

What's New at IADI ?

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Thanks for the Memories!



Korea Deposit Insurance Corporation was the host of the Second Annual IADI Conference which was held on 22-24 October 2003. A special letter to all the attendees from the Chairman and President of KDIC, In-Won Lee, is available on IADI's homepage at: www.iadi.org



The Opening Keynote Address of the conference was delivered by Jean Pierre Sabourin, Chair of the Executive Council and President, **International Association of Deposit Insurers**. Mr. Sabourin reviewed the achievements of IADI since its inception and turned to the theme and goals of the conference to strengthen governance arrangements through effective deposit insurance systems.

The first session featured a presentation by Stefan Ingves of the **IMF** which focused on financial stability assessments and the implications for deposit insurance arrangements as an integral part of the banking system safety net. There was also a special presentation on interrelationships among safety net players delivered by Winston Carr of the **Jamaica Deposit Insurance Corporation**.

The conference then turned to an examination of strategies to promote effective deposit insurance systems by examining what was learned from the IADI country reports on deposit insurance system design, the Standards of Sound Business and Financial Practices developed by **Canada Deposit Insurance Corporation** and then on strategies to promote confidence in developing countries banking system.

The luncheon speaker was Jung-Jae Lee, Chairman of the Financial Supervisory Commission and Governor of the Financial Supervisory Service in Korea who spoke about “Managing Risk in Turbulent Times”



This first afternoon session looked at information needs of deposit insurers from the perspective of the **Philippine Deposit Insurance Corporation**, management of funds of deposit insurers with strategies developed by the **Korea Deposit Insurance Corporation** and transitioning issues for systems with state-owned banks drawing on the experience in Ukraine.

The second afternoon session featured the guidance on differential premiums that is being developed by IADI with a presentation by Antonio Carlos Bueno de C. Silva, from **Fundo Garantidor de Créditos** of Brazil and by Neslihan Özdemir from the **Savings Deposit Insurance Fund** of Turkey

Deputy Prime Minister & Minister, Ministry of Finance and Economy of Korea, Jin-Pyo Kim provided the keynote dinner speech entitled “*Managing Financial Crisis and Financial Reform in Korea*”

The second day of the conference opened with a session that provided an opportunity for experts to share their experiences and lessons learned in dealing with institutional failures. A panel composed of Chin-Tsair Tsay of the **Central Deposit Insurance Corporation**, Hector Tinoco of **Instituto para la Proteccion al Ahorro Bancario** and Bent Vale of Norges Bank responded to presentations delivered by Hajime Shinohara, **Deposit Insurance Corporation of Japan** and Pongsak Hoontrakul of the SASIN Graduate Institute of Business, Chulalongkorn University, Thailand that focused on what was done, what were the results, what might have been done better in retrospect and what role can regional co-operation play in dealing with financial system problems.



Consistent with the tradition of IADI there was a Special Session that featured remarks by WonKeun Yang of the **Korea Deposit Insurance Corporation** who looked at future challenges for deposit insurance practitioners and David Walker who focused on International Deposit Insurance Survey that was conducted by **Canada Deposit Insurance Corporation**.

In the penultimate session Mr. Sabourin chaired a regional chairs panel that included the work plans of the committees for **Africa, Asia, Caribbean, Eurasia** and **Latin America**. The approach that is being taken for each region was articulated and the Chair of the Executive Council noted that there will be an opportunity at next year's conference for the regional chairs to report on the progress that they have made.

The conference closed with a presentation of the Secretary General who reported on the significant increase in participation in IADI over the past year and a list of activities planned for 2004.

Seok-Won Kim, Vice President, **KDIC**, hosted the farewell dinner which included a marvellous performance of traditional Korean music and dance in the Grand Ballroom of the KDIC Building.

Proceedings from the conference are being prepared and will be placed on IADI's Web site soon.



IADI Welcomes Deposit Protection Board (Zimbabwe) and Goodman LLP of Toronto, Canada

At the Executive Council meeting held in Seoul, Korea the Executive Council welcomed the **Deposit Protection Fund Board** (Zimbabwe) as the 33rd Member of IADI. One of Canada's internally recognized transaction law firms, **Goodmans LLP**, was admitted as an Observer. You can learn more about this firm by visiting their Web site at: www.Goodmans.ca

Members Elect New Additions to the Executive Council

IADI paid tribute to Chiho Kim, Dániel Jánossy and Oscar Armando Pérez Merino for their service to the Executive Council at the Second Annual General Meeting held on 22 October 2003. The Members elected Antonio Carlos Bueno de Camargo Silva, András Fekete-Györ, Junior Frederick, Eunice Kagane, Ricardo M. Tan, Bisser Manolov, Chin-Tsair Tsay, Normand M. Côté, Bakhyt Mazhenova, WonKeun Yang and Arian Kraja for three-year terms. Welcome!



Also at the AGM, the Chair of the Executive Council and President of IADI made a point to express his appreciation for the tremendous support that IADI has received from John Raymond LaBrosse and he informed the Members that the Executive Council had passed a resolution commending Ray for his outstanding contribution to IADI as Secretary General.

Members Approve Statute Amendments

At the Second Annual General Meeting the Executive Council proposed two amendments to the IADI Statutes to deal with the issue of vacancies on the Executive Council. The first provision addresses the matter of the Chair of the Executive Council and the Treasurer in the event that he or she resigns or is unable to hold office for the full term of their appointment. The second provision deals with the situation of when a member of the Executive Council resigns or is unable to hold office for the full term of his or her appointment. In proposing these changes, Mr. Sabourin noted that they were prudent to ensure the ongoing business and affairs of IADI. As well, he added that there were a number of vacancies during the past year and the addition of the second provision is advisable to address lessons that were learned. The amendments to the Statutes were adopted unanimously.

IADI Releases its First Annual Report

The Annual Report for 2002/2003 of the International Association of Deposit Insurers is now available. It can be downloaded from the following location: [http://www.iadi.org/html/App/SiteContent/AR%202002-03 Version%20%20Members%20Nov13.pdf](http://www.iadi.org/html/App/SiteContent/AR%202002-03%20Version%20%20Members%20Nov13.pdf)

IADI Chair Named to ICLIF Advisory Board



J.P. Sabourin, Chair of the Executive Council and President of IADI was named to the Advisory Council of the prestigious International Centre for Leadership in International Finance. ICLIF is a non-profit organization set up by **Bank Negara Malaysia** to build a high quality human resource pool of top management for the financial sector in Malaysia and throughout the ASEAN region. Dr. Zeti Akhtar Aziz, Governor of Bank Negara Malaysia, is the Chairman of the Board of Directors of ICLIF which also includes Sir Andrew Crockett, the former General Manager of the Bank for International Settlements and now the President of JP Morgan Chase International.

IADI/EBRD Seminar on Deposit Insurance for the Western Balkans



IADI and the **European Bank for Reconstruction and Development** (EBRD) will be holding a Seminar on Deposit Insurance for The Western Balkans on 8-9 December 2003. The Seminar will be held at the Bank for International Settlements in Basel, Switzerland. Participants are coming from Bosnia & Herzegovina, Albania, Macedonia, Serbia, Kosovo and Montenegro. The main objective of the seminar is to assist each of the participating countries in further developing and strengthening their deposit insurance systems.

Proceedings from the Seminar will be placed on the IADI Web site in early 2004.

Bank Credit Growth in the Balkans

The **International Monetary Fund** has recently issued a Staff Paper entitled “Early Birds, Late Risers, and Sleeping Beauties: Bank Credit Growth to the Private Sector in Central and Eastern Europe and in the Balkans. You may find this paper at the following location: <http://www.imf.org/external/pubs/cat/longres.cfm?sk=16855.0>

Opportunities and Challenges for Central Asia

You may find a copy of a speech by Horst Köhler, Managing Director, **International Monetary Fund** at the Conference for the Tenth Anniversary of the Introduction of the Tenge held in Almaty, Kazakhstan, November 14, 2003 at the following location: <http://www.imf.org/external/np/speeches/2003/111403.htm>

IADI Presents at CDIC Symposium on Financial Risk Management and Crisis Resolution



The President and Chairman of the Executive Council, J.P. Sabourin, addressed a Symposium organized by the **Central Deposit Insurance Corporation**, which was held in Taipei, Taiwan on 27 October 2003. The purpose of the Symposium was to promote and implant risk management concepts and to build widespread awareness of the importance of risk management in preventing the reoccurrence of a financial crisis. The Symposium was organized by Chin-Tsair Tsay, Chairman of the Board, Central Deposit Insurance Corporation who also provided the Opening Remarks. There was a presentation by John Raymond LaBrosse, Secretary General of IADI, and David Walker, Director, Policy and International Affairs, **Canada Deposit Insurance Corporation**. Proceedings from the Symposium will be available soon on IADI's and CDIC's Web site .



Canada Deposit Insurance Corporation to Chair APEC Policy Dialogue on Deposit Insurance



Canada Deposit
Insurance Corporation

Société d'assurance-dépôts
du Canada

Canada

Jean Pierre Sabourin, President and Chief Executive Officer, **Canada Deposit Insurance Corporation**, will chair an APEC Policy Dialogue on Deposit Insurance, which will be held in Kuala Lumpur on 16 to 18 February 2004. Program details and invitations will be coming soon.

The Policy Dialogue on Deposit Insurance will be followed by a two and one-half day Policy Dialogue on Financial Disclosure co-chaired by the Reserve Bank of New Zealand and the Ministry of Finance, Chile.



Both Policy Dialogues will be hosted by **Bank Negara Malaysia**.



Member Profile - Deposit Insurance Fund – Czech Republic

A Founding member of IADI



www.fpz.cz

Josef Tauber, President of the Board of Administration signing the IADI statutes

The Fund was established in December 1994 in response to the absence of obligatory insurance of deposits covering all banks. At that time, the state guaranteed deposits of natural persons only in the case of several selected major banks. Given the extensive restructuring of the banking system, coupled with the establishment of many new banks in the early 1990s, this situation entailed the introduction of obligatory insurance of deposits covering all banks, including branch offices of foreign banks on the territory of the Czech Republic. The main objective of the deposits insurance system introduction was to increase the protection of banks' clients and to strengthen the confidence, security and stability of the banking system as a whole.

The main activity of the Fund is to compensate authorized persons for their receivables from deposits. Further activities include administration and recovery of receivables from banks as part of bankruptcy, liquidation and composition proceedings pending, securing and managing of financial resources and deepening of co-operation and integration within the framework of existing or arising structures of the European Union and the World.

All banks and branch offices of foreign banks are obliged to participate in the system and contribute to the Fund. The annual premiums are flat but they differ by type of institution (bank or building savings bank). Insurance applies to all receivables from deposits in the Czech or foreign currencies when requirements for the identification of depositors are met. Insurance does not apply to receivables from banks, financial institutions, health insurance companies and state deposits. Receivables from subordinated debt, bills of exchange and other securities are not insured either. Compensation for an insured receivable from a deposit are granted both to natural and legal persons up to an amount of 90% of all insured deposits made by one depositor with one bank, a maximum amount being, however, an equivalent of € 25 000. Compensation for foreign exchange deposits is disbursed in the Czech currency.

The Fund may generate its revenues by investing its financial reserves. Investment limits set by the Board make it possible to invest reserves into government bonds, bonds of other credible issuers (at least rated at the level of S&P A-) and to a limited extent also into bonds issued in foreign currencies (€and USD). However, government bonds must make up at least 50 per cent of the total value of the portfolio. Today, 80 per cent of the Fund's portfolio is managed by professional investment managers. Other possible financial sources are proceeds from liquidation of the failed banks. The Fund does not have receivership powers but, usually, being the biggest creditor of a failed bank it plays an important role in a receivership process as a member of creditor's committee.

In case the Fund's reserves are not sufficient to disburse compensation, the Fund has to acquire any and all funds on the market. There is no government guarantee for its borrowing.

The Fund is an independent institution managed by a five-member Board of Administration. The president, vice president and the other members of the Board are appointed and removed by the Finance Minister. At least one member of the Board is appointed from among employees of the Czech National Bank and at least two members are appointed from among members of the boards of directors of banks. The Board is the statutory body of the Fund and manages its activities. The Board appoints Managing Director, who is at the head of the Fund's executive staff. The Fund has a permanent staff of 5 people, outsourcing is used for legal service, accounting, IT and asset management.

What is happening in your world?

Canada

Canada Deposit Insurance Corporation held its first “**International Open House**” from 10 to 14 November 2003. Presentations covered key elements and essential attributes of the Canadian deposit insurance system with a particular focus on structure and organization, funding, differential premiums and legal issues in closure. The event was a great success with 34 people attending from 18 deposit insurers. CDIC is considering the merits of holding another Open House in 2004.

If you would like to receive a notice of the next International Open House please contact Kyla Denault (kdenault@cdic.ca)

Here is a photo of the participants taken at CDIC :



Hungary

The **National Deposit Insurance Fund** of Hungary (NDIF) was established in March 1993. As the first deposit insurance system in the Central- and East-European region, it started its activity on 1 July of that year. NDIF will be celebrating the decennium of its establishment on 21 November 2003.

On that occasion a book, describing the major events, including the practical experience of the first ten years will be presented to the representatives of the Hungarian banking community, the present and former members of the Board, as well as to other Hungarian financial experts having been engaged in the past activities of NDIF and to the media. The presentation will be followed by a reception and cutting of a birthday cake. The book will also be translated into English and made available to other interested parties. The Web site for NDIF is www.oba.hu.

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This newsletter was issued on 21 November 2003. Want to share your expertise? To submit articles or items for consideration for the next issue please send them to info@iadi.org by 15 December 2003.