International Association of Deposit Insurers

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Seasons Greetings from IADI

The Basler "Middle" Bridge, over the river Rhine, with foundations from the 13th century

Seasons Greetings

Or, in other words: Gézuar Krishlindjet; ¡Feliz Navidad!; Sretan Bozic, Hristos se rodi; Merry Christmas; Vessela Koleda; Joyeux Noel; Feliz Natal; Happy Christmas; Fröhliche Weihnachten; Feliz Navidad para todos; Vesele Vanoce; Happy Christmas Sing dan fiy loc; Boldog Karácsonyt; Mboni Chrismen; Merii Kurisumasu; Sungtan Chukha;, Rozdjestvom Hristovim;Feliz Navidad; Selamat Hari Krimas; Maligayang Pasko; Hristos Razdajetsja ; God Jul; Sheng Tan Kuai Loh; Mutlu Noeller; Kung His Hsin Nien bing; Chu Shen Tan; Veseloho Vam Rizdva; GeseëndeKersfees; Chuc mung Giang Sinh; Gelukkig Kerstfeest ; and, of course,

Happy Holidays!

Business Plan for 2004/06

On 27 October 2004, the Members considered and approved the Annual Report for 2003/04 and they adopted a Business Plan for 2004/06. Consistent with past practices, the Business Plan sets out key initiatives and strategies in support of the Association's objects. A summary of the deliverables and responsibility centres for 2004/05 is set out below:

Deliverables for 2004/05	**Responsibility**
To review the operations of each of the Committees. This Committee will also review any proposals to amend the Statutes, the by-laws and implement policies to ensure the smooth functioning of the Association.	***Governance Committee***
To prepare a business plan, budget and Annual Report and to submit them for approval of the Members at the Annual General Meeting in October 2004. To update the Executive Council on the business plan and prepare a budget for 2005/06 in April 2005.	***Finance and Planning Committee and Secretariat***
To undertake a membership drive to increase participation in IADI. To develop a draft policy on the participation of non-IADI organizations on IADI Regional Committees. To promote communication of IADI. To provide Member profiles to be published in the IADI Newsletter and on the IADI web site. To provide summaries of the activities of the Standing and Regional Committees to be published in the IADI Newsletter. To prepare a brochure profiling IADI.	***Membership and Communications Committee***
The subcommittees on interrelationships and resolution of failed banks will complete their processes on the results of questionnaires. A sub-group will be formed to develop a template to facilitate the evaluation of deposit insurance systems. The Committee will also prepare a draft policy paper on the role that IADI might play in issuing standards to help improve the effectiveness of deposit insurance systems.	***Research and Guidance Committee***
The Committee will develop a program for a Leadership Seminar for Deposit Insurers taking into account the interests of the Regional Committees and other Members. The Committee will undertake an assessment of training and conference needs by gathering responses to a questionnaire, update the catalogue of training courses on a regular basis, organize a seminar on training in the Asia region, assist in capacity building in Africa through a Risk Management Seminar, organize Study Tours for deposit insurers from the Africa region, and review materials that could be used as Case Studies.	***Training and Conference Committee***

To undertake the preparations for IADI's Third Annual General Meeting and Conference and related meetings that will be held in Brunnen, Switzerland from 23-27 October 2004.	***Treasurer and Secretariat***
To undertake the preparations for the Fourth Annual General Meeting and Conference to be held in Taiwan in September 2005	***2005 Conference Task Force***
To intensify a membership drive in Africa. To pursue capacity building initiatives through: - A Risk Management Seminar from 22-26 November 2004 in Nairobi, Kenya. - - Hold the Second Africa Regional Committee Meeting in Nairobi, Kenya in November 2004. - A Leadership Seminar for Deposit Insurers in collaboration with the Training and Conference Committee and the Toronto Centre in March 2005 in Nairobi, Kenya	***Africa Regional Committee***
The Committee will examine: - Sources of liquidity for deposit insurance fund. - Transition process of blanket guarantee to the limited coverage system. The Third ARC Meeting will be hosted by Central Deposit Insurance Corporation in Taipei in September 2005.	***Asia Regional Committee***
A Caribbean Regional Conference will be held in Trinidad in 2004/05. To pursue a Leadership Training Seminar for Caribbean Deposit Insurers during 2004/05.	***Caribbean Regional Committee***
In July 2004 a Seminar "The organization of payments of an insured sum" was organized by the Deposit Guarantee Fund (Ukraine) for the State Corporation "Agency for Deposit Insurance" (Russia). To prepare for the Third Annual General Meeting of IADI. To carry out a conference in 2005 in Kazakhstan.	***Eurasia Regional Committee***
To hold a meeting of the Latin America Regional Committee in Acapulco on 25 August 2004. The meeting will be followed by a Seminar on 26-27 August 2004. The theme of the Seminar is "Deposit Insurance in Latin America: Challenges and Perspectives". To hold the second regional committee meeting in 2005.	***Latin America Regional Committee***
To complete the next phase of improvements of IADI's web site.	***Secretariat***

Member Profile

Federal Deposit Insurance Corporation

A FOUNDING MEMBER OF IADI

The Federal Deposit Insurance Corporation (FDIC) was established as an independent agency of the United States government in 1933 and for the past seventy years, the FDIC has supervised certain financial institutions, insured deposits held by federally insured depository institutions, acted as receiver for failed institutions, and helped to maintain a stable and sound banking system. The FDIC is governed by a Board of Directors (Board) consisting of 5 members. The President of the United States appoints 3 of the Board members with the advice and consent of the Senate. The Comptroller of the Currency and the Director of the Office of Thrift Supervision, who are responsible for the supervision of national banks and federal savings associations in the United States, respectively, complete the Board.

Bank Supervision

Supervision and consumer protection are the cornerstones of the FDIC's efforts to ensure the stability of and public confidence in the U.S. financial system. At year-end 2003, the FDIC was the primary federal regulator for 5,340 FDIC-insured, state-chartered institutions. Through safety and soundness and consumer compliance examination of these institutions, the FDIC assesses their operating condition, management practices and policies as well as their compliance with applicable laws and regulations. The FDIC also educates bankers and consumers on matters of interest to bank customers and addresses consumers' questions and concerns.

The FDIC actively participates in the Basel Committee on Banking Supervision's (BCBS) efforts to update and revise the 1988 Basel Capital Accord. In participating in the BCBS the FDIC is an active member of a number of the Committee's working groups including the Capital Task Force, the Accord Implementation Group, the Risk Management Group, and various subgroups and task forces that seek to enhance risk management practices.

Deposit Insurance

The FDIC provides insurance for deposits held by both banks and savings associations. The insurance limit was originally established at $2,500 per depositor per insured institution but since 1933 the limit has been raised incrementally to its current level of $100,000. Deposit insurance provided by the FDIC is backed by the full faith and credit of the U.S. government. In addition, as the deposit insurer the FDIC has back up supervisory authority for all FDIC insured banks and thrifts.

The deposit insurance funds are financed by a combination of deposit insurance assessments collected from insured institutions and interest earned on investments in U.S. Treasury obligations. Federal law requires that the insurance funds be maintained at not less than 1.25 percent of estimated insured deposits or a higher percentage if circumstances warrant. At the end of the first quarter 2004, the deposit insurance funds had a balance of $46.5 billion, which is just over 1.30 percent of estimated insured deposits. Since the inception of the FDIC, no depositor has ever experienced a loss of insured deposits at an FDIC-insured institution due to its failure.

Receivership Management

The FDIC has a statutory responsibility to the depositors, creditors and shareholders of a failed financial institution to minimize losses of the institution by achieving maximum recovery from its assets. FDIC staff gathers data about the troubled institution, estimates the potential loss due to its failure, solicits and evaluates bids from potential acquirers, and recommends the least costly resolution to the FDIC's Board. The FDIC's ability to perform its receivership function smoothly and efficiently ensures that depositors have prompt access to their deposits and allows a fair portion of the failed institution's assets to be returned to the private sector almost immediately.

Assets remaining after the resolution transaction are liquidated by the FDIC in an orderly manner and the money is used to reimburse the FDIC for its deposit insurance costs, pay creditors and any depositors whose accounts are not insured. A principal concern of the FDIC in its resolution and disposition activities has been to minimize any adverse effects on the economic stability and well being of the local community and beyond.

President Roosevelt establishes the Federal Deposit Insurance Corporation in 1933.

During 2003, the FDIC resolved three financial institution failures. These failed institutions had a total of $1.10 billion in assets and $908.6 million in deposits. In each case, the FDIC had issued payout checks to insured depositors, or worked with open insured depository institutions to ensure that depositors had access to their insured funds within one business day of failure. While the receivership activities in the United States are not currently at the level that was once experienced (in 1988 the FDIC resolved 221 institutions with $52.6 billion in assets and $36.4 billion in deposits), the FDIC is ready to meet the challenges of future receiverships, especially in the case of a cross-border insolvency.

Future Challenges

The FDIC continues to strive to meet the challenges of an ever-evolving banking industry – challenges associated with globalization, advances in technology and industry consolidation. To this end, the FDIC recently completed a draft of a study of the Future of Banking in America in order to project likely trends in the structure and performance of the banking industry over the next five to ten years and to anticipate the policy issues that will confront the industry and the regulatory community (draft available at

http://www.fdic.gov/bank/analytical/future/index.html).

In looking to the future, the FDIC recently established a Center for Financial Research that is geared to provide meaningful insights into developments in deposit insurance, the financial services sector, prudential supervision, risk measurement and management and regulatory policy. (http://www.fdic.gov/bank/analytical/cfr/index.html)

The following are some of the initiatives FDIC has undertaken to meet future challenges:

- The FDIC is working with the U.S. Congress for the enactment of deposit insurance reform legislation that would give the FDIC greater managerial control over the deposit insurance funds. The current risk based premium system is based on collecting premiums only when the deposit insurance fund balance drops below 1.25 percent of insured deposits. This is most likely to occur during an economic downturn, thus forcing insured institutions to pay premiums during times of economic distress. The FDIC believes that by developing meaningful risk-based premiums and a system that is less pro-cyclical both the deposit insurance system and the U.S. financial system will be more stable.

- Significant resources are being used to prepare U.S. institutions for implementation of Basel II. The FDIC is focusing on finding a way to ensure the use of appropriately conservative bank risk inputs, in a way that balances the interests of bank supervisors, the role of deposit insurers, and the legitimate comments and concerns of the banks. Since there are four federal banking supervisors in the United States, the FDIC is working with fellow regulators to ensure that there is consistency in implementation of Basel II.

- Finally, the FDIC has the Resolutions Policy Committee (RPC) to ensure that the FDIC achieves a maximum state of readiness to deal with the potential or actual failure of the largest insured depository institutions. The RPC cuts across divisional lines within the FDIC so that a comprehensive approach is taken in identifying key issues, identifying strategies and developing operational plans to resolve the most complex banking organizations.

What's new in your world?

Risk Management Seminar in Kenya

A risk management seminar was held from 22 –26 November, 2004 at the **Kenya School of Monetary Studies.** The seminar covered: economic uncertainties/financial sector weaknesses that impact on the performance of financial institutions, technological innovations, globalization and competition. The seminar noted that these risks and challenges cannot be eliminated but they can be managed in order to minimize exposure to the financial institution.

The seminar was attended by 26 participants, drawn from eight African countries (Namibia, Kenya, Uganda, Sierra Leone, Tanzania, Rwanda, Zimbabwe and Nigeria), mainly from central banks and some delegates from commercial banks. The participants felt that the course delivery was effective and informative and that the knowledge acquired would impact positively in their future performance. According to the Director of the **Deposit Protection Fund Board of Kenya**, Jacinta W. Mwatela, the participants are looking forward to a repeat of the program and they hope that it can cover a wider audience. Indeed, they saw the course as relevant to other stakeholders such as insurers and treasury managers.

Taiwan

Central Deposit Insurance Corporation (CDIC, Taiwan) held a public seminar on December 17, 2004. The major topic was the transition from blanket guarantee to limited deposit insurance coverage under the current financial reformation. Several prestigious experts of the financial sector were invited as guest speakers and they gave valuable insights to the audience. The seminar was mainly targeted towards the general public and it was deemed to raise public awareness of the importance of deposit insurance successfully with an audience of more than 200 as well as some 10 local media companies.

***Mr. Gary K.L. Tseng** (first from the left), Director General of Bureau of Banking Affairs, Financial Supervisory Commission, and **Mr. Chin-Tsair Tsay** (third from the left), Chairman of Central Deposit Insurance Corporation, reply to questions by the audience.*

Publications:

You may find the following article of interest:

International Monetary Fund Staff Papers -- Volume 51, Number 3: 2004: This final issue for 2004, which includes the annual index for the entire volume, contains eight papers by leading international economists, both **IMF** staff and well-known academics. Papers covering relevant country issues on Japan, Turkey, and Singapore are enhanced by contributions on monetary policy, central bank conservatism, structural reforms, exchange rates, and more.

http://www.imf.org/External/Pubs/FT/staffp/2004/03/index.htm

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This newsletter was issued on 23 December 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 1 February 2005.*