

What's New at the IADI?



IADI Office Opened

The Head Office of the IADI is located in the Bank for International Settlements in Basel, Switzerland. The Secretary General is pleased to announce that Kim Utnegaard (kim.utnegaard@iadi.org) has joined the **International Association of Deposit Insurers** as its Office Manager in Basel, Switzerland. Kim, who is now with the **Bank for International Settlements**, joins the IADI on a part-time basis this month and she will be fully on staff by mid-October. Welcome aboard Kim!

Second IADI Conference to be held in Korea October 2003

IADI Represented at SEACEN/APEC Conference in Malaysia

Inter-American Development Bank Financial Sector Regional Forum

Banking Supervision Conference in Kyrgyz Republic

World Bank Financial Sector Learning Program

Deposit Insurance Workshop in China

Peoples Bank of China Workshop on Deposit Insurance

Save the Date!

The **Second Annual Conference** of the IADI will take place in **Seoul, Korea on October 23 and 24, 2003**. Won-keun Yang, Executive Director, **Korea Deposit Insurance Corporation** is the Chair of the 2003 Conference Task Force that will be assembling presentations on topical deposit insurance issues.

Details on the conference will be provided at the following location <http://www.iadi.org/aConfer.htm>. If you have any suggestions on topics that you would like to have addressed at the conference please send an email to info@iadi.org by December 1, 2002.

What's On!

- The Chair and the President of the **IADI**, Jean Pierre Sabourin spoke at the 2002 SEACEN/APEC Conference of Directors of Supervision in Kuala Lumpur, Malaysia on August 26, 2002. Slides from his two presentations can be found at: <http://www.iadi.org/pdf/SEACEN-Aug26a.pdf> and <http://www.iadi.org/pdf/SEACEN-Aug26b.pdf>

- The First Meeting of the Financial Sector Regional Forum will take place at the **Inter-American Development Bank** on September 13, 2002. Information about the Forum can be obtained from Luis Giorgio at: giorgio@iadb.org. Winston Carr, who is also the Chair of the Caribbean Committee and Carlos Isoard, who is the Chair of the Latin America Regional Committee, will represent the IADI.
- The XII International Conference of the **Transcaucasia and Central Asia Regional Group of Banking Supervision** will be held at Issyk-Kul, Kyrgyz Republic, on September 23-25, 2002. For additional information you may wish to contact Erkinbek Jumabaev ejumabaev@nbkr.kg, Head of the Methodology of Banking Supervision Department of the National Bank of the Kyrgyz Republic.
- The **People's Bank of China** is sponsoring a Workshop on Deposit Insurance on October 17 and 18, 2002 in Shanghai. The **Japan Deposit Insurance Corporation** will represent the IADI at the Workshop.

What's Happening?

On June 25, Lim Hng Kiang, Deputy Chairman Monetary Authority of **Singapore** and Second Minister of Finance announced that Singapore would introduce a deposit insurance system. In the news release accompanying the announcement he said: "Three years ago, MAS embarked on a process to liberalize the banking sector. The aim was to develop a more competitive and dynamic environment that promotes innovation and enterprise. Whilst this has brought many positive changes, it has also raised concerns about the quality and affordability of basic banking services to small depositors. I am happy that the industry has responded positively by developing the banking code of practice, setting up the Consumer Mediation Unit and offering the Basic Bank Account. In addition, the introduction of a deposit insurance scheme will strengthen our banking sector further. With all of us working together, I am confident we can develop a competitive banking sector that can hold its own in the global market".

Bank of Thailand Governor Pridiyathorn Devakula recently announced that a draft law on limited deposit insurance (the Deposit Insurance Act or "DIA") will soon be introduced into Parliament to replace the government's 5-year old blanket guarantee on deposits. The primary objectives of the DIA will be to protect depositors up to specified limits and contribute to financial system stability.

The Governor proposed a 4-year transition process to the new 1,000,000 baht (about US\$24,000) limited coverage explicit system. In the first year, the law on the universal guarantee of deposit liabilities would be scrapped. The reduction in blanket coverage would be accomplished in 3 stages starting with a reduction to 50,000,000 baht, then 20,000,000 baht and finally to 1,000,000 baht. The Bank of Thailand indicated that the timetable would have some flexibility built into it depending on economic conditions and the readiness of depositors and financial institutions. More details will be released in the future on transitioning plans.

On September 5, 2002 the **Jamaica** Deposit Insurance Corporation opened new offices. They are now located at 30 Grenada Crescent, Kingston 5. Email (jdic@cwjamaica.com) remains unchanged but telephone numbers have changed. JDIC can now be reached at. (876) 926 5225, (876) 968 8382 and (876) 968 7398. Fax number is now (876) 920 9393.

At the invitation of the Agency for Restructuring Credit Organization (ARCO) of the Russian Federation, a team of Hungarian deposit insurance experts, led by Daniel Jánosy will pay a 5-day visit to Moscow between September 9-13, 2002. The law on establishing a deposit insurance system has been recently submitted by the Administration to the State Duma, where the legislative proceeding is already underway. The Hungarian team plans to meet Pavel A. Medvedev, Deputy Chairman of Sub-Committee for Banking and Financial Markets of the State Duma, Andrei A. Kozlov, First Deputy President of the Central Bank of Russia and other senior government officials. The program also includes a roundtable discussion and exchanges with staff members of ARCO, currently the only institution in the country partly fulfilling a deposit insurance role. The issues to be discussed will also cover the role and initiatives of IADI.

Resources

A report recently prepared by Reint Gropp and Jukka Vesala of **The European Central Bank** focused on deposit insurance, moral hazard and market monitoring. The abstract summarizes the report, which analyses the relationship between deposit insurance, debt-holder monitoring, and risk taking for European banks. The authors present a stylized bank model with moral hazard and deposit insurance, in which, under certain conditions, deposit insurance may reduce moral hazard. Testing the model using EU bank level data yields evidence consistent with the model, suggesting that explicit deposit insurance may serve as a commitment device to limit the safety net. The authors also found that banks with lower charter values and more subordinated debt reduce risk taking more and that large banks do not change their risk taking in response to the introduction of deposit insurance (“too-big-to-fail”).

The 2002-2003 Catalogue of the Financial Sector Learning Program, a joint **World Bank Financial Sector** and **World Bank Institute** learning program, has just been released. It can be found at: <http://www.worldbank.org/wbi/banking/pdfs/catalog2002.pdf>. The Learning Program is a forum for gathering senior financial policymakers and executives from around the world. Participants share the lessons they have learned from experiences in their own countries and collaborate to define best practices in the financial sector. The program aims not only to offer clients new information but also to build communities of practice for addressing policy problems.

Need for additional disclosure!

The Chairman of the **Federal Deposit Insurance Corporation** in the United States, Donald Powell, recently appointed a working group of financial services industry professionals and regulators to recommend improved disclosure practices for banks to support the implementation of Basel 2. In recommending disclosure improvements, the working group is to consider the following policy considerations: the provision of important and timely disclosure, enhancement of the safety and soundness of the financial system, achievement of a level playing field on disclosure between American banks and their international competitors, and support of the implementation of Basel 2.

IADI Committees – Sharing Deposit Insurance Expertise with the World

IADI has formed nine committees to promote the objects of the Association.

The **Training and Conference Committee** is chaired by András Fekete-Györ of the **National Deposit Insurance Fund of Hungary**. This Committee assesses the needs of the Members, leverages the resources of the Participants and works with Partners and other interested parties

on training and developments matters. One of the first tasks of this committee is to undertake the preparations for the **Second Annual IADI Conference** that will be hosted by the **Korea Deposit Insurance Corporation** in October 2003. Won-keun Yang, Executive Director, is the Chair of the **Task Force**, which will undertake this work.

Leading the **Research and Guidance Committee** is George Hanc of the **FDIC**. This Committee is setting out guidance to enhance the effectiveness of deposit insurance systems that will take into account different circumstances, settings and structures. The first task of the Committee is to develop and recommend a process for developing and setting out guidance to enhance deposit insurance systems.

The **Membership and Communications Committee** is headed by Mileti Mladenov of the **Deposit Insurance Fund of Bulgaria**. This Committee is the main focal point for communication matters for IADI and it will consider and make recommendations concerning the admission of Members, Associates and Observers.

Charles Cornut, the Treasurer of **IADI**, oversees the financial affairs of the association and chairs the **Finance and Planning Committee**. This Committee monitors and strategically levers the resources available to the Association.

Jean Pierre Sabourin of the **Canada Deposit Insurance Corporation** chairs the **Governance Committee**. This Committee establishes and implements by-laws and policies governing the business and affairs of IADI, establishes codes of conduct and behavior, develops terms of reference for various committees and other matters to ensure the sound functioning of the Association.

Regional Committees were created for Africa, Asia, Caribbean, and Latin America to reflect regional interests and common issues. The **Africa Committee** is chaired by Ganiyu Ogunleye of the **Nigeria Deposit Insurance Corporation**, the **Asia Committee** is chaired by Hajime Shinohara, of the **Deposit Insurance Corporation of Japan**, the **Caribbean Committee** is chaired by Winston Carr, of the **Jamaica Deposit Insurance Corporation** and the **Latin America Regional Committee** is chaired by Carlos Isoard of **Instituto para la Protección al Ahorro Bancario of Mexico**.

COMING SOON!

IADI is revamping its Website, so watch for a new look next month

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