be aligned in their objectives in the financial safety-net in  
20 order to achieve them without compromise.
- 21 2. In support of the deposit insurance system, the other safety-net participants  
22 should be provided with all powers necessary to fulfill their mandates.

### 23 **Strong prudential regulation and supervision**

24 The strength of prudential regulation and supervision will have direct implications for the  
25 effectiveness of a deposit insurance system. Strong prudential regulation and  
26 supervision should allow only viable banks to operate and be members of the deposit  
27 insurance system. Banks should be well-capitalised and follow sound-and-prudent risk  
28 management, governance and other business practices. The supervisory authority  
29 should have an effective licensing or chartering regime for new banks, conduct regular  
30 and thorough examinations of individual banks and have  
31 a troubled bank resolution framework that includes early detection and timely  
32 intervention. Key element for review is:

- 33 1. The system of prudential regulation and supervision is in compliance with the  
34 Basel Core Principles for Effective Banking Supervision.

### 35 **Well-developed legal framework**

36 Deposit insurance systems cannot be effective if relevant laws do not exist or if the legal  
37 regime is characterised by inconsistencies. A well-developed legal framework should  
38 include a system of business laws, including: corporate, insolvency processes, contract,

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<sup>6</sup> In situations where resource distribution and credit decisions are directed mainly by the state, the state is viewed as being responsible for the results of such operations. Deposits in such systems generally are perceived as having a full government guarantee.

1 consumer protection, anti-corruption/fraud and private property laws. Furthermore, the  
2 legal framework must enable the deposit insurance system to compel member banks to  
3 comply with their obligations to the deposit insurer.<sup>7</sup> Key elements for review are:

- 4 1. The legal system is well-developed with clear property rights.
- 5 2. Laws are in place under which the banking system and the deposit insurer can  
6 operate.
- 7 3. A legal framework exists for handling a bank failure that includes a method  
8 for effective failure resolution in a timely manner. Policymakers have  
9 determined whether the failure resolution framework should be governed  
10 by bankruptcy/insolvency laws or by a special resolution regime.
- 11 4. Banking laws and regulations are updated as necessary to ensure that they  
12 remain effective and relevant to a changing industry.
- 13 5. Information exchange between the deposit insurance system participants and  
14 the supervisor is legally protected for all measures necessary in order to protect  
15 the deposits and to enable safety-net participants to intervene in case a bank is  
16 at risk.
- 17 6. Appropriate participants in the financial safety net are entitled to protect  
18 depositors through a number of options including transferring deposits from the  
19 troubled bank to a healthy bank.
- 20 7. The deposit insurance system participants, or other relevant authority, can take  
21 legal action against the management of a failing bank.

## 22 **Sound accounting and disclosure regime**

23 Sound accounting and disclosure regimes are necessary for an effective deposit  
24 insurance system. Accurate, reliable and timely information reported by these regimes  
25 can be used by management, depositors, the marketplace, and authorities to make  
26 decisions regarding the risk profile of a bank, and thereby increase market, regulatory  
27 and supervisory discipline. A sound accounting and disclosure regime should include  
28 comprehensive and well-defined accounting principles and rules that command wide  
29 international acceptance. A system of independent audits is needed for companies of  
30 significant size, including banks, to ensure that users of financial statements, have  
31 independent assurance that the accounts provide a true and fair view of the financial  
32 position of the company and are prepared according to established accounting  
33 principles, with auditors held accountable for their work. In cases where there are signs  
34 that a bank is at risk and the deposit insurer has not otherwise access to information  
35 from that bank from another safety-net participant, the deposit insurer must be entitled to  
36 obtain/receive the necessary information in a timely manner. Key elements that  
37 assessors need to focus their review on are:

- 38 1. Accounting and disclosure regimes support the ability of the supervisor and  
39 deposit insurer to adequately evaluate the health of individual banks and the  
40 banking system as a whole.

---

<sup>7</sup> The term “bank” is used to denote financial institutions which accept insured deposits.

- 1 2. Accounting and disclosure regimes support the accurate and timely  
2 determination of information on depositor accounts for the purposes of prompt  
3 reimbursements.
- 4 3. Accounting and disclosure regimes support the use of risk-adjusted differential  
5 premium systems if adopted by the deposit insurer.
- 6 4. The deposit insurer has the right to seek, or request the supervisor or other  
7 safety-net participant, to carry out or provide for an audit of a member bank in a  
8 timely manner if evidence shows that deposits may be at risk..



# Core Principles Methodology Assessment Criteria

## Setting Objectives

### Principle 1 – Public policy objectives

The first step in adopting a deposit insurance system or reforming an existing system is to specify appropriate public policy objectives that it is expected to achieve. These objectives should be formally specified and well integrated into the design of the deposit insurance system. The principal objectives for deposit insurance systems are to contribute to the stability of the financial system and protect depositors.

#### *Essential criteria*

1. The public policy objectives of the deposit insurance system are clearly defined and formally specified, for example, through legislation or documents accompanying legislation.
2. The public policy objectives of the deposit insurance system are publically disclosed.
3. There is comprehensive review of the extent to which a deposit insurance system is meeting its public policy objectives on a regular basis (e.g., in general every five years or on a more frequent basis as deemed necessary. )

#### *Additional criterion*

1. The regular assessment involves obtaining the views of stakeholders and publication of conclusions.

### Principle 2 – Mitigating Moral Hazard

Moral hazard should be mitigated by ensuring that the deposit insurance system contains appropriate design features and through other elements of the financial system safety net (see Core Principles for Effective Deposit Insurance Systems “Preconditions” paragraph 16).

#### *Essential criteria*

1. The design of the deposit insurance system recognizes the existence of moral hazard and mitigates it as much as possible in-line with public policy objectives. Specific design features that mitigate the risk of moral hazard may include: limited deposit insurance coverage and scope; where appropriate, deposit insurance premiums that are assessed on a differential or risk-adjusted basis; and, minimising the risk of loss through timely intervention and resolution by the deposit insurer or other participants in the safety net with such powers.
2. The financial safety net creates and supports appropriate incentives to mitigate moral hazard. These may include: the promotion of good corporate governance and sound risk management of individual banks, effective market discipline and

1 frameworks for, and enforcement of, strong prudential regulation, supervision  
2 and laws and regulations (to be assessed through a review of “Preconditions” ).

### 3 **Mandates and powers**

4

#### 5 **Principle 3 – Mandate**

6 It is critical that the mandate selected for a deposit insurer be clearly and formally  
7 specified and that there be consistency between the stated public policy objectives and  
8 the powers and responsibilities given to the deposit insurer.

#### 9 ***Essential criteria***

10

- 11 1. The deposit insurer has a mandate that is clearly defined and formally specified,  
12 for example, through legislation or documents accompanying legislation.<sup>8</sup>
- 13 2. The mandate clarifies the role and responsibilities of the deposit insurer within  
14 the financial safety net.
- 15 3. The mandate is consistent with the stated public policy objectives and the  
16 powers and responsibilities given to the deposit insurer.

#### 17 **Principle 4 – Powers**

18 A deposit insurer should have all powers necessary to fulfill its mandate and these  
19 should be formally specified. All deposit insurers require the power to finance  
20 reimbursements, enter into contracts, set internal operating budgets and procedures,  
21 and access timely and accurate information to ensure that they can meet their  
22 obligations to depositors promptly.

#### 23 ***Essential criteria***

24

- 25 1. The powers (legal authority) and responsibilities of the deposit insurance  
26 system are clearly defined and formally specified in law or regulation (including  
27 approved self-regulation in the context of private or public deposit insurance  
28 systems).
- 29 2. The deposit insurer has all powers necessary to fulfill its mandate. At a  
30 minimum, the deposit insurer can:
  - 31 (a) compel member banks to comply with their obligations to the deposit  
32 insurer, or request that the supervisor or another safety-net participant do  
33 so on behalf of the deposit insurer;
  - 34 (b) have the resources to reimburse depositors;

---

<sup>8</sup> The mandate of an organisation is a set of official instructions or statement of purpose. There is no single mandate or set of mandates suitable for all deposit insurers. Existing deposit insurers have mandates ranging from narrow, so-called “paybox” systems to those with broader powers or responsibilities, such as preventive action and loss or risk-minimisation/management, with a variety of combinations in between.

- 1 (c) enter into contracts (e.g., agreements/transactions to obtain goods and  
2 services/insurance);
- 3 (d) set internal operating budgets and internal policies and procedures (e.g.,  
4 in areas such as human resources and information technology);
- 5 (e) access timely and accurate information to promptly meet their obligations  
6 to depositors;
- 7 (f) share information with other safety-net participants;
- 8 (g) engage in information sharing and coordination agreements with deposit  
9 insurers in other jurisdictions (subject to confidentiality when required);  
10 and
- 11 (h) engage in contingency planning.
- 12 3. In support of the deposit insurance system, the other participants in the financial  
13 safety net are provided with all powers necessary to fulfill their mandates (see  
14 Preconditions).

## 15 **Governance**

16

### 17 **Principle 5 – Governance**

18 The deposit insurer should be operationally independent, transparent, accountable and  
19 insulated from undue political and industry influence.

#### 20 ***Essential criteria***

21

- 22 1. The deposit insurer is able to use the powers and means assigned to it without  
23 undue influence from external parties. There is in practice no significant  
24 evidence of government or industry interference in the operational  
25 independence of the deposit insurer and its ability to obtain and deploy the  
26 resources needed to carry out its mandate.
- 27 2. The deposit insurer is funded in a manner that does not undermine its  
28 autonomy or independence and permits it to fulfill its mandate. Examples  
29 include:
  - 30 (a) Salary scales that allow it to attract and retain qualified staff;
  - 31 (b) The ability to hire outside experts to deal with special situations, subject to  
32 appropriate confidentiality restrictions;
  - 33 (c) A training budget and programme that provides regular training  
34 opportunities for staff;
  - 35 (d) A budget for computers and other equipment sufficient to equip its staff  
36 with tools needed to fulfill its mandate; and
  - 37 (e) A travel budget that allows appropriate on-site work.
- 38 3. The governing body and management are fit and proper persons and have the  
39 requisite knowledge or experience.



- 1 4. The members of the governing body (e.g., directors or officers) and  
2 management of the deposit insurer are held accountable to a higher authority,  
3 whether public or private, through a transparent framework for the discharge of  
4 the system's duties in relation to its objectives and mandate.
- 5 5. The deposit insurer operates in a transparent and responsible manner. It  
6 discloses and publishes on a regular basis appropriate information on its  
7 activities, governance practices, structure and financial results.
- 8 6. The deposit insurer is structured such that the potential for conflicts of interest  
9 for or between members of the governing body and management is minimised  
10 and that they are subjected to appropriate codes of conduct/ethics. For  
11 example, the members of the governing body can be removed from office  
12 during their term only for reasons specified or defined in law, and not for  
13 political reasons. These reasons are publicly disclosed.
- 14 7. Members of the governing body and the head of the deposit insurer are subject  
15 to limitations on their term of appointment.
- 16 8. The deposit insurer takes into account the views of stakeholders.
- 17 9. Where decision making is delegated, the deposit insurer has appropriate  
18 procedures to oversee the exercise of delegation.

#### 19 ***Additional criteria***

- 20 1. The deposit insurer adheres to best practices in corporate governance, such as:
  - 21 (a) Regular assessments of the governing body are carried out. Systems and  
22 practices are in place to facilitate assessments of its effectiveness;
  - 23 (b) The deposit insurer is subjected to regular external audits with reports  
24 provided to the authority to which it is accountable;
  - 25 (c) The governing body has a well-defined charter that outlines the specific  
26 powers reserved for the board and those delegated to management;
  - 27 (d) The deposit insurer has a governing body approved strategic plan in place;  
28 and
  - 29 (e) Regular board meetings are held (e.g., on a quarterly basis or more  
30 frequently as deemed necessary).

#### 31 **Relationships with other safety-net participants and cross-border** 32 **issues**

#### 33 **Principle 6 – Relationships with other safety-net participants.**

34 A framework should be in place for the close coordination and information sharing, on a  
35 routine basis as well as in relation to particular banks, among the deposit insurer and  
36 other financial system safety-net participants. Such information should be accurate and

1 timely (subject to confidentiality when required). Information-sharing and coordination  
2 arrangements should be formalised.

### 3 ***Essential criteria***

- 4 1. The powers, roles and responsibilities of each safety-net participant are clearly  
5 defined and delineated (for example, through legislation or documents  
6 accompanying legislation). Each safety-net participant understands its  
7 respective roles, responsibilities and policy objectives.
- 8 2. Planning and operations of safety-net participants, both individually and  
9 together, not only cover past and ongoing circumstances but also consider  
10 plausible future scenarios.
- 11 3. A framework for timely information sharing mechanisms and the coordination of  
12 actions among safety-net participants is explicit and formalised through  
13 legislation, memoranda of understanding, legal agreements or a combination of  
14 these instruments.
- 15 4. All safety-net participants must provide the deposit insurer with all relevant  
16 information needed for timely decision making and fulfillment of the deposit  
17 insurer's role and responsibilities. A deposit insurer's information needs vary  
18 significantly according to its mandate and powers. However, all deposit insurers  
19 need information on a timely basis to be able to reimburse depositors' claims  
20 promptly including information on the amount of insured deposits held by  
21 individual depositors.
- 22 5. Rules regarding confidentiality of information apply to all safety-net participants  
23 and the exchange of information among them.
- 24 6. The safety-net participants make the relevant information available to the  
25 deposit insurer in advance and, where confidentiality requirements prevent this,  
26 or where the information is not available from other safety-net participants, the  
27 deposit insurer has the power to collect information directly from member  
28 banks.

### 29 ***Additional criteria***

- 30 1. A deposit insurer with a broader mandate, such as "loss" or "risk-minimisation",  
31 has access to timely and accurate information so that it can assess the financial  
32 condition of individual banks, as well as the banking industry. These deposit  
33 insurers may also need access to information regarding the value of the bank's  
34 assets and the expected time frame for the liquidation process, given that the  
35 value of a bank's assets depends, in part, on the time necessary to liquidate  
36 them.

### 37 **Principle 7 – Cross-border issues**

38 Provided confidentiality is ensured, all relevant information should be exchanged  
39 between deposit insurers in different jurisdictions and possibly between deposit insurers  
40 and other foreign safety-net participants when appropriate. In circumstances where more  
41 than one deposit insurer will be responsible for coverage, it is important to determine  
42 which deposit insurer or insurers will be responsible for the reimbursement process. The  
43 deposit insurance already provided by the home country system should be recognised in  
44 the determination of levies and premiums.

1 **Essential criteria**

- 2
- 3 1. Appropriate cross-border bilateral/multilateral agreements are in place in  
4 circumstances where, due to the presence of cross-border banking operations,  
5 coverage for deposits in foreign branches is provided by the deposit insurer in  
6 another jurisdiction or by a combination of deposit insurers in different  
7 jurisdictions. For example, where the home country system provides coverage  
8 for the branches of its domestic bank, banks in the host countries and/or the  
9 host country system provides supplementary coverage for foreign bank  
10 branches.
- 11 a) The agreements involve appropriate home and host deposit insurers as well  
12 as other appropriate financial safety-net participants when appropriate,  
13 including in circumstances where one deposit insurer will be solely  
14 responsible for coverage.
- 15 b) The agreements provide for ongoing close coordination and information  
16 sharing between home/host deposit insurers and possibly other safety net  
17 participants, as well as in relation to particular banks when necessary.
- 18 c) The agreements specify which deposit insurer or insurers will be responsible  
19 for reimbursement as well as premium assessment, cost sharing, and the  
20 deposit insurance public awareness issues raised by cross-border banking.
- 21 2. Depositors in the jurisdictions affected by cross-border banking arrangements  
22 are provided with clear and easily understandable information on the existence  
23 and identification of the deposit insurance system legally responsible for  
24 reimbursement and the limits and scope of coverage. Information on the deposit  
25 insurance system's source of funding and standard claims procedures and  
26 reimbursement options are also be made available to affected depositors  
27 (e.g., such as on the deposit insurer's website, through printed materials or  
28 similar means).
- 29

30 **Additional criterion**

- 31
- 32 1. Where a deposit insurer perceives a real risk that it may be required to protect  
33 depositors in another jurisdiction, its contingency planning allows for cross-  
34 border arrangements or agreements. For example, it has an agreement with  
35 the deposit insurer in that jurisdiction to provide for insured depositor  
36 reimbursements.

37 **Membership and coverage**

38 **Principle 8 – Compulsory membership**

39 Membership in the deposit insurance system should be compulsory for all financial  
40 institutions accepting deposits from those deemed most in need of protection (e.g., retail  
41 and small business depositors) to avoid adverse selection.



1 **Essential criteria**

2

3 1. Membership in a deposit insurance system is compulsory for all financial  
4 institutions accepting deposits from those deemed most in need of protection  
5 (e.g., retail or individual depositors and small business depositors).

6 2. Policymakers determine whether eligible banks will be given membership as a  
7 part of the licensing process or upon application to the deposit insurer.

8 3. Criteria for membership that detail the conditions, process and time frame for  
9 attaining membership are explicitly stated and transparent.

10 4. If the deposit insurer does not control membership (i.e., cannot refuse  
11 membership), the law or administrative procedures describe a clear time frame  
12 in which the deposit insurer is consulted about or informed in advance of “newly  
13 licensed” banks.

14 5. When deposit insurance membership is terminated by the deposit insurer,  
15 arrangements are in place that provide for the coordinated withdrawal of the  
16 bank’s operating license by the relevant authority. If relevant, an appropriate  
17 general notice is given to depositors (e.g., on the deposit insurer’s website) to  
18 inform them that any new deposits issued will not receive deposit protection.

19

20 **Additional criteria:**

21 1. There may be more than one deposit insurer in a jurisdiction.

22 2. All financial institutions accepting deposits are subject to the same level of strong  
23 prudential regulation and supervision and are financially viable when they  
24 become members of the deposit insurance system.

25 **Principle 9 – Coverage**

26 Policymakers should define clearly in law, prudential regulations or by-laws what is an  
27 insurable deposit. The level of coverage should be limited but credible and be capable of  
28 being quickly determined. It should cover adequately the large majority of depositors to  
29 meet the public policy objectives of the system and be internally consistent with other  
30 deposit insurance system design features.

31

32

33 **Essential criteria**

34

35 1. Insured deposits are clearly and publicly defined. This comprises the level and  
36 scope of coverage. If certain depositors are ineligible for deposit protection, the  
37 criteria are clearly defined.

- 1 2. The definition of “insured deposit” reflects the public policy objectives of  
2 protecting depositors and promoting public confidence and financial stability  
3 (e.g., protect small transaction accounts).
- 4 3. The level of coverage is limited but credible (e.g., the level of coverage is high  
5 enough to maintain confidence, but limited to maintain market discipline).<sup>9</sup>
- 6 4. Depositors have sufficient information readily available to determine the  
7 amount of coverage for their individual deposits.
- 8 5. The level of coverage is consistent with the deposit insurer’s public policy  
9 objectives. The adequacy of the level of coverage can be objectively assessed.
- 10 6. The coverage limit applies equally to all banks in a deposit insurance system.
- 11 7. The deposit insurance system does not incorporate co-insurance, where  
12 depositors absorb some portion of the loss under the coverage limit in the event  
13 of bank failure.<sup>10</sup>
- 14 8. In the event of a merger of separate banks that are members of the deposit  
15 insurance system, depositors of the merged banks enjoy separate coverage (up  
16 to the maximum coverage limit) for each of the banks for a limited but publicly  
17 stated period in which case the merging banks must be held responsible for  
18 notification of affected depositors, including the date at which time the separate  
19 coverage will expire.

#### 20 ***Additional Criterion***

- 21 1. Deposit insurance coverage is reviewed periodically and adjusted when  
22 necessary to ensure that it can meet the public policy objectives of the deposit  
23 insurance system.

24

#### 25 **Principle 10 – Transitioning from a blanket guarantee to a limited coverage** 26 **deposit insurance system**

27 When a country decides to transition from a blanket guarantee to a limited coverage  
28 deposit insurance system, or to change a given blanket guarantee, the transition should

---

<sup>9</sup> Evaluating whether a given coverage limit/scope is “credible” requires an understanding of preconditions and country specific factors such as the fiscal capacity of the providers of emergency back-up liquidity (e.g. the state). In a deposit insurance system with access to emergency back-up liquidity from a source with strong fiscal resources even a very high level of coverage may be viewed as credible by the public. However, if the source of emergency back-up liquidity’s fiscal strength is questionable then the coverage limit may not be considered credible. Maintaining credibility of a coverage limit is much more difficult in the event of a systemically significant failure or a “systemic crisis”.

<sup>10</sup> Although the use of co-insurance can encourage depositors to monitor bank risk taking, it presents a number of serious problems. In order to provide effective market discipline it assumes that depositors will have access to the necessary financial information and that most retail/individual depositors can accurately assess risk. And, even when depositors are in a position to make such determinations, co-insurance provides strong incentives for depositors to run on a bank to avoid even a small loss of their funds. Nevertheless, there may be limited exceptions where co-insurance may be appropriate (e.g., for use with certain investment products, for deposit amounts above a very high threshold level).

1 be as rapid as a country's circumstances permit.<sup>11</sup> Blanket guarantees can have a  
2 number of adverse effects if retained too long, notably moral hazard. Policymakers  
3 should pay particular attention to public attitudes and expectations during the transition  
4 period.

5 ***Essential criteria***

- 6
- 7 1. A situational analysis of the economic environment as it affects the banking  
8 system is conducted before a country begins a transition from a blanket  
9 guarantee to limited coverage.
  - 10 2. The situational analysis assesses structure and soundness of the banking  
11 system including an evaluation of the condition of banks' capital, liquidity, credit  
12 quality, risk management policies and practices, and the extent of any  
13 problems; and an evaluation of the number, type and characteristics of banks.
  - 14 3. The situational analysis assesses the strength of prudential regulation and  
15 supervision, the effectiveness of the legal framework, and the soundness of the  
16 accounting and disclosure regimes.
  - 17 4. Policymakers are aware of the tradeoff between the length of time it takes to  
18 transition to the limited coverage system and the degree of moral hazard in the  
19 system, and have planned the transition accordingly.
  - 20 5. Policymakers are aware of and anticipate the reaction of the public to a  
21 reduction in coverage levels. Policymakers develop effective communication  
22 strategies to mitigate adverse public reaction to the transition.
  - 23 6. Where there is a high level of capital mobility, and/or a regional integration  
24 policy, the decision to lower coverage levels (and/or scope) considers the  
25 effects of different countries' protection levels and related policies.
  - 26 7. The new limited-coverage deposit insurance system has access to adequate  
27 funding during and after the transition. Policymakers consider the capacity of  
28 the banking system to fund a limited-coverage deposit insurance scheme. If the  
29 banking system is unable to fund the cost of the blanket guarantee, government  
30 funding may be needed.
  - 31 8. The pace of the transition to limited coverage is consistent with the state of the  
32 banking industry, prudential regulation and supervision, legal framework and  
33 accounting and disclosure regimes.

---

<sup>11</sup> A "blanket guarantee" is a declaration by authorities that in addition to the protection provided by limited coverage deposit insurance or other arrangements, certain deposits and perhaps other financial instruments will be protected. A wide range of factors need to be considered when introducing blanket guarantees, including decisions on the scope of the guarantee (eg the type of institutions, products and term maturities covered) and whether the banks utilising the guarantees will be required to contribute in some manner to the costs of providing the guarantees.



# 1 Funding

## 2 Principle 11 – Funding

3 A deposit insurance system should have available all funding mechanisms necessary to  
4 ensure the prompt reimbursement of depositors' claims including a means of obtaining  
5 supplementary back-up funding for liquidity purposes when required. Primary  
6 responsibility for paying the cost of deposit insurance should be borne by banks since  
7 they and their clients directly benefit from having an effective deposit insurance system.

8 For deposit insurance systems (whether ex-ante, ex-post or hybrid) utilising risk-adjusted  
9 differential premium systems, the criteria used in the risk-adjusted differential premium  
10 system should be transparent to all participants. As well, all necessary resources should  
11 be in place to administer the risk-adjusted differential premium system appropriately.

### 12 *Essential criteria*

- 13  
14 1. Funding arrangements for the deposit insurance system are provided on an ex-  
15 ante or an ex-post basis or some (hybrid) combination of these and are clearly  
16 defined and established in law or regulation.
- 17 2. Funding arrangements for the deposit insurance system ensure the prompt  
18 reimbursement of depositors' claims and include a source(s) of back-up funding  
19 for liquidity purposes. Such sources may include a funding agreement with the  
20 central bank, a line of credit with the government treasury, or another type of  
21 public fund or market borrowing. If market borrowing is used by the deposit  
22 insurer it should not be the sole source of back-up funding. The deposit insurer  
23 should not be overly dependent on a line of credit from any individual bank.
- 24 3. Policymakers have considered and arranged for additional sources of funding to  
25 be used when needed to maintain stability or to ensure confidence in the  
26 banking system in normal times.<sup>12</sup>
- 27 4. Primary responsibility for funding the deposit insurance system is borne by  
28 member banks and is enforceable by the deposit insurer. However, the costs of  
29 dealing with systemic failures should not be borne solely by the deposit  
30 insurance system but dealt with through other means such as by the state.
- 31 5. If an ex-ante deposit insurance fund is established the size of the fund (e.g.,  
32 the fund reserve ratio) is defined in order to meet the public policy objectives.
- 33 6. The deposit insurance fund has sound investment policies and procedures,  
34 internal controls and disclosure and reporting systems. These are approved by  
35 the deposit insurer's governing body and subjected to regular review by an  
36 independent party. Investment policies emphasize the need to ensure the  
37 preservation of fund capital and liquidity.
- 38 7. For deposit insurers that use risk-adjusted differential premium systems:  
39 a) the system for calculating premiums is transparent to all participants;

---

<sup>12</sup> A deposit insurance system is not intended to deal, by itself, with systemically significant bank failures or a "systemic crisis". In such cases all financial system safety-net participants must work together effectively.

- 1 b) the ratings and rankings resulting from the system pertaining to individual  
2 member banks is kept confidential; and
- 3 c) 8. policymakers ensure that the deposit insurer has the necessary authority,  
4 resources and information in place to carry out its responsibilities with regard  
5 to the operation of such systems.

6 8. In so far as the funds of the deposit insurer may be applied or made available to  
7 other members of the safety net for the purposes of depositor protection and/or  
8 bank resolution, those circumstances are clearly stated and public and known  
9 to member banks. The deposit insurer has adequate information to:

- 10 (a) understand the use of the funds;
- 11 (b) seek reimbursement ;
- 12 (c) restrict the resolution or depositor reimbursement amount to the costs  
13 the deposit insurer would otherwise have incurred without such  
14 intervention or resolution.

#### 15 ***Additional Criterion***

- 16 1. For deposit insurers that use risk-adjusted differential premium systems, the  
17 system utilised is effective at differentiating banks.

#### 18 **Public awareness**

##### 19 **Principle 12 – Public awareness**

20 In order for a deposit insurance system to be effective it is essential that the public be  
21 informed on an ongoing basis about the benefits and limitations of the deposit insurance  
22 system.

#### 23 ***Essential criteria***

- 24
- 25 1. The deposit insurer is responsible for promoting public awareness of the  
26 deposit insurance system and how the system works, including its benefits and  
27 limitations, on an on-going basis.
- 28 2. The objectives of the public awareness programme are clearly defined and  
29 consistent with the public policy objectives and mandate of the deposit  
30 insurance system.
- 31 3. The public awareness programme conveys information about the following:
- 32 (a) which financial instruments are covered by deposit insurance and which  
33 are not (e.g., whether the system covers foreign deposits);
- 34 (b) which financial institutions offer insured deposits and how they can be  
35 identified;
- 36 (c) deposit insurance coverage limits and the potential for losses on deposits  
37 in excess of those limits; and

- 1 (d) the reimbursement process – how, when and where depositors may file  
2 claims and receive reimbursements in the event of a bank failure.
- 3 4. There is an effective programme for public awareness that addresses plausible  
4 future scenarios and that involves the cooperation and coordination of other  
5 safety-net participants as appropriate.
- 6 5. The deposit insurer works closely with member banks and other safety-net  
7 participants to ensure consistency in the information provided and to maximise  
8 awareness.

9 ***Additional criteria***

10

- 11 1. The public awareness program is tailored to the needs of clearly defined target  
12 audience and utilises a variety of communication tools. The desired level of  
13 visibility and awareness among the target audiences is a primary factor in  
14 determining the budget for the public awareness programme.
- 15 2. The deposit insurer receives or conducts a regular independent evaluation of  
16 target audiences' awareness levels. The evaluation is used to judge the  
17 effectiveness of the public awareness program.

18 **Selected legal issues**

19 **Principle 13 – Legal protection**

20 The deposit insurer and individuals working for the deposit insurer should be protected  
21 against lawsuits for their decisions and actions taken in “good faith” while discharging  
22 their mandates. However, individuals must be required to follow appropriate conflict-of-  
23 interest rules and codes of conduct to ensure they remain accountable. Legal protection  
24 should be defined in legislation and administrative procedures, and under appropriate  
25 circumstances, cover legal costs for those indemnified.

26 ***Essential criteria***

27

- 28 1. The deposit insurer and individuals working for the deposit insurer are protected  
29 against lawsuits for their decisions and actions taken in “good faith” while  
30 discharging their mandates.
- 31 2. Individuals are required to follow appropriate conflict-of-interest rules and codes  
32 of conduct to ensure they remain accountable.
- 33 3. Legal protection is defined in legislation and administrative procedures, and  
34 under appropriate circumstances, cover legal costs for those indemnified.

35 ***Additional criteria***

36

- 37 1. Legal protections do not prevent depositors or other individual claimants, or  
38 member banks from making legitimate challenges to the acts or omissions of



1 the deposit insurer in public or administrative review (e.g., civil action)  
2 procedures.

### 3 **Principle 14 – Dealing with parties at fault in a bank failure**

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

#### 6 ***Essential criteria***

- 7
- 8 1. The conduct of parties responsible for or who contributed to the failure of a bank  
9 (e.g. officers, directors, managers, auditors, appraisers and related parties of the  
10 failed bank) are subject to investigation by the deposit insurer or other relevant  
11 national authority. The investigation of the conduct of such parties may be carried  
12 out by one or more of the following: the deposit insurer, supervisor or regulatory  
13 authority, criminal or investigative authorities, or a professional or disciplinary body,  
14 as applicable.
  - 15 2. If identified as culpable for the failure of a bank, such parties are subject to sanction  
16 and/or redress. Sanction or redress may include personal or professional disciplinary  
17 measures (including fines or penalties), criminal prosecution, and civil proceedings  
18 for damages.

19

20

### 21 **Failure resolution**

22

23 The deposit insurer may, but often does not, perform many or most of the roles identified  
24 in Core Principles 15 and 16. However, it is essential that one or more of the financial  
25 safety-net participants performs these roles.

26

### 27 **Principle 15 – Early detection and timely intervention and resolution**

28 The deposit insurer should be part of a framework within the financial system safety  
29 net that provides for the early detection and timely intervention and resolution of  
30 troubled banks. The determination and recognition of when a bank is or is expected  
31 to be in serious financial difficulty should be made early and on the basis of well  
32 defined criteria by safety-net participants with the operational independence and  
33 power to act.

#### 34 ***Essential criteria***

35

- 36 1. The deposit insurer is part of a framework within the financial system safety  
37 net that provides for the early detection and timely intervention and  
38 resolution of troubled banks (failure resolution framework).
- 39 2. The failure resolution framework is established by law or regulation, and is  
40 effective at the early detection and timely intervention and resolution of  
41 troubled banks.

- 1 3. The respective roles of the safety-net participants in the failure resolution  
2 framework are clearly defined and formally specified, for example, through  
3 legislation or documents accompanying legislation.
- 4 4. The safety-net participants have the operational independence and power  
5 to perform their respective roles in the failure resolution framework and a  
6 clearly defined early intervention mechanism exists (including resolution  
7 tools) to ensure that appropriate action is taken (to allow the orderly  
8 resolution of a troubled bank) by the responsible party without delay.
- 9 5. There is legislation, rules and regulations, signed Memoranda of  
10 Understanding or another process in place to ensure timely information  
11 sharing and coordination among safety-net participants involved in the  
12 failure resolution framework.
- 13 6. The failure resolution framework includes a set of criteria that are used to  
14 identify banks that are or are expected to become troubled and are used as  
15 a basis to initiate some form of early intervention or corrective action to  
16 reduce the likelihood that a resolution would be necessary Such action  
17 should minimize losses to the deposit insurance fund.
  - 18 (a) The criteria are clearly defined in law or regulation and are well  
19 understood by banks and their stakeholders; and
  - 20 (b) The criteria will be country specific and may reflect concerns about a  
21 bank's capital, liquidity, and asset quality, among other factors.

22  
23 ***Additional Criteria***  
24

- 25 1. A self-assessment mechanism exists to identify and review cases which do  
26 not satisfy the requirements of early detection and prompt corrective action.  
27

28 **Principle 16 – Effective resolution processes**

29 Effective failure-resolution processes should: facilitate the ability of the deposit insurer to  
30 meet its obligations including reimbursement of depositors promptly and accurately and  
31 on an equitable basis; minimise resolution costs and disruption of markets; maximise  
32 recoveries on assets; and, reinforce discipline through legal actions in cases of  
33 negligence or other wrongdoings. In addition, the deposit insurer or other relevant  
34 financial system safety-net participant should have the authority to establish a flexible  
35 mechanism to help preserve critical banking functions by facilitating the acquisition by an  
36 appropriate body of the assets and the assumption of the liabilities of a failed bank (e.g.,  
37 providing depositors with continuous access to their funds and maintaining clearing and  
38 settlement activities).

39 ***Essential Criteria***

- 40 1. The mandate of the deposit insurer or other safety-net participants allows for the  
41 resolution of banks of all sizes.
- 42 2. Bank resolution and depositor protection procedures are not limited to depositor  
43 reimbursement. The deposit insurer or other safety-net participant has resolution

- 1 tools designed to help preserve critical bank functions, to achieve a transfer of  
2 accounts or assets/businesses and/or maintain continuity of banking services.
- 3 3. Where no single authority is responsible for all resolution processes, the role and  
4 mandate of each participant in the safety net is clearly defined and formally specified.
- 5 4. One or more of the resolution procedures allows the flexibility for resolution at a  
6 lesser cost than otherwise likely on a depositor reimbursement in a liquidation.
- 7 5. A clear and well-sustained methodology is available to the deposit insurer or other  
8 safety-net participant to provide for the transfer of insured deposits to stronger banks.
- 9 6. Resolution procedures clearly ensure that bank shareholders take first losses.

10

### 11 **Principle 17 – Reimbursing depositors**

12 The deposit insurance system should give depositors prompt access to their insured  
13 funds. Therefore, the deposit insurer should be notified or informed sufficiently in  
14 advance of the conditions under which a reimbursement may be required and be  
15 provided with access to depositor information in advance. Depositors should have a  
16 legal right to reimbursement up to the coverage limit and should know when and  
17 under what conditions the deposit insurer will start the payment process, the time  
18 frame over which payments will take place, whether any advance or interim  
19 payments will be made as well as the applicable coverage limits.

20

### 21 ***Essential Criteria***

22

- 23 1. The deposit insurer is able to reimburse depositors promptly after the deposit  
24 insurance system is triggered by law, contract or the relevant authority.
- 25 2. The time frame for accomplishing the reimbursement process is prompt and  
26 clearly stated to meet the public policy objectives of protecting depositors and  
27 promoting public confidence and financial stability of the deposit insurance  
28 system . The time frame is made public.
- 29 (a) Depositors are provided information after the failure on when and  
30 under what conditions the deposit insurer will start the reimbursement  
31 process and when the process is expected to be completed;
- 32 (b) Information on coverage limits, scope of coverage and whether  
33 advance or interim payments will be made is provided; and
- 34 (c) If there is an interest-bearing account, the deposit insurer shall  
35 reimburse depositors for interest as provided by contract, law or  
36 regulation up until at least the date the deposit insurance obligation is  
37 triggered.
- 38 3. In order to promptly reimburse depositors, the deposit insurer has:  
39



- 1 (a) Access to necessary data, including deposit account records, to  
2 prepare for reimbursing depositors as soon as the supervisor is  
3 aware of a likelihood of failure.  
4
- 5 (b) The power to review in advance itself (or request from the  
6 supervisory authority) the way depositor records are kept by banks to  
7 ensure the reliability of records, to reduce the time needed for  
8 calculation and verification of depositors' claims;
- 9 (c) A range of methods for reimbursing depositors; and
- 10 (d) Access to adequate and credible source of funding (e.g., reserve  
11 fund, Ministry of Finance, central bank) to meet its obligations under  
12 the established time frames.
- 13 4. The deposit insurer has established consistent administrative practices and  
14 procedures that can be efficiently implemented by in-house staff and  
15 contractors at short notice. This is supported by a robust system of internal  
16 controls.
- 17 5. The deposit insurer has the capacity to carry out the reimbursement process in  
18 a timely manner, including:
- 19 (a) Adequate computer capabilities; and
- 20 (b) Adequate personnel (in-house or contractor).
- 21
- 22
- 23 6. The deposit insurer has the power to make advance or interim payments.

24

25 ***Additional Criteria***

26

- 27 1. The deposit insurer has contingency plans as well as regularly scheduled tests  
28 of its systems.
- 29 2. The reimbursement process is audited by an independent auditor or authority.

30 **Principle 18 – Recoveries**

31 The deposit insurer should share in the proceeds of recoveries from the estate of the  
32 failed bank. The management of the assets of the failed bank and the recovery process  
33 (by the deposit insurer or other party carrying out this role) should be guided by  
34 commercial considerations and their economic merits.

35 ***Essential criteria***

36

- 37 1. The role played by the deposit insurer in the recovery process is clearly defined  
38 in law or regulation.

- 1 2. The deposit insurer shares in the proceeds of the recoveries arising from the  
2 failure of its member banks. The deposit insurer is clearly recognised as a  
3 creditor of the failed bank for the reimbursement of losses and costs it incurs;  
4 and receives recoveries from the estate of the failed bank directly.  
5  
6 3. The deposit insurer should seek to maximize recoveries to the extent that it can  
7 from the failed bank on a commercial or economic basis.  
8  
9 4. The deposit insurer has at least the same or comparable creditor rights or status  
10 as a depositor in the conduct of the estate of the failed bank, and has access to  
11 information to make and pursue its recovery claim against the estate and to  
12 exercise the appropriate degree of influence on the conduct of the estate.  
13

14 ***Additional criteria***

- 15 1. The deposit insurer is entitled or authorized to sit on the committee of creditors  
16 to follow the liquidation process of the failed bank as it is usually subrogated to  
17 the rights of the insured depositors .  
18 2. If, in addition to creditor status, the deposit insurer is the  
19 receiver/liquidator/conservator of the failed bank or of only some assets of the  
20 failed bank, then:  
21 a) the role played by the deposit insurer for asset management and  
22 recovery is clearly defined in law or regulation; and  
23 b)<sup>13</sup> its asset management and recovery strategies are guided by such  
24 factors as: the quality of the assets, market conditions, expert advice,  
25 and any legal requirements.  
26 3. In determining the asset management and recovery strategy, the interests of all  
27 creditors are given appropriate weight, and decisions on asset disposal in  
28 relation with the benefit of appropriate information and to balance the competing  
29 goals for securing maximum value and early disposal.

30

31

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<sup>13</sup> In some circumstances the deposit insurer may seek to pursue the parties responsible for fraud or misconduct even though costs may exceed recoveries.

## Annex 1

### Evaluation of Compliance with Core Principles for Effective Deposit Insurance Systems

This Annex presents guidance and a format for the organisation and methodology of the assessment reports that draws on the format used in the Basel Core Principles Methodology (Banking Supervision).<sup>14</sup>

The assessment report should include the following:

- A general section that provides background information on the assessment conducted, including information on the organisation being assessed and the context in which the assessment is being conducted.
- A section on the information and methodology used for the assessment.
- Overview of the institutional and macroeconomic setting and market structure.
- Review of the preconditions for effective deposit insurance systems.
- A detailed Principle-by-Principle assessment, providing a description of the system with regard to a particular Principle, a grading or “assessment,” and a “comments” section (Table 1).
- A compliance table, summarising the assessment results (Table 2).
- A recommended action plan providing Principle-by-Principle recommendations for actions and measures to improve the deposit insurance system and practices (Table 3).

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<sup>14</sup> That format was recommended by the IMF and the World Bank for use by assessors in the context of Financial Sector Assessment Program (FSAP) or Offshore Financial Center Program (OFC) missions. In order to maintain comparability and consistency, this format was also recommended for standalone assessments or self-assessments by a country. See, Core Principles Methodology (Banking Supervision) Annex.



1

## Draft Assessment and Summary Tables

Table 1	
Core Principles for Effective Deposit Insurance Systems Assessment Summary Table	
<b>Core Principle 1:</b> (repeat verbatim text of Core Principle 1)	
Description	
Assessment	
Comments	
<b>Core Principle 2:</b> (repeat verbatim text of Core Principle 2)	
Description	
Assessment	
Comments	
Repeating for all 18 Core Principles	

2  
3

Table 2	
Core Principles for Effective Deposit Insurance Systems Compliance Summary Table	
Evaluation	Core Principles
Compliant	Core Principles a, b, ...
Largely Compliant	Core Principles c, d, ...
Materially Non- compliant	Core Principles e, f, ...
Non-compliant	Principles g, h, ...
Not Applicable	Principles i, ...

4  
5

Table 3 <b>Core Principles for Effective Deposit Insurance Systems            Recommended Action Plan</b>	
<b>Reference Principle</b>	<b>Recommended Action</b>
Principle a	Description of deficiency Suggested course of action
Principle b	Description of deficiency Suggested course of action
Etc.	Etc.

1

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## ANNEX 3

### **Recommended assessment process for review of the preconditions for effective deposit insurance systems**

This section should provide an overview of the preconditions for effective deposit insurance, as described in the Basel/IADI Core Principles document. These preconditions include:

- an ongoing assessment of the economy and banking system;
- sound governance of agencies comprising the financial system safety net;
- strong prudential regulation and supervision; and
- a well developed legal framework and accounting and disclosure regime.

Assessors should pay close attention to the adequacy of preconditions. This section requires a succinct and well structured factual review of preconditions, as experience has shown that insufficient implementation of the preconditions can have a direct effect on the deposit insurer's ability to fulfill its mandate. It is important that the reader of the assessment report is able to properly interpret the grading of the individual Principles in light of the way in which the preconditions are met. The review of the preconditions should strictly follow the headings indicated above, and provide the necessary factual information to give a clear view to the reader of the assessment of the Core Principles. The assessment of compliance with individual Principles could flag the Principles which are likely to be primarily affected by preconditions considered to be weak, after factoring in specific country circumstances, mandate and structures of the deposit insurance system. However, standards assessors should not undertake to assess preconditions themselves. The review normally should take up no more than one or two paragraphs for each type of precondition.

#### **Ongoing assessment of the economy and banking system**

In particular with regard to the presence of an ongoing assessment of the economy and banking system, the review of the preconditions should be descriptive, including the frequency with which policy makers conduct an analysis of the macroeconomic environment in the country (including current monetary and fiscal policy, and the soundness of the banking system), and should not express an opinion on the adequacy of policies in these areas, other than through reference to the analysis and recommendations in existing IMF and World Bank documents, such as Article IV, FSAs, FSSAs and other Bank and Fund program-related reports.

Also with regard to other components of the preconditions, the reviewers should rely to the greatest extent possible on official Fund and Bank documents and seek to ensure that the description and possible recommendations are consistent with other Fund and Bank positions on these issues.

When relevant, the assessors should attempt to include in their analysis the linkages between these factors and the ability of the deposit insurance system to achieve its objectives.

#### **Sound governance of agencies comprising the financial system safety-net**

1  
2 A review of sound governance of agencies comprising the financial safety-net should  
3 focus on elements relevant to the deposit insurance system and, where appropriate, rely  
4 on the assessment made on other safety net participants by other specialists on the  
5 mission and the Fund / Bank country teams. This part of the review of the preconditions  
6 should be combined with an analysis of: (i) coordination; (ii) formal arrangements (i.e.  
7 MOUs) to ensure timely information sharing and cooperation; (iii) alignment of mandates  
8 with the institutional settings and public-policy objectives; and, (iv) consistency of  
9 integrity and transparency policies of safety net participants.

## 10 11 **Review of prudential regulation and supervision**

12  
13 An overview assessment of the strength or robustness of the prudential regulation and  
14 bank supervision (fundamentally relying on assessment reports prepared by the IMF/WB  
15 missions and peer group exercises) should focus on issues that could have direct  
16 implication for the effectiveness of the deposit insurance. The overview assessment  
17 should also cover the following elements: an analysis of the functions of the key entities  
18 involved such as the Central Bank, supervisory authority and the deposit insurer. Any  
19 duplicative or overlapping functions should be noted as well as any apparent gaps in the  
20 responsibilities. This should be followed by a review of the existence of a well-defined  
21 and documented process for dealing with the situation of a failing/failed financial  
22 institution.

## 23 24 **Assessment of the legal framework and accounting and** 25 **disclosure regime**

26  
27 On the basis of Reports on the Observance of Standards and Codes (ROSCs), FSSAs,  
28 FSAs and other reports by the IMF/WB or other international institutions , the assessor  
29 would form an opinion on the existence of proper legal framework by focusing on issues  
30 such as rules on corporate governance; protection of shareholders' rights; availability of  
31 market and consumer information; consumer protection laws; privacy and disclosure  
32 laws; professional liability laws to enable legal actions against bank directors and  
33 managers; indemnification laws to protect supervisory/regulatory staff; legal framework  
34 for mergers, takeovers and acquisition of equity interests; laws governing foreign entry  
35 into the market; bankruptcy laws; contract laws; general property rights; mechanisms for  
36 fair dispute resolution; and disclosure of government ownership and influence in financial  
37 institutions.

38  
39 Relying on the sources discussed above the review of the existing accounting and  
40 disclosure regime could include: presence of reliable and well trained accounting and  
41 auditing professions; financial sector regulations; efficient payment, clearing and  
42 settlement systems; transparency and public disclosures of financial statements; and  
43 adherence to generally accepted accounting and auditing standards.

## ANNEX 4

### Role of deposit insurance system in crisis preparedness and a systemic crisis

This section describes certain activities generally outside the deposit insurance system's purview. It also deals with the desired coordination between the deposit insurance system and other safety-net participants during a systemic crisis.

The objectives of deposit insurance systems are relatively simple; consisting of protecting depositors and contributing to financial stability. In normal times, an adequately funded deposit insurance system should be able to promptly reimburse a large number of insured depositors for a reasonable quantity of small bank failures, thus helping to preserve confidence in the rest of the banking system.

However, a deposit insurance system has a number of limitations during systemic crises. Most deposit insurance systems lack the mandate and powers to deal with a systemic crisis.<sup>15</sup> As with virtually all insurance endeavors, a deposit insurance system, by design, can absorb only a few losses among its insured pool. During systemic crises, when a large segment, or even all, of the banking sector is at risk of failure, a deposit insurance system lacks the resources to address the problem on its own. Unless other safety-net participants provide resources for crisis resolution, the deposit insurance system's key objective of promoting confidence to market participants will be undermined.

Various countries are taking steps to ensure adequate preparedness to deal with systemic crises, primarily by adopting contingency planning for crisis preparedness. This is evaluated in FSAPs under the Financial Safety Nets section, along with lender-of-last-resort (LOLR) facilities, the legal and regulatory framework for effective problem bank resolution, and the role of the deposit insurance system. In brief, crisis preparedness is usually led by the Ministry of Finance or equivalent and includes the other safety net members (MOF should lead since the other safety-net participants are usually politically independent).

While positive, the adoption of crisis management arrangements is in some cases introducing areas of potential conflict between the deposit insurance system and the crisis management committee. For instance, in some cases the deposit insurance system funds are included as part of the funds available to deal with a systemic crisis. By law, most deposit insurance system funds are dedicated to reimburse insured depositors in case of bank failure, unless its use was already permitted by law, or was closely connected to the protection of depositors (such that costs did not exceed what the deposit insurer might otherwise have been called on to meet). If a government were to decide to use deposit insurance system funds for other uses, such as to recapitalize a bank, such use should only be at the government's direction and carry a government guarantee that the deposit insurance system will be repaid.

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<sup>15</sup> For example, a deposit insurer provided with a wide mandate may have the power to resolve a bank, but be limited by a "least-cost" test; while the need for speed and/or systemic stability may preclude implementing the "least-cost" test.

1 Furthermore, the deposit insurer as a safety-net participant is sometimes not  
2 represented in crisis management during a systemic crisis. Generally, a crisis  
3 management committee will develop a coordinated communications strategy. This is an  
4 area where the crisis management committee could benefit from the deposit insurer's  
5 experience in designing a message to promote confidence during normal times.  
6 Advance preparation of public communications is critical during a "normal" bank closing  
7 (e.g., Where/when will deposits be repaid? Must I continue making loan payments?);  
8 and it is even more critical to prepare in advance the most positive messages to respond  
9 to a crisis (e.g., Is my deposit safe?). A deposit insurer's experience in promoting public  
10 confidence via effective public awareness campaigns can usefully contribute to the crisis  
11 management committee's coordinated communication program; however, the deposit  
12 insurer should not unilaterally decide to handle communications during a crisis.<sup>16</sup>  
13  
14  
15

---

<sup>16</sup> Some deposit insurers, with wider mandates and accompanying powers, have played additional roles in a systemic crisis such as through the administration of blanket guarantees.



## Research and Guidance Committee Advisory Panel

In 2008, IADI's Research and Guidance Committee (RGC) established an Advisory Panel consisting of experts on deposit insurance and financial stability issues, to provide advice and independent reviews of IADI research papers and proposed guidance. The Advisory Panel currently has 17 members:

**Mr. Andrew Campbell**

*Director of the Centre for Business Law and Practice  
School of Law, University of Leeds  
West Yorkshire, UK*

**Mr. Louis Chen**

*Dean and Professor of Law  
Chung Hua University  
Dean's office of the College of Humanities & Social Science,  
Chinese Taipei*

**Mr. David Hoelscher**

*Formerly Assistant Director, Monetary and Capital Markets Department  
International Monetary Fund  
Washington D.C., USA*

**Dr. Pongsak Hoontrakul**

*Senior Research Fellow  
Sasin of Chulalongkorn University  
Bangkok, Thailand*

**Dr. Eva Hüpkes**

*FSB Adviser on Regulatory Policy & Cooperation  
Financial Stability Board  
c/o Bank for International Settlements  
Basel, Switzerland*

**Prof. Małgorzata Iwanicz-Drozdowska, Ph. D.**

*Head of Centre for Financial Services Market Research Szkoła Główna  
Handlowa w Warszawie (Warsaw School of Economics)  
Warsaw, Poland*

**Prof. George G. Kaufman**

*College of Business Administration  
Loyola University  
Chicago, Illinois, USA*

**Mr. Masahiro Kawai**

*Dean and Chief Executive Officer  
Asian Development Bank Institute  
Tokyo, Japan*

**Mr. John Raymond LaBrosse**

*Honorary Visiting Fellow  
School of Law  
University of Warwick  
and Partner  
Patterson & LaBrosse Financial Consultants Ltd.  
Ottawa, Ontario, Canada*

**Prof. Rosa M Lastra**

*Professor of International Financial and Monetary Law Centre for  
Commercial Law Studies  
Queen Mary, University of London  
London, UK*

**Prof. David G Mayes**

*Director  
Europe Institute  
University of Auckland  
Auckland, New Zealand*

**Mr. Gordon S. Roberts**

*CIBC Professor of Financial Services, Schulich School of Business, York  
University  
Toronto, Ontario, Canada*

**Mr. Jean Roy**

*Professor of Finance  
HEC Montréal  
Montreal, Quebec, Canada*

**Dr. Dalvinder Singh,**

*Associate Professor of Law, School of Law, University of Warwick  
Coventry, UK*

**Mr. Sergey Smirnov**

*Department of Risk Management and Insurance, State University  
Higher School of Economics, Moscow  
Moscow, Russia*

**Mr. Bent Vale**

*Assistant Director  
Norges Bank  
Oslo, Norway*

**Mr. Larry D. Wall**

*Financial Economist and Policy Adviser  
Research Department  
Federal Reserve Bank of Atlanta  
Atlanta, Georgia, USA*

## Annex III: New Member Profiles

The following nine deposit insurance organizations applied to join IADI and were approved by the Executive Council. As of 31 March 2010, 60 deposit insurance organizations participate in IADI in the capacity of Member.

### Australian Prudential Regulation Authority

<http://www.apra.gov.au/>



The Australian Prudential Regulation Authority (APRA), established in 1998, is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, friendly societies, and most members of private pension schemes. APRA is funded largely by the industries that it supervises.

APRA licenses and supervises, and has responsibility for distress management in respect of authorized deposit-taking institutions (ADIs), general insurers and life insurers, and some private pension schemes. APRA is also responsible for administering the Financial Claims Scheme (FCS) for ADIs and general insurers, a permanent element of Australia's financial safety-net.

The FCS for ADIs currently covers 145 institutions, which include banks, credit unions and building societies. It is intended to complement the existing depositor preference regime by providing depositors with certainty and timely access to their eligible deposits up to a specified limit in the event of an ADI failure. Currently, the maximum amount payable under the FCS is AUD 1 million per account-holder per ADI for eligible deposits denominated in any currency. The Government has undertaken

to review the FCS deposit limit, along with other features of the FCS.

The basic design features of the FCS are that it is a post-funded, closed resolution mechanism covering deposits in an insolvent ADI up to a pre-determined limit. It is invoked at the discretion of the Treasurer where APRA has applied for the ADI to be wound up. Payments made under the FCS, including FCS expenses incurred by APRA, rank ahead of other liabilities in the winding-up of an ADI. In the event that the assets of the failed ADI are insufficient to repay amounts paid under the FCS, the Government can levy the ADI industry to recover the shortfall.

APRA, as administrator of the FCS, will take all necessary steps to ensure the prompt payment of eligible deposits, up to the FCS limit, in the event the Scheme is activated.

### Azerbaijan Deposit Insurance Fund (ADIF)

<http://www.adif.az/indexen.php>



The Azerbaijan Deposit Insurance Fund, established in 2007, is an independent non-profit legal entity with its own property and assets. Its purpose is to protect deposits of individuals, and to ensure the sustainability and development of the financial and banking system.

All banks and local branch offices of foreign banks licensed to take individual deposits are members of the Fund. If the deposit

insurance scheme of a foreign bank's country of origin covers its branch office(s) operating in the Republic of Azerbaijan, the Fund does not insure the deposits of the local branch office of the foreign bank, provided that the deposit insurance scheme of that country is not less favorable. Otherwise, deposits with the local branch office of the foreign bank are subject to additional insurance from the Fund.

The Fund is managed by the Board of Custodians and an Executive Director. The seven members of the Fund's Board of Custodians comprise three representatives of the Central Bank, two representatives from relevant executive authorities and two representatives of the member banking community as recommended by member banks.

The Fund's insurance reserves are formed from the following sources: membership fees paid by member banks; annual fees paid by member banks; supplementary fees paid by member banks; proceeds from long-term debt obligations issued by the Fund; fines paid by member banks; and proceeds from management of the Fund's resources, less current costs.

Annual fees are payable at the rate of 0.15 percent of the quarterly average daily balance of protected deposits in the first year and 0.125 percent in subsequent years, starting from the day of recording in the Fund's registry of member banks. The Fund compensates insured deposits at each member bank to 100 percent of the deposit balance, but not more than 30 (thirty) thousand manats (EUR 31,000). The Fund must announce in the mass media and publish a notification of the place and time of payment of compensations within seven calendar days from the receipt of an insurance event notice from the Central Bank. The Fund accepts depositor applications during one year from the date the payment of compensations was first announced.



### Deposit and Financial Instrument Protection Fund – Belgium

[http://www.protectionfund.be/en/mod\\_contexte.html](http://www.protectionfund.be/en/mod_contexte.html)

The Deposit and Financial Instrument Protection Fund, established in 1998, is tasked with running the deposit and investor protection system in compliance with European directives in these areas. Prior to the Fund, Belgium's protection system for the banking sector was managed by the Rediscount and Guarantee Institute, created in 1935 in the aftermath of a financial crisis. In 1985, this organization implemented EU recommendations and regulations and, in 1999, its assets and liabilities were taken over by the Fund.

The Fund provides deposit insurance coverage of up to EUR 100,000 to each depositor of a member institution. The insurance covers all types of deposit accounts in European Economic Area (EEA) currencies (time deposit, sight and savings accounts). Since its establishment, the Fund has never had to reimburse any depositors. The Fund does not have powers to audit or supervise the institutions that participate. However, under certain conditions and within the limits of its financial resources, the Fund is allowed to undertake pre-emptive action and help with the realization of a settlement, financial reorganization or takeover of a company that participates in the Fund and whose ability to fulfill its financial obligations is at risk.

The Fund is an autonomous public institution managed by a 12-member Board, consisting of six members (including the President of the Fund) representing (and appointed by) the authorities, and six members representing (and appointed by) the participating financial institutions. Board members serve six-year terms. A representative of the Banking, Finance and Insurance Commission (CBFA) attends the Board meetings (without voting rights). The

Fund operates from the offices of the Belgian central bank, and the Fund and regulator share information.

Participation in the Fund is compulsory for all financial institutions (credit institutions and investment companies) governed by Belgian law. However, commitments of the credit institution branches established under the law of another EEA member state are covered by arrangements in the country of origin. Credit institution branches falling under the law of a state that is not a member of the EEA are legally obliged to participate in the Fund, if the country of origin does not provide protection similar to that provided in Belgium.

The Fund is financed by financial sector contributions paid on an *ex ante* basis, with additional contributions if necessary. Current financial sector contributions correspond to 0.0485 percent of the total eligible deposits. In 2011, a new financing system will be introduced.

### Deposit Insurance Corporation (Corporación del Seguro de Depósitos) – Ecuador

<http://www.cosedec.gov.ec/web/>

The Corporación del Seguro de Depósitos (COSEDE), established in 2008, is Ecuador's current deposit insurer. During the preceding decade (1998–2008), the Agencia de Garantía de Depósitos (AGD) served as Ecuador's first deposit insurer. The AGD was created during the country's most severe bank crisis. It was authorized to manage the bank resolution process and to seize the goods of bank shareholders. It was subsequently closed down, and COSEDE is now responsible for deposit insurance in Ecuador.

COSEDE is a public institution with administrative and operational autonomy. As a paybox system, it has a narrow mandate, namely, to assess the risk differential

premium. It insures all deposits in financial institutions made by individuals, legal entities or private financial systems operating in the country, in current accounts, savings, certificates of time deposit or other legally accepted procedures that are subject to the oversight of the Superintendent of Banks. The amount covered equals three times the value of the "basic fraction" of current income tax.

COSEDE's mission is to generate and promote public confidence in the Ecuadorian financial system, strengthening it through the insurance of deposits, either in processes of bank resolution or by reimbursing them within the limits of the financial safety-net. Its vision is an institution that has gained the credibility of the public through correct management of the deposit insurance fund and prompt response in cases of bank failure, seeking to grow and extend its powers and mandate according to the needs of the financial system and its governing policies, at the lowest possible cost.

The governing authority of COSEDE is its Board of Directors. The members of the Board are appointed by three institutions: the Ministry of Finance, the Banking Board, and the Board of the Central Bank. Currently, COSEDE has about 25 staff members, including the Board of Directors.

### Deposit Protection Fund of the Association of German Banks (Deposit Protection Fund)

<http://www.german-banks.org>

The Deposit Protection Fund of the Association of German Banks, established in 1951, is a dependent special fund within the Association of German Banks (Banking Association). Its purpose is to give assistance, in the interest of depositors, in the event of imminent or actual financial difficulties of banks, particularly when the suspension of payments is imminent, in

## Annex III: New Member Profiles

order to prevent the impairment of public confidence in private banks. The Fund may take all measures that are apt to be of assistance; including payments to individual creditors and to banks, and the assumption of guarantees or obligations.

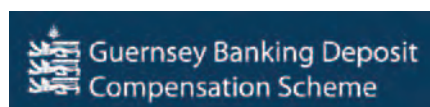
The Deposit Protection Fund protects all liabilities that are required to be shown on a bank's balance sheets, including demand, term and savings deposits and registered savings certificates. Claims for which the bank has issued bearer instruments (e.g. bearer bonds and bearer certificates) and liabilities to banks are not protected.

The protection ceiling for each creditor is 30 percent of the liable capital of the bank. The amount of the ceiling can be obtained by making a deposit insurance protection limit query at <http://www.bankenverband.de/themen/geld-finanzen/einlagensicherung/abfrage>.

All banks that are members of the Banking Association are required to participate in the Deposit Protection Fund unless exempted under the terms of the Fund's bylaws. All banks that are organized in private legal form, that are based in the Federal Republic of Germany and have a full banking license (as well as German branches of comparable foreign banks) are eligible to be members in the Banking Association. The Banking Association represents more than 220 private commercial banks and 11 member associations operating at federal state level.

### Guernsey Banking Deposit Compensation Scheme

<http://www.dcs.gg/>



The Guernsey Banking Deposit Compensation Scheme was established in 2008 in response to the worldwide financial

crisis. Under the laws establishing the Scheme, any bank carrying out deposit-taking within the Bailiwick of Guernsey must hold a license from the Guernsey Financial Services Commission. Any licensed bank is automatically a participant in the Scheme and, thus, may be eligible for compensation under the Scheme's terms in the event of the bank's failure.

The vision and mission of the Scheme are to enhance Guernsey's financial services industry by providing an appropriate level of deposit protection for retail customers, and to enhance public confidence in the island's banking system by providing a sound safety-net whereby depositors' funds held by participant banks are sufficiently insured against loss as a result of bank failure.

The Scheme covers all qualifying deposits, which mainly includes those from personal retail depositors, wherever they live. The Scheme is funded by licensed banks through annual charges and special charges in the event of a bank failure. In the event of a failure of a licensed bank, the Scheme provides compensation of £50,000 per qualifying deposit with respect to that bank, typically within three months of a bank failure. The maximum total amount of compensation is capped at £100 million in any five-year period. If claims exceed this cap, compensation is reduced pro rata. Also, the cap means that compensation with respect to any one bank cannot exceed £100 million.

The Scheme is administered by an independent statutory Board which is separate from both the Guernsey Financial Services Commission and the States of Guernsey.

### Interbank Deposit Protection Fund (Fondo Interbancario di Tutela dei Depositi) – Italy

<http://www.fitd.it/en/index.asp>



The Interbank Deposit Protection Fund, established in 1987, is a private mandatory consortium recognized by the Bank of Italy. The purpose of the Fund is to guarantee the deposits of member banks. Member banks pay contributions to the Fund and, at the request of the Fund, make regular payments to defray operating expenses. The Bank of Italy supervises and coordinates the Fund's activities.

The members of the Fund's Board are elected by the General Meeting. The Chairman of the Italian Banking Association is an ex officio member of the Fund. A representative from the Bank of Italy attends Fund meetings.

Membership in a deposit guarantee system is mandatory. All Italian banks (about 300) are members of the Fund, except for "mutual banks", which are members of the Deposit Guarantee System of Mutual Banks. Membership is open to the branches of European Union (EU) banks operating in Italy for the purpose of supplementing the deposit protection provided by their home country schemes. Non-EU banks authorized to operate in Italy are required to become members, unless the deposit protection schemes of their home countries are equivalent.

The Fund offers protection at a minimum of EUR 20,000 and a maximum of EUR 103,291.38 per depositor. Also, the Fund compensates, up to statutory limits, the depositors of members' foreign branches in EU countries. Additionally, the depositors of Italian branches of EU and non-EU banks



are protected provided they are members of the Fund. Claims relating to repayable funds acquired by the members in the form of deposits or in other forms, as well as banker's drafts and equivalent instruments, are eligible for reimbursement.

Compulsory administrative liquidation of a troubled bank is ordered by the Minister of the Treasury who, acting on a proposal from the Bank of Italy, may issue a decree revoking the authorization to engage in banking and ordering the liquidation procedure prescribed by law.

The resources required for interventions constitute advances to the Fund, are mandatory and must be paid to the Fund according to the procedures and schedule determined by the Executive Committee. The Fund is based on an ex post contribution system. The resources for interventions are therefore paid off by member banks only following a request by the Fund. The amount of such payments is determined in accordance with the level of intervention.

### Deposit Insurance Fund, Central Bank of Paraguay (Fondo de Garantía de Depósitos, Banco Central del Paraguay)

<http://www.bcp.gov.py>

The Deposit Insurance Fund, Central Bank of Paraguay (Fondo de Garantía de Depósitos, Banco Central del Paraguay) (FGD), established in 2003, is a limited and compulsory deposit guarantee regime with public and private funding. It partially protects the public savings in the domestic financial system held in private entities authorized to operate by the Central Bank of Paraguay.

The FGD's mission is to ensure consumer confidence in financial institutions and contribute to financial stability by protecting

public savings, including resources that would enable institutions to address financial problems in a timely and least-costly manner. It seeks to protect banking services and provide a reliable safety-net to the financial system as a whole by making resources available to fund resolution methods. Its vision is to be a solid and credible organization that generates and promotes confidence among savers and users of financial services, and operates in an effective and efficient manner.

The FGD has a paybox mandate. The Central Bank administers the Fund and a Director appointed by the Central Bank Board manages the Fund resources as a separate portfolio in relation to the Central Bank's assets.

Members of the FDG are all private banks and finance companies with operating licenses granted by the Central Bank. Membership in the deposit insurance system is mandatory. Membership for foreign institutions (i.e. foreign bank branches and/or subsidiaries) is treated the same way as for domestic institutions.

Deposit protection includes unpaid balances of money, in any form and denomination, received by private entities (natural and legal persons) in the national financial system, up to "seventy-five (75) monthly minimum wages". Different types of deposits are eligible for coverage, including savings account, checking accounts, annuity contracts, deposit certificates, guaranteed investment certificates, foreign currency deposits, and interbank deposits. Deposits of officers and/or directors of member institutions are not eligible for coverage.

The deposit insurer is required to resolve failed or failing insured depository institutions in a manner that is least costly to the deposit insurance system. Congress and member organizations must be given the reasons considered for the use of any alternative resolution method. Whenever the purchase-and-assumption resolution method would cost less than a direct payout,

it is possible to transfer deposits for higher amounts than the coverage limit.

Funds for the deposit guarantee scheme are collected and available prior to and independently of a bank failure. All private banks and finance companies pay flat-rate levies every trimester. The rate is set by law at 0.12 percent of the quarterly average of total deposits. The fund target ratio, also determined by law, is 10 percent of total deposits.

### Deposit Protection of Swiss Banks and Securities Dealers (Einlagensicherung der Schweizer Banken und Effekthändler) – Switzerland

<http://www.einlagensicherung.ch/en>



The "Swiss Banks' and Securities Dealers' Depositor Protection Association (Association)," established in 2005, protects the preferential deposits (in the name of the bank client) held with Swiss banks and securities dealers. Currently, the association has 400 members.

The Association's vision is to attain international standards of efficiency and best practices in deposit insurance. Its mission is to enhance public confidence in the Swiss financial system by providing a sound safety-net whereby all deposits up to CHF 100,000 are sufficiently secured against loss as a result of a failure of a member institution.

The Swiss Bankers Association nominates the Association's Board of Directors. The Board appoints a Director to manage the day-to-day operations of the Association. The Association is supervised by the Federal

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## Annex III: New Member Profiles

Financial Market Supervisory Authority (FINMA). FINMA appoints a liquidator for an insolvent institution, and the Association can organize payouts via the liquidator or can opt to pay out directly.

The Association is governed by private law and its members are all banks and securities dealers licensed in Switzerland if they hold deposits. All banks and securities dealers with a branch in Switzerland that accept preferential deposits are mandatory members of the Association, and their deposits are protected under the depositor protection scheme. All members pay a fee based on the level of deposits taken by the institution in the previous calendar year, which covers the operating costs of the fund.

In the event of default of a member institution, deposits of up to CHF 100,000 per depositor will be treated as preferential debt, thus taking priority over the claims of other creditors. Securities dealers are treated in the same way as banks in this respect. Association members are required to have the preferential deposits secured by claims against third parties secured in Switzerland or by assets in Switzerland in the total amount of at least 125 percent of the preferential deposits held with the banks. FINMA may increase the required percentage or grant exceptions to this requirement.

If FINMA initiates protective measures or forced liquidation proceedings against a bank or securities dealer, the members of the Association provide funds so that preferential deposits can be paid out as quickly as possible to the depositors.

The Association is organized as an *ex post* funded “paybox” system. After the liquidation of a failed institution, the members of the Association are reimbursed for the funds provided according to the recuperated sum up to the limit of CHF 6 billion according to their contribution to the case.

Preferential deposits are paid out immediately from the bank’s available liquid assets, separately from the collocation in the bankruptcy proceedings and in the absence of any set-off assets of the bank up to CHF 100,000 (secured deposits). The payout is done within three months of measures being initiated by FINMA or liquidation proceedings being commenced against the bank. New legislation may reduce the payout term to 20 days by 2012.



International Association of Deposit Insurers

## IADI Secretariat

International Association of Deposit Insurers  
c/o Bank for International Settlements

Centralbahnplatz 2  
CH-4002 Basel, Switzerland

Tel. +41 (61) 280 9933

Fax. +41 (61) 280 9554

General E-mail: [Service.IADI@bis.org](mailto:Service.IADI@bis.org)

Website: [www.iadi.org](http://www.iadi.org)

## Secretariat Members

Donald E. Inscoc, *Secretary General*

Kim White, *Deputy Secretary General*

E-mail: [Kim.White@iadi.org](mailto:Kim.White@iadi.org)

Taewook Chang, *Sr. Policy Analyst*

Seconded from the Korea Deposit Insurance Corporation

Norimitsu Takada, *Sr. Policy Analyst*

Seconded from the Deposit Insurance Corporation of Japan

Jocelyne Amourette, *Secretariat Support*





**INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS**

*C/o Bank for International Settlements  
Centralbahnplatz 2  
CH-4002 Basel, Switzerland*

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