

What's New at IADI ?

IADI Welcomes Singapore Deposit Insurance Corporation as Member!

Singapore Deposit Insurance Corporation Limited becomes IADI's 44th Member. Since the Monetary Authority of Singapore was already an Associate in IADI, the application from the SDIC followed special transitional procedures that are used in such cases.

The Designated Representative of SDIC is their Chief Executive Officer, Ooi Sin Teik, who's contact details are:

Ooi Sin Teik, Chief Executive Officer
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IADI began on 6 May 2002 with the support of 25 Founding Members. As the Association celebrates its Fourth Birthday it has grown to include 44 Members, 7 Associates, 4 Observers and 6 Partners.

Executive Council Holds Fourteenth Meeting at the Bank for International Settlements 16-17 May 2006



The meeting of the Executive Council was preceded by meetings on 14 May 2006 of the sub-groups developing Guidance on Funding, Claims and Recoveries, Governance and Funding. Those four topics will be featured at the Fifth annual IADI Conference that will be held in Rio this November.

On 15 May 2006, IADI's six Standing Committees (Audit, Finance and Planning, Membership and Communications, Governance, Training and Conferences, and Research and Guidance) met in preparation for the meeting of the Executive Council.

The seven Regional Committees (Africa, Asia, Caribbean, Eurasia, Europe, Latin America, and the Middle East and North Africa) met informally to discuss planned events for the next few years.

A highlight of the Executive Council's deliberations was an update by Antonio Carlos Bueno de Camargo Silva, CEO of Fundo de Garantidor de Créditos (Brazil), on the preparations underway for the Fifth annual Conference being held at the Copacabana Palace Hotel (http://www.copacabanapalace.com.br/web/orio/orio_c2a_introduction.jsp) in Rio de Janeiro.

New working Staff: CHO, Gye Hwang in the Secretariat



I recently joined the Secretariat of the International Association of Deposit Insurers on 1 May 2006 as a visiting researcher for one year.

I am a secondee from the Korea Deposit Insurance Corporation (KDIC) where I had been working on asset management, budgeting and international affairs for 5 years and a half. Prior to joining the KDIC, I lived in Mexico for nearly 3 years, where I got Master of Science in Economics and had a chance to teach undergrads International Economics in Spanish for one semester.

I am very happy to have the opportunity to work here in the Secretariat. In addition to the works I have to fulfil as a visiting researcher, I will try my best to provide assistance to the members of the Association and hopefully look forward to contributing the success of the Association with my best efforts. Thanks.

Member Profile

SEDESA

Seguro de Depósitos S.A. (SEDESA)

www.sedes.com.ar

A FOUNDING MEMBER OF IADI

Deposit Insurance System – Main Features

The Deposit Insurance system currently in force in the Republic of Argentina was created in the year 1995 (by Lax Number 24,485 and organized by National Decree No. 540/95 – as amended).

It has three main features: premiums are assessed against member institutions, and it is a compulsory and limited system.

The financial institutions adhering to the system must make a monthly assessment, related to the average of daily balances of deposits in pesos and in foreign currency.

The Banco Central de la República Argentina, establishes a percentage fixed between 0.015 and 0.06 per cent. The member banks of the

DI system contribute a basic premium, plus an additional risk adjusted premium.

The differentiated additional premium for each institution takes into account the following factors:

- The CAMEL rating;
- The excess of deficiency of capital over the required minimum capital;
- The quality of the loan portfolio.

The additional premium cannot exceed the basic premium.

The Argentinian DI system is compulsory, since the assessment must be made by all institutions in the financial system.

The guarantee has a limit by deposit and/or depositor, which at present is set at thirty thousand pesos or its equivalent in foreign currency, according to the proportion of each currency.

Organization and Structure

- a) The **Deposit Guarantee Fund (DGF)** consists of a supply of resources originating from the monthly compulsory assessments, made by the financial institutions, authorized to operate as such in the Argentine Republic.
- b) **Seguro de Depósitos Sociedad Anónima (SEDESA)** is a corporation with a Capital Stock of one (1) million pesos, and it is constituted by :
 - i. the National Government (through the BCRA) with a share (Class "A") and
 - ii. the Caja de Valores S.A. with 999,999 shares (Class "B") (acting as Trustee to the effect of the social participation in **SEDESA** of the

banks which, being contributors to the DGF, have been willing to underwrite **SEDESA's** capital).

SEDESA has as sole purpose to manage the DGF as Trustee.

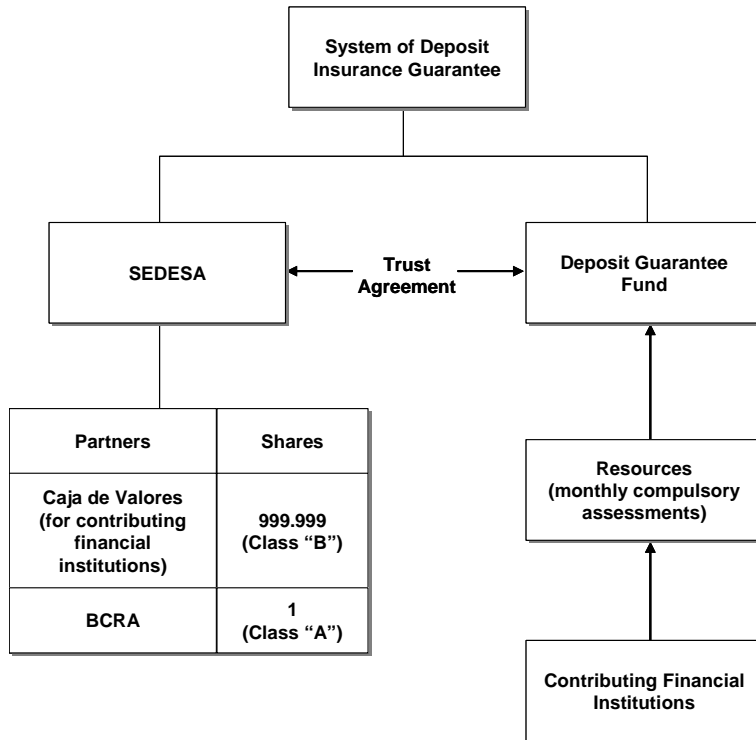
The **Board of Directors of SEDESA** is appointed by the absolute majority of the votes present. The BCRA (the only shareholder of Class "A") has the right to appoint a Syndic and an Alternate Syndic. Its affirmative vote is also required to increase the capital stock and to modify the By-Laws of **SEDESA**.

It is important to note here that it is a private body, ruled by the Law of Commercial Societies.

There is also a **Steering Committee of the DGF** (an organism separate from the Board of Directors of **SEDESA**), at present incorporated by four members, chosen by the financial institutions, contributors of the DGF. **The Steering Committee** is presided over by the **BCRA** (which may voice an opinion, and exercise a veto, but has no right to vote), and it is the only organism competent to decide the application of a particular case, in keeping with the measures indicated in the table below.

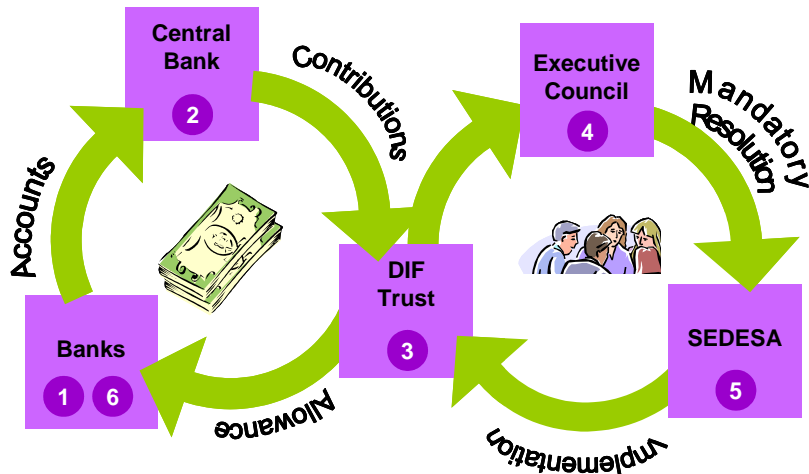
Its decision is binding and the implementation of its decision is obligatory for the Board of Directors of **SEDESA**.

A favorable decision of the **Steering Committee** is only taken forward, when the adoption of the concrete measures suggested, imply for the DGF a direct lesser cost than the cost which would result out of revoking of the authorization to function of the examined financial entity, thus entailing the payment of the guarantee to the depositors.



II. FACULTIES OF SEDESA AND OF THE STEERING COMMITTEE OF THE DGF	
ORGANISM	FACULTIES
SEDESA	To pay the coverage of the guarantee
	To invest the resources of the Fund
	To assume obligations in charge of the Fund and with the guarantee of all the contributing financial institutions
	To finance swap programs with foreign banks
STEERING COMMITTEE OF THE DGF	To provide that SEDESA makes capital contributions, non-reimbursable contributions of loans to financial institutions subject to regularization and rehabilitation plans, or which purchase assets of institutions being restructured assuming the payment of deposits of the latter
	To provide that SEDESA enters into a sale option contract of assets transferred from an institution being restructured to the acquiring institution that takes charge of the payment of the deposits of said institution. This may be performed through a Trust Agreement
	To provide that SEDESA acquires deposits of banks suspended by Section 49 of Law N° 24,144 up to the amount of the guarantee foreseen by Decree N° 540

Money course and assistance decisions



Insurance Coverage

The guarantee covers the reimbursement of the deposited capital and its interests up to \$30,000 (about US \$ 10.000).

For accounts constituted in the name of two or more persons, the limit of the guarantee shall be of \$ 30,000, regardless of the number of holders. The amount of the

corresponding guarantee shall be distributed pro-rata among the holders.

The total guaranteed coverage to one determined person, owing to accumulation of accounts and deposits reached, shall not exceed the limit of \$30,000.

Deposits not covered by the guarantee

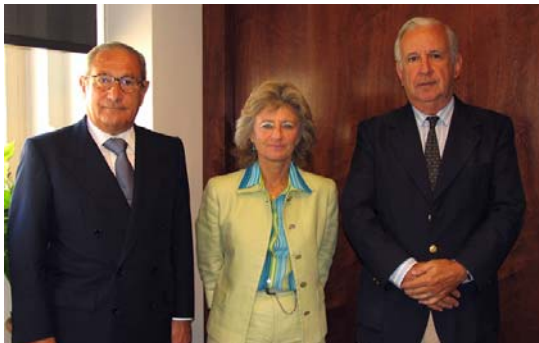
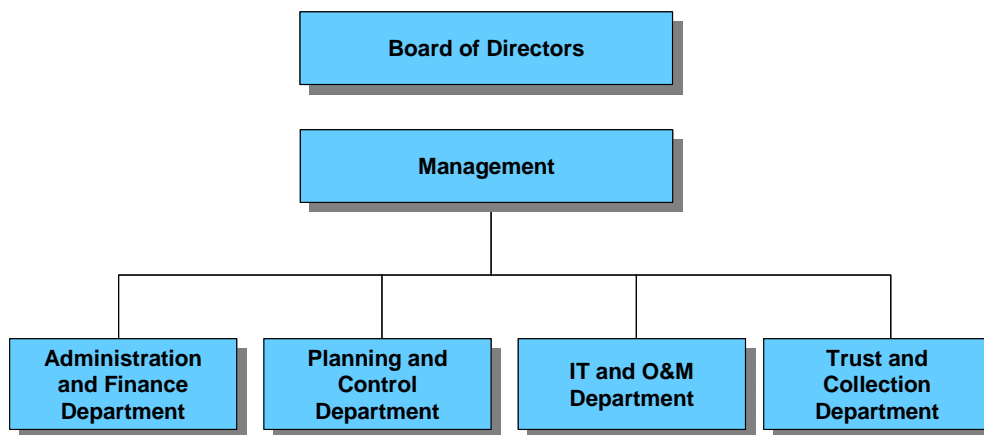
Excluded from the guarantee:

- Fixed term deposits and balances of sight deposits (current and savings accounts) with interest rates in excess of the reference rates established by the BCRA.
- Transferable fixed term deposits whose ownership has been acquired via endorsement, even though the last endorser might be the original depositor.
- Deposits secured via systems which offer incentives or additional stimuli
- Deposits whose ownership is associated with the entity.
- Deposits that guarantee loan operations.
- Deposits of other financial entities.

Organizational Structure

The governing body is the Board of Directors. The Board has six members: Chairman, Vice Chairman, Director and three Syndics. They are appointed by the shareholders which are elected every three years.

Presently the Board of Directors consists a.o. of Irene Ulnik (President of the Board of Directors) Martín Lagos, and Norberto Peruzzotti . All three are also members of the Steering Committee of the DGF.



Board of Directors (from left to right): Norberto Peruzzotti, Director; Irene L. Ulnik, Chairwoman; Martín Lagos, Vice Chairman.

SEDESA, A Founding Member of the International Association of Deposit Insurers

IADI was founded in 2002, by a group of Deposit Insurance organisations, participating in the **Financial Stability Forum Working Groups**, among which SEDESA.

In the year 2000, [Jean Pierre Sabourin](#), [Chair of Executive Council](#) and [President of IADI](#) participated in SEDESA's Annual Symposium as a Speaker.

Financial Assistance Operations

Since its creation in 1995, SEDESA has provided assistance to 26 financial entities. The total funds paid out amount to \$ 2,170 MM or about US \$ 1,563 MM.

For more details on this assistance and on SEDESA's Regulatory and Legal Framework please check www.sedesa.com.ar.

Argentina Banking System Overview

By the end of the year 2005, 89 financial entities were licensed in Argentina: 58 private banks, 13 official banks and 18 non-banking financial entities. All of these are deposit insurance system participants.

At present, total deposits within the financial system amount to \$ 141.000 millions pesos. The ten largest banks within the financial system share 73% of the deposits (\$ 103,000 million pesos); the other institutions share up to 27% of the deposits.

What's New in Your World?

DIB of Tanzania's visit to the BDIF

Mr. Josiah M. Munazi, Deputy Director for Finance and Administrative Services of the Deposit Insurance Board of Tanzania, paid a five-day working visit to the Bulgarian Deposit Insurance Fund (BDIF) from 6th to 10th March 2006 so as to exchange information and experience on topical issues related to deposit insurance and failure resolution.



BDIF experts delivered detailed presentations on the Fund's policy and practice and respectively, learned about their Tanzanian counterpart's experience, in: management and organization, funding, investment, coverage and repayment of insured deposits, finance and accounting, public awareness, administration of bank bankruptcy proceedings, etc. BDIF presented also its research and analysis activity with regard to transition from flat to differential banks' premiums.

BDIF experts with the Legal and International Cooperation Departments acquainting Mr. Munazi, Deposit Insurance Board of Tanzania, with Bulgarian bank bankruptcy legislation and its implementation.

FEDERAL DEPOSIT INSURANCE CORPORATION

Fred S. Carns Named Director of FDIC's Office of International Affairs

Fred S. Carns has been named Director of the FDIC's Office of International Affairs (OIA), replacing Michael Zamorski, who retired from the FDIC after 29 years of service. Mr. Carns will be responsible for coordinating the FDIC's international banking activities with a focus on building strong relationships with foreign regulators and deposit insurers, U.S. government entities and international organizations. OIA coordinates the FDIC's technical assistance and outreach activities that are provided to foreign entities in order to promote the development and maintenance of sound banking and deposit insurance systems. Before being named to his new position, Mr. Carns served as a Deputy Director in the FDIC's Division of Insurance and Research. He played key roles in

managing the financial risk exposure of the deposit insurance funds, developing reform proposals for the U.S. deposit insurance system to provide for improved pricing of risks and establishing ongoing research programs relating to banking, financial risk management, regulatory policy and the design of effective deposit insurance systems.

Mr. Carns has also served as the FDIC Corporate University Dean of the School of Insurance and Dean of the College of Corporate Business.

Mr. Carns holds a bachelor's degree from Lafayette College in Easton, Pennsylvania, and a Ph.D. in economics from Penn State University.

DEPOSIT INSURANCE AGENCY (Russia) Delegation visits SEDESA (Argentina)

From 3 to 5 April 2006, Mr. Andrey Melnikov, Deputy General Director; Mr. Georgy Agaptsev, Director of bank liquidation department and Mrs. Natalia Molodtsova, Chief Accountant visited the Seguro de Depósitos S.A. in Argentina.

They had several meetings with SEDESA Area Managers regarding SEDESA's activities as a Deposit Insurance System, the Deposit Insurance System's legal regime background in Argentina and Argentina's financial and economic Situation".

As the DIA Delegation showed great interest in the process liquidation of entities, SEDESA also organized a meeting with the authorities of the Central Bank of the Argentinean Republic, whom also instructed the DIA delegation on this matter.

Furthermore SEDESA's Board and the DIA Delegation shared and exchange experiences between the two organizations.



Front row: Ms. Nélide Marquez, Trust and Collection Manager (SEDESA), Ms. Irene L. Ulnik, Chairwoman (SEDESA); Ms. Gabriela Torracó, IT Manager (SEDESA) and Ms. Nataliya Molodtsova, Chief Accountant (DIA). Back row: Mr. Alejandro Emerson, Administration and Finance Manager (SEDESA); Mr. Andrey Melnikov, Deputy General Director (DIA); Mr. Georgy Agaptsev, Director of bank liquidation department (DIA) and Mr. Carlo Nosedá, Planning and Control Manager (SEDESA)



Front row: Ms. Nataliya Molodtsova, Chief Accountant (DIA) and Ms. Irene L. Ulnik, Chairwoman (SEDESA). Back row: Mr. Norberto Peruzzotti, Director (SEDESA); Mr. Georgy Agaptsev, Director of bank liquidation department (DIA); Mr. Andrey Melnikov, Deputy General Director (DIA) and Mr. Martín Lagos, Vicepresident (SEDESA)

CDIC (Taiwan)

CDIC Taiwan establishes its International Relations & Research Office

The Central Deposit Insurance Corporation (Taiwan) is very pleased to announce that it has expanded its International Affairs Division under a Business Department by setting up the International Relations & Research Office beginning operation on May 1, 2006, in order to strengthen its research capacity and continuously support the IADI related activities. The Office is headed by the Executive Vice President Mr. Howard Wang and its Deputy Director is Ms. Yvonne Fan. Their contact information is as follows:

Mr. Howard Wang, c449@cdic.gov.tw, Tel: +886-2-2357-3216
Ms. Yvonne Fan, c184@cdic.gov.tw, Tel: +886-2-2357-3302

Publications

You may find the following articles of interest:

International Monetary Fund:

Working Paper No. 06/110: The Role of Interest Rates in Business Cycle Fluctuations in Emerging Market Countries: The Case of Thailand

Author/Editor: Tchakarov, Ivan

Summary: Emerging market countries have enjoyed an exceptionally favorable economic environment throughout 2004, 2005, and early 2006. In particular, accommodative U.S. monetary policy in recent years has helped create an environment of low interest rates in international capital markets. However, if world interest rates were to take a sudden upward course, this would lead to less hospitable financing conditions for emerging market countries. The purpose of this paper is to measure the effects of world interest rate shocks on real activity in Thailand. The analysis incorporates balance sheet related credit market frictions into the IMF's Global Economy

Model (GEM) and finds that Thailand would best minimize the adverse effects of rising world interest rates if it were to follow a flexible exchange rate regime.
<http://www.imf.org/external/pubs/cat/longres.cfm?sk=18998.0>

IMF Global Financial Stability Report -

- April 2006 This particular issue draws, in part, on a series of informal discussions with commercial and investment banks, securities firms, asset management companies, hedge funds, insurance companies, pension funds, stock and futures exchanges, and credit rating agencies, as well as regulatory authorities and academic researchers in many major financial centers and countries. The report reflects information available up to February 10, 2006.

<http://www.imf.org/External/Pubs/FT/GFSR/2006/01/index.htm>

Bank for International Settlements

Svein Gjedrem: Globalisation and monetary policy in Norway (Central Bank Articles and Speeches) <<http://www.bis.org/review/r060518a.pdf>> (18.05.2006 12:08) - PDF, 35332 bytes

Address by Mr Svein Gjedrem, Governor of the Central Bank of Norway, at the Nordic CFO Seminar, Stockholm, 10 May 2006.

<http://www.bis.org/review/r060518a.pdf>

IADI:

Updated [Training Course Catalogue](#) now available!

Save the Dates:

5-6 October 2006, Chicago

IADI and the Chicago Federal Reserve Bank will hold a [Joint Conference](#)

13-17 November 2006, Rio de Janeiro Brazil

IADI Fifth Annual Conference and AGM, hosted by the FGC Brazil

This newsletter was issued on 2 June 2006. To submit articles or items for consideration for a future issue, please send them to kim.white@iadi.org by **15 June 2006**.

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