



IADI

International Association of Deposit Insurers



IADI THIRD ANNUAL CONFERENCE

"ASSEMBLING THE TOOL KIT FOR DEPOSIT INSURERS"

26-27 OCTOBER 2004, BRUNNEN, SWITZERLAND

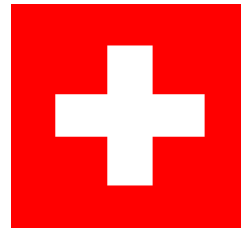
Welcome!

NEWSLETTER AND CONFERENCE PROGRAM

Highlights

Program for IADI Third Annual Conference

Member Profile on Kazakhstan Deposit Insurance Fund (KDIF)



THIRD ANNUAL IADI CONFERENCE

"Assembling the Tool Kit for Deposit Insurers"

Brunnen, Switzerland

Tuesday, 26 October & Wednesday, 27 October 2004

Chair: *Charles Cornut*
Président du Directoire
Fonds de Garantie des Dépôts
France

Tuesday, October 26, 2004

9.00a.m. Opening session (Location: Mythensaal)

Call to order

John Raymond LaBrosse

Secretary General

Welcome Remarks

Charles Cornut

Chair of the 2004 IADI Conference

9.10a.m. Keynote Address

Jean Pierre Sabourin

Chair of the Executive Council and President

International Association of Deposit Insurers

9.30a.m. Session I : Results of the APEC Policy Dialogue on Deposit Insurance and Insolvency work at The World Bank (Location : Mythensaal)

This session will review the key policy recommendations that emerged from the APEC Policy Dialogue on Deposit Insurance. It will be followed by a look at the trend towards the "single financial services regulator" model and the role of deposit insurance in relation to the model. Country experiences with the single regulator model in the U.K., Japan and Germany will then be reviewed.

Moderator: Hans Jacobson, Chairman, Deposit Guarantee Board, Sweden

Presentation 1: David K. Walker, Director, Policy and International, Canada Deposit Insurance Corporation

Presentation 2: Professor Joe Norton, Professor, SMU University, Texas: The Single Regulator Model and the United Kingdom - Pros, Cons and Issues with Deposit Insurance.

Presentation 3: Mamiko Yokoi-Arai, Centre for Commercial Law Studies, University of London – The Japanese Experience.

Presentation 4: Jens-Hinrich Binder, Institut fuer Auslaendisches und Internationales Privatrecht, Freiburg University - The German Experience.

10.45a.m. *Coffee break (Location: Fronalpsaal)*

11.15a.m. **Session II: Insolvency Issues and the Role of Deposit Insurers (Location: Mythensaal)**

This Panel will discuss some recent work by INSOL on deposit insurance and address practical approaches to minimize loss to the deposit insurer in the event of an insolvency.

Moderator: Christine Cumming, First Vice President, Federal Reserve Bank of New York.

Presentation 1: Gale Rubenstein, Partner, Goodmans LLP

Presentation 2: Robert O. Sanderson, President, KPMG Inc., Toronto, Canada

Presentation 3: Philip Wood, Professor of Law, Global Counsel, Allen & Overy, London, United Kingdom on "*World Trends in Bank Insolvencies*".

12.30a.m. Discussion

1.00p.m. *Lunch (Location: Fronalpsaal)*

2.30p.m. **Session III: Dealing with Bank Failures (Location: Mythensaal)**

Moderator: Oscar Armando Pérez Merino, Chairman, Instituto de Garantía de Depósitos (El Salvador)

Presentation 1: Ernesto Aguirre, Manager, Banking Regulation, The World Bank, Washington, D.C. on "*Internationally agreed principles to deal with banking resolution and insolvency*".

Presentation 2: Issues Associated with Large Banks, Fred Carns, Deputy Director, Division of Insurance and Research, Federal Deposit Insurance Corporation.

Presentation 3: Juan Pablo Córdoba Garcés, Fondo de Garantías de Entidades Financieras (Colombia), Case Study of a small bank.

Discussant: Dong IL Kim, Executive Director, Korea Deposit Insurance Corporation

4.00p.m. *Coffee Break (Location: Fronalpsaal)*

4.15p.m. **Session IV: Guidance on Bank Resolutions (Location: Mythensaal)**

Moderator: Chin-Tsair Tsay

Chairman of the Board, Central Deposit Insurance Corporation, and Chair, Research and Guidance Committee,
Sub-group on Bank Resolutions

Presenter: Michael W. Mackey, Reorganization Services Group, Deloitte & Touche, New York

Other Presenters:

Carlos Isoard, Member of the Board of Governors, Instituto para la Protección al Ahorro Bancario, Mexico

Dániel Jánossy, Managing Director, National Deposit Insurance Fund of Hungary

Ganiyu A. Ogunleye, Managing Director/Chief Executive Officer, Nigeria Deposit Insurance Corporation

5.30p.m. Session ends

7.00p.m. *Reception (Location: Fronalpsaal)*

7.30p.m. **Keynote Speech:** "Enterprise Risk Management"

Otbert de Jong, Executive Director, Global Head of Risk Advisory Services, ABN AMRO Bank N.V., Amsterdam

Introduction by Charles Cornut.

8.00p.m. *Dinner (Location: Fronalpsaal)*

Wednesday, October 27, 2004

8.30a.m. **Session V: Technical Assistance: Where can you get help? (Location: Mythensaal)**

This session will focus on where deposit insurers can obtain financial assistance to help them obtain technical assistance.

Moderator: James B. Rives, Managing Director, Barents Group, BearingPoint, Inc.

Presenter: Chris Barltrop, Senior Financial Markets Advisor, Bureau for Economic Growth, Agriculture and Trade Office of Economic Growth, United States Agency for International Development (USAID).

9.15a.m. **Special Session VI: "Strategic Planning" (Location : Mythensaal)**

Moderator: John Raymond LaBrosse, Secretary General, International Association of Deposit Insurers

Presentation 1: Keith Adam, Director, Corporate Strategy and Reporting, Canada Deposit Insurance Corporation

Presentation 2: Junior Frederick, General Manager, Deposit Insurance Corporation, Trinidad & Tobago

10.00a.m. *Coffee Break (Location: Fronalpsaal)*

Presentation 3: Winston Carr, Chief Executive Officer, Jamaica Deposit Insurance Corporation

10:30a.m. Discussion

11.15a.m. **Session VII: Cross-Border Issues: Implications for Deposit Insurers (Location: Mythensaal)**

Moderator: Gavin Bingham, Secretary General of the Group of Ten

Presentation 1: Anthony Beaves, Senior Legal Advisor, Bank of England, London, United Kingdom

Presentation 2: Neil Cooper, Partner, Corporate Advisory and Restructuring, Kroll Worldwide, London, United Kingdom

Presentation 3: Eva H. G. Hüpkes, Head of Regulation, Legal Department, Swiss Federal Banking Commission, Bern

1.00p.m. *Lunch - Update on IADI Activities (Location: Fronalpsaal)*

John Raymond LaBrosse, Secretary General

1.55p.m. **Closing Remarks - Jean Pierre Sabourin**

3.00p.m. **IADI Third Annual General Meeting (Location: Mythensaal)**

Member Profile

Kazakhstan Deposit Insurance Fund (KDIF)



Address: 67, Ayteke bi str., 480091, Almaty, Kazakhstan

Tel./Fax: (3272) 720551

E-mail: root@kdif.kz

Web-site: www.kdif.kz

At the First Congress of Financiers, in May 1999, the development of a deposit insurance system was marked as one of the top priority measures to build trust in the financial system. Following on from that event, the Kazakhstan Deposit Insurance Fund was established in November 1999. The National Bank of the Republic of Kazakhstan incorporated the Fund and provided paid-in capital of KZT 1 billion (or about \$7.2 million).

KDIF is a not-for-profit organization. Its primary objective is to ensure the reimbursement of individuals' deposits placed with member-banks, as provided by the Insurance Regulation, in case of a failure and the forced liquidation of a bank.

Legal framework & Authorities

The deposit insurance system in Kazakhstan is regulated by:

- the Law on banks and banking in the Republic of Kazakhstan;
- the Operating principles of mandatory deposit insurance system in the Republic of Kazakhstan and participation of tier-two banks therein;
- the Regulation for mandatory collective insurance of individuals' deposits placed with tier-two banks in the Republic of Kazakhstan.

As a result of recent legislative changes, KDIF authorities, along with other ordinary authorities, include:

- participation in banks' inspections;
- participation in the temporary administration of a failed bank;
- participation in the liquidation commission of a failed bank;
- participation in creditors' committee of a failed bank as one of banks' big creditors.



View of Almaty

Organization & Structure

The National Bank of the Republic of Kazakhstan is a sole shareholder and supreme body of KDIF.

KDIF is governed by a Board of Directors which consists of five members: a representative of the National Bank (with a rank not lower than the level of the Deputy Chairman of the National Bank), a representative of the Agency for regulation and supervision of financial market and financial organizations (with a rank not lower than the level of the Deputy Chairman of the Agency), a representative of the Ministry of Finance (with a rank not lower than the level of the Vice-Minister of Finance), a representative of the Association of Financiers of Kazakhstan, and the General Director of KDIF.

The General Director is responsible for the day-to-day management of KDIF. In order to promote co-operation with member-banks, an advisory body – the Consultative Board, which is comprised of seven member banks’ representatives, was established.

The other executives of the Fund are the Deputy Director, Chief Accountant. There are three divisions: Accounting and asset management, Problem bank resolution and KDIF legal provisioning, and Banks’ analysis and statistics.

Bakhyt Mazhenova
General Director of KDIF



Membership

Since 1 January 2004 membership is compulsory. At the present time, 33 out of the 35 banks that exist are members.

Insured Deposits & Coverage

According to new regulation that came into force in September 2003, insurance coverage in the case of a forced liquidation of a member bank is provided for all individuals’ deposits with the exception of: (1) deposits placed by member banks’ top executives and shareholders owning more than 5 percent of bank’s voting shares and their relatives; (2) VIP-deposits: time and conditional deposits, amount of which is equal to or exceeds KZT 7 000 000.00 (about \$53,000.00).

The coverage limit is KZT 400,000 (about \$3,000) per depositor in each member bank.

Funding & Premiums

KDIF funding sources are the following:

- Paid-in capital by the National Bank;
- Regular, additional and extraordinary premiums paid by member-banks;

- Revenues from investments in securities and other financial instruments agreed with the National Bank;
- Revenues from deposits placed with the National Bank; and
- In case of insufficiency of above cited funding sources: borrowings from the National Bank, Government, or against guarantee thereof from other institutions.

Member-banks are charged quarterly flat rate premiums: for two years after they enter the system – 0.25 percent of insured deposits; in succeeding years – 0.16 percent of insured deposits. KDIF is in the process of developing a risk-based differential premium system.

Target Fund

The governing legislation provides for a target fund of 5 percent of insured deposits. At present, it is about 2 percent, and projected to reach the level of 5 percent by 2007.

Development Perspectives

KDIF is working on expanding its involvement in an early warning system as well as insolvent bank conservation and liquidation procedures. As part of its interest in continuous improvement, the following pursuits are to be accomplished:

- differential premium system development based on member banks' risk assessment; and
- strengthening the KDIF mandate regarding early bank resolution, temporary administration and liquidation of failed bank.



What's New in Your World?

Central Deposit Insurance Corporation

Central Deposit Insurance Corporation organized a "Symposium on Risk Management in the Post Financial Restructuring Era" which was held on September 23 and 24, 2004, in Taipei. The symposium addressed transitioning issues on deposit insurance coverage and recent trends in the international and domestic financial sector. Shinichi Yoshikuni, Chief Representative of the Bank for International Settlements Representative Office for Asia and the Pacific, delivered a speech on " BIS, Basel II, and Deposit Insurance ". The representative of DICJ, Yutaka Nishigaki, Director of Office for Research & Intelligence, and a representative of KDIC, Jang Chang-Sung, Director of Risk Management Department, were invited to the session of " Planning the Transition from Blanket Guarantee to Limited Coverage" as panelists. Approximately 400 people attended the symposium, including member of financial institutions, representatives of the competent authorities and the financial safety net players. This event once again showed the spirit of the collaboration among all IADI participants.



IPAB (Mexico)

IADI Latin America Regional Meeting and Conference in Acapulco 25-27 August 2004.

“Deposit Insurance in Latin America: Challenges and Perspectives”.

The Latin America Regional Committee (LARC) of the International Association of Deposit Insurers (IADI) held a working session on Wednesday, 25 August, 2004. The Bank Savings Protection Institute, Mexico (IPAB) hosted a conference “Deposit Insurance in Latin America: Challenges and Perspectives”.

Link to the Conference Program:

[http://www.iadi.org/html/App/SiteContent/LRAC%20Prog%20\(English\).doc](http://www.iadi.org/html/App/SiteContent/LRAC%20Prog%20(English).doc)

For more information on the Seminar, please contact Carlos Isoard at cisoard@ipab.org.mx

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Thinking about joining IADI? Here is the link to our application form:

<http://sum.iadi.org/html/App/SiteContent/ApplicatiormformASeptember%202003.doc>

EFDI

The European Forum of Deposit Insurers (EFDI), with the collaboration of the National Deposit Insurance Fund of Hungary, held its first regional seminar with the new EU countries in Budapest on 10 September 2004.

The intention of the seminar was to contribute to a clearer understanding of each country's deposit guarantee system, and discuss the implementation of Directive 94/19/EEC on deposit-guarantee schemes in the legislation of new EU member countries.

The other aim of the seminar was to promote a general acknowledgement on bilateral agreements between deposit guarantee schemes. Particular importance was given to the necessity of fixing common principles and contents for Bilateral Agreements of the home and the host country schemes (competence of the supervisory authorities, time of the liquidation of failed bank, terms of the compensations, the currency rate to use).

EFDI is a Partner organization of the **International Association of Deposit Insurers**.



IADI Executive Council met in Paris on 5-6 August 2004 for its annual Executive Council Meeting. The meeting was hosted by Charles Cornut, Président du Directoire, Fonds de Garantie des Dépôts.

PUBLICATIONS:

You may find the following articles of interest:

International Monetary Fund

The IMF has recently issued a working paper on Financial Stability. The main objective of the paper is to propose a definition of financial stability that has some practical and operational relevance. Financial stability is defined in terms of its ability to facilitate and enhance economic processes, manage risks, and absorb shocks. Moreover, financial stability is considered a continuum: changeable over time and consistent with multiple combinations of the constituent elements of finance. The paper also discusses several practical implications of the definition that should be considered when using it for policy analysis or developing an analytical framework. The paper is available at the following location:

<http://www.imf.org/external/pubs/cat/longres.cfm?sk=17740.0>

Bank for International Settlements:

Looking for publications from the Basel Committee? Here is a useful link: <http://www.bis.org/bcbs/publ.htm>

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This newsletter was issued on 22 October 2004. Want to share your expertise? To submit articles or items for consideration for a future issue please send them to info@iadi.org by 15 November 2004.