

OVERVIEW

The purpose of this guidance is to encourage each IADI Member to perform a self-assessment of its compliance with the *IADI Core Principles for Effective Deposit Insurance Systems* (Core Principles or CP) and to inform Members of the resources available to help them.

The Core Principles were developed by IADI as the set of international standards to be used by policy makers to establish or enhance effective deposit insurance systems. As an assessment tool, the CPs can be used to identify gaps in the regulations and policies governing deposit insurance systems, and for evaluating the practices of deposit insurers. The CPs and their Essential Criteria (EC) generally deal with four key policy areas: the deposit insurer's authorities, deposit insurance management, interactions with other regulators, and responsibilities during resolution.

A self-assessment can be used by a deposit insurer as a critical diagnostic of its key regulations, policies, practices, procedures, and institutional arrangements in comparison with the CPs and ECs. It may be undertaken for a variety of reasons, including:

- as a diagnostic tool in advance of proposing legislative reforms or financial sector regulatory changes
- in preparation for third-party reviews, including IADI Self-Assessment Technical Assistance Program (SATAP) evaluations, peer-reviews and thematic assessments conducted by the FSB, or IMF and World Bank Financial Sector Assessment Program (FSAP) evaluations
- as an internal self-assessment, which could serve as a reflective and critical evaluation of the deposit insurance system, and the financial safety net, including the structural, legal, and institutional features and design of the deposit insurance mechanism, and
- as a basis for requesting bi-lateral or multi-lateral technical assistance from international organizations or DIs from other jurisdictions or for engaging consulting firms or others.

The self-assessment comprises a series of steps, including pre-assessment planning, conducting the assessment and reviewing the results of the assessment, and identifying any gaps that exist with respect to the international standards and developing an action plan for resolving those gaps. This guidance complements the IADI SATAP Guidelines, and will assist Members in undertaking a self-assessment; it focuses on the steps for planning and conducting the assessment, as well as developing recommendations for improvement and conducting follow-up to implement the recommendations. The SATAP program was developed to help members achieve a greater level of compliance with the CPs by enlisting IADI experts to provide: an independent evaluation of compliance with the CPs, feedback regarding the identification of gaps, and assistance with the development of recommendations and an action plan to address them.

Pre-Assessment Preparation and Planning - A critical step in any self-assessment is preparing for the exercise. The pre-assessment phase will help the deposit insurer (DI) determine the time, staffing, documentation, and other resources it will need in order to ensure a well-executed self-assessment. Key steps during this phase include:

- obtaining an executive sponsor;
- establishing an achievable project timeline;
- creating a team of experts and support staff with a diversity of experiences, training, and expertise;
- communicating and coordinating with external parties;
- ensuring access to important data, reports, rules, regulations, and policies; and,
- using IADI's self-assessment template.

Conducting the Self-Assessment – each self-assessment has three fundamental goals: understanding the effect of the operating environment, evaluating compliance of policies and practices with the CPs and ECs, and identifying gaps and developing an action plan. The assessment can be carried out in four stages, which will help assessors organize their work, present their findings in a standardized and persuasive manner, and help ensure consistency in conducting self-assessments across jurisdictions.

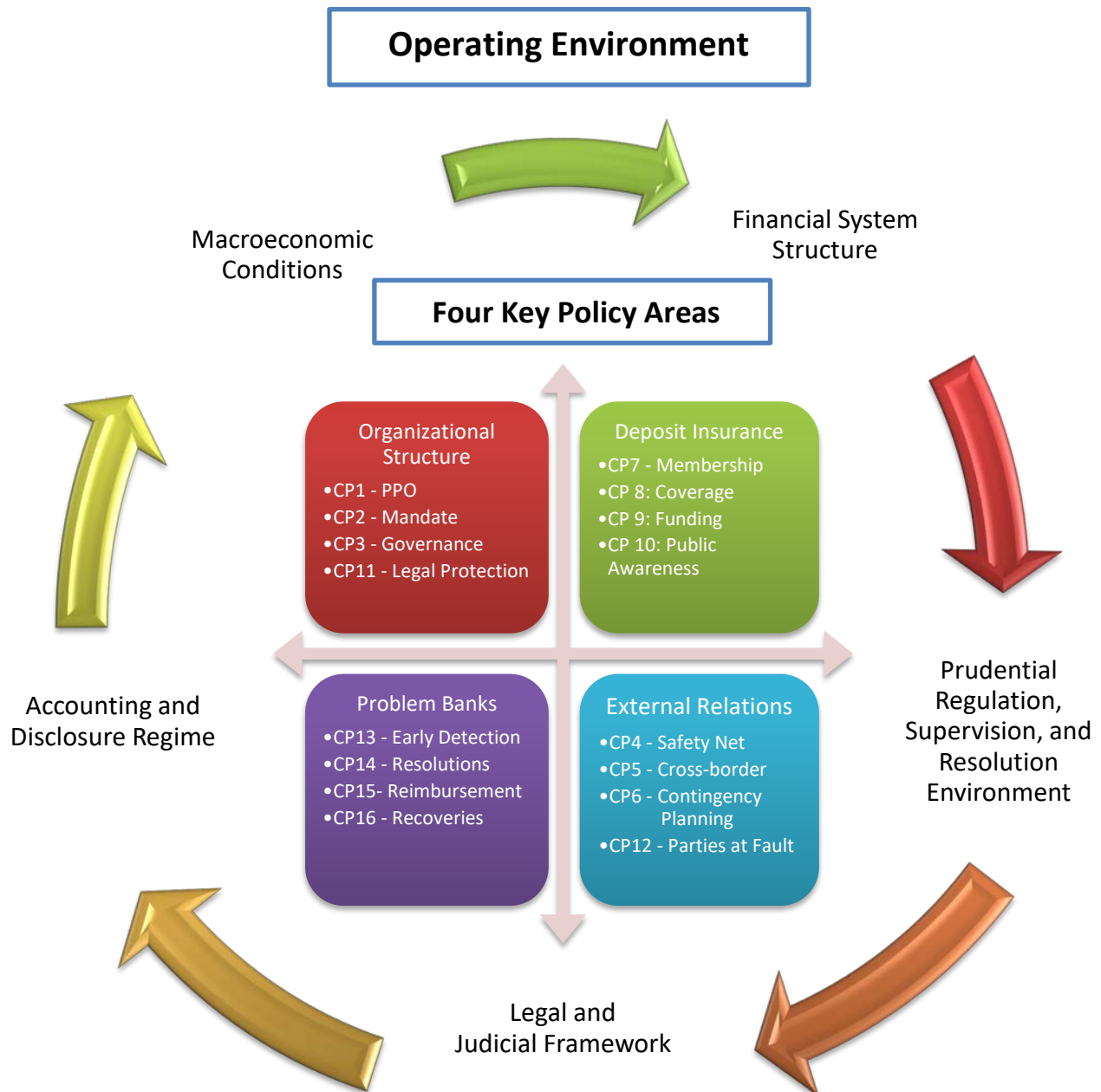


- First, assessment teams need to document the financial/ economic conditions, banking supervisory/regulatory environment, legal framework, accounting and disclosure regime, and how they affect the financial sector and the deposit insurer's ability to meet its mandate.
- Second, all team members need to review and understand the criteria set out in the *Handbook for the Assessment of Compliance with the Core Principles for Effective Deposit Insurance Systems*. It is also useful for the team leader and members of the assessment team to review and understand the Basel Committee's *Core Principles for Effective Banking Supervision* and the accompanying Methodology. The team leader and team members responsible for assessing activities in resolution will also find it useful to review and understand the FSB's *Key Attributes of Effective Resolution Regimes for Financial Institutions* as well as the FSB *Key Attributes Assessment Methodology for the Banking Sector*.
- Third, once a draft of the self-assessment is completed, or in stages as the self-assessment for each CP is completed, the team should assemble to review and discuss the appropriate compliance ratings. As well, DI staff not directly involved in drafting the self-assessment may be included to provide an objective read of the justification for the proposed compliance rating. When assigning compliance ratings, it is important to understand the EC underlying the international standards, as well as to consider any additional guidance. Ultimately, ratings will also be influenced by the experiences, training, and judgment of the assessment team. It will be helpful to organize the documents that support the ratings according to CP and EC as a baseline for this discussion or any further assessment.
- Lastly, the work should be used to develop a workable set of prioritized recommendations to strengthen compliance and these recommendations should be presented to DI executive management.

Final stage of the self-assessment - The final step in the self-assessment process includes ensuring buy-in by internal and external stakeholders. The DI senior official should share the self-assessment findings with relevant external collaborators including, to the extent appropriate, the bank supervisor, resolution authority, ministry of finance or treasury, legislators and other financial safety-net participants, and invite them to be part of the remediation work group.

DEPOSIT INSURER’S GOALS AND THE OPERATING ENVIRONMENT

The Core Principles generally deal with four key policy areas illustrated in the accompanying graphic. The effectiveness of a deposit insurance system (DIS) as determined by compliance with these CPs, will be influenced not only by the DIS’ design features, but also by the environment within which it operates. Although the operating environment is largely outside the deposit insurer’s (DI) scope of authority, it will influence the DI’s ability to carry out its mandate, fulfil its objectives, and contribute to the stability of the financial sector. **As such, a self-assessment must fully consider the strengths and weaknesses of the operating environment, and whether it supports or inhibits the DI’s ability to fulfil its mission.**



PRE-ASSESSMENT PREPARATION

The *Handbook for the Assessment of Compliance with the Core Principles for Effective Deposit Insurance Systems* (Handbook) was designed to complement the Core Principles and provide guidance to those wishing to evaluate a jurisdiction's adherence to the Core Principles.¹ The Handbook, as well as the Financial Stability Institute's (FSI) online tutorial, *Deposit Insurance - Conducting a Core Principles Compliance Assessment* are useful tools that provide in-depth information on the assessment process.² IADI guidance papers that address enhancing compliance with the CPs should also be referenced.³ This guidance provides a brief summary of the overall process and adds suggestions based on lessons learned from recent DI's self-assessments. As well, once a self-assessment has been undertaken, a DI may find the planning process for it useful as a baseline to use in subsequent assessments.

A critical step in any self-assessment is preparing for the exercise. The pre-assessment stage will help the deposit insurer determine the time, staffing, documentation, and other resources needed to ensure a well-executed self-assessment. Since the assessment should address not only the internal functioning of the deposit insurer, but also the policies, procedures, and framework of the DIS as a whole, this phase will also provide the DI an opportunity to discuss its plans with external parties that are likely to be consulted during the self-assessment. **The key to this phase is adequate planning.** The following highlights the main steps that should be considered before undertaking a self-assessment.

Obtain an Executive Sponsor – any self-assessment should be sponsored by a senior DI official, or executive manager, who has significant knowledge of the DI's operations and a solid understanding of the applicable international standards. This executive should also have the authority to facilitate and guide the implementation of an action plan to remediate any gaps identified by the self-assessment. Finally, this executive will be responsible for communicating the findings and recommendations of the self-assessment to the DI's board or executive body, and external bodies including the jurisdiction's bank supervisory authority, resolution authorities, ministry of finance, legislator, and others involved in maintaining financial stability.

Establish a Reasonable Timeline – the duration of a self-assessment will vary depending on the size and complexity of the DIS and other factors including the availability of assessment team staff, success in coordinating with external parties, and the procurement of documents. Some self-assessments will take two months, while others may take half a year. Having a clear understanding of the process, planned milestones, and availability of resources may help manage unexpected surprises during the exercise.

Create a Team of Experts – the self-assessment process should begin by creating a team of experts who will be responsible for conducting the assessment and developing an action plan to remediate any areas requiring improvement. The Handbook (Section III. B.) and FSI Tutorial (Final Team Composition Section) explain that the assessment team should consist of a team leader, a review team, and an administrative support team. The Handbook and FSI Tutorial describe the roles and responsibilities of each team. Below is additional information on the roles and responsibilities of the team leader.

¹ See the Handbook here: <https://www.iadi.org/en/core-principles-and-research/core-principles/>

² The FSI's subscription web-based learning tool for financial sector regulators worldwide can be accessed at www.fsiconnect.org. For subscription information, please contact fsiconnect@bis.org or contact the IADI Secretariat for assistance.

³ For example, see

- [Public Policy Objectives for Deposit Insurance Systems](#) - March 2020
- [Deposit Insurers' Role in Contingency Planning and System-wide Crisis Preparedness and Management](#) - May 2019
- [Enhanced Guidance for Effective Deposit Insurance Systems: Ex Ante Funding](#) - June 2015
- [Enhanced Guidance for Effective Deposit Insurance Systems: Multiple Deposit Insurance Organizations](#) - June 2015
- [Dealing with Parties at Fault in a Bank Failure and Fraud in Deposit Insurance](#) - March 2015

The *team leader* is in charge of establishing the scope of the self-assessment, directing the work of the assessment team, ensuring timely completion of the self-assessment, reconciling any differences of opinion, and rendering a final decision on ratings and recommendations. He or she should be intimately familiar with the IADI Core Principles, the Handbook, the Basel Committee's *Core Principles for Effective Banking Supervision* (BCPs), and the FSB *Key Attributes of Effective Resolution Regimes for Financial Institutions* (Key Attributes or KAs). Familiarity with these international standards will help the Team Leader identify the appropriate scope of the self-assessment and identify the types of skill sets that will be required by the Assessment Team.

The team leader will be responsible for setting expectations, project milestones, and deadlines; defining the team members' roles and responsibilities; and, ensuring that each team member has a comprehensive understanding of the Core Principles and the Handbook. The team leader will ensure that all team members become familiar with FSI Tutorial. Additionally, select team members should also have a strong understanding of the Key Attributes and the BCPs when reviewing the DI's compliance with these international standards.

The team leader will also be responsible for communicating the team's progress, conclusions, and recommendations with the DI's executive management.

Plan to Communicate and Coordinate with External Parties –Members of the financial safety net and other agencies responsible for financial stability should be apprised of the DI's plans to conduct a self-assessment. Where appropriate, members of the financial safety net could be invited to participate on the assessment team as partners not just observers, which could serve to further strengthen the collaboration and understanding of roles between the agencies. However, in most cases, DIs would only be expected to notify other relevant safety net players of the intention to conduct a self-assessment and establish a point-of-contact (POC) to communicate with the DI. These external parties may include the central bank, bank supervisory authority, resolution authority, ministry of finance/ treasury, or legislators among others. They should be advised that they may be asked to produce documents and submit to interviews, which will help inform the self-assessment. External parties should also be advised of the self-assessment timeline, be provided contact information for the team leader, and be advised of any possible follow-up activities after the self-assessment, including a remediation plan, visits by IMF, World Bank, or IADI SATAP team, or other post-assessment activities.

Gather Data – As stated in the Handbook (Section III. B.), the DI should make an inventory of - and make plans to procure – a variety of sources it will need to conduct the self-assessment. The team leader and assessment team should review each EC and identify source documents that will be needed for the reviews such as agency reports, laws and regulations, third-party documents, and interagency agreements and reports. Specific document suggestions can be found in the Data Gathering section of the FSI Tutorial and *Annex* in this paper.

Use the IADI Recommended Self-Assessment Template – to facilitate self-assessments, IADI has developed a template that DIAs are encouraged to use. The template is available in Annexes 1 and 3 of the Handbook.

CONDUCTING THE SELF-ASSESSMENT

The self-assessment should achieve three goals carried out in four stages.

Goals:

1. Understand the impact of the operating environment on the deposit insurance system
2. Evaluate compliance with each of the Core Principles and essential criteria
3. Identify gaps and propose an action plan

Four Stages of Conducting the Self-Assessment



Stage 1 - Analyzing a Jurisdiction's Operating Environment

Analyzing a jurisdiction’s operating environment includes, as stated in the FSI Tutorial (Components for Analysis Section), an evaluation of: the financial system, the regulatory and supervisory frameworks and their effectiveness, the legal framework, and the accounting and disclosure regimes. It is also important to assess the jurisdiction’s economic and financial sector conditions. The following provides a brief outline of elements to include in the evaluation of the operating environment.

Financial System – The Assessment Team should evaluate the condition of the jurisdiction’s financial system. This assessment should include:

- Financial condition and performance trends – an evaluation of the system’s capital, asset quality, earnings, and liquidity, as well as any known threats or possible threats to financial performance (such as emerging risks).
- Structure – a discussion of bank and non-bank entities; concentration of assets and number of institutions in the banking system; the types of institutions covered by the DIS; total assets and deposit levels, including insured/uninsured; and scope and level of coverage for deposits and other liabilities protected by deposit insurance scheme.
- Key reimbursement features: creditor hierarchy and depositor preference regulations/laws.

Economic Conditions – The Assessment Team should summarize the effect of the macroeconomic environment on the financial system and the ability of the deposit insurer to fulfil its mandate. International agencies’ reports of the country as well as credit rating agencies’ reports can be useful inputs in this discussion as they provide independent third-party assessments of a jurisdiction’s economic conditions.

Banking Supervision and Regulation –The self-assessment should include a thorough evaluation of the strength of banking supervision and regulation, and to the extent available, a summary of the jurisdiction’s compliance with international bank supervision standards. This evaluation should also provide the following:

- An overview of the financial safety net and its participants
- An analysis of the effectiveness of the supervisory framework, including on- and off-site supervision programs, prompt corrective action and supervisory enforcement mechanisms
- An assessment of early risk detection and prompt corrective action frameworks

- An evaluation of the coordination framework and practices between safety net participants, including information-sharing and collaboration between safety-net participants and deposit insurer

If the jurisdiction has been subject to an IMF or World Bank FSAP, the deposit insurer should consult those reports for an assessment of the bank supervisory and regulatory environment. The DI could also consult reports prepared by third parties including credit rating agencies for their evaluations.

Legal Framework –The evaluation should determine whether the appropriate written laws and regulations exist, and a description of how they have been implemented in practice.

Accounting and Disclosure Regime - Sound accounting and disclosure regimes should be evaluated and are vital for the effective evaluation of risks by the deposit insurer. Reliable and timely information can be used by bank management, depositors, the market and regulatory authorities to make decisions about the risk profile of a bank, and thereby increase market, regulatory and supervisory discipline.

Stage 2 – Using the *Handbook* to conduct a self-assessment against the Core Principles

The Core Principles are reflective of, and designed to be adaptable to, a broad range of jurisdictional circumstances, settings and structures.

The *Handbook* provides a standard methodology and serves as the primary reference for assessing a jurisdiction's compliance with the Core Principles. It is an interpretive guide and is not intended to go beyond the intent of the Core Principles by being overly prescriptive or allowing exceptions not supported by the intent of the Core Principles. While the *Handbook* offers assessors a fully detailed methodology, it should not be the only source of information (e.g., utilizing the BCPs, the Key Attributes, IADI Guidance documents on various CPs, and other source documents, as stated previously). Additionally, there are a few areas that warrant additional consideration, and they are described below.

Be Mindful of Proportionality - Particular care should be devoted to discerning the extent to which Core Principles will apply to DIS with varying mandates.⁴ Assessments should be calibrated and sensitive to the scope of a DI's mandate; the complexity of its operations; and the size, structure, and complexity of its banking system. An individual Core Principle or essential criteria will be considered *not applicable* when, in the assessor's view, the CP or EC does not apply to a jurisdiction because of the scope of its mandate.

Written Assessment – Within the Description section of the assessment template (Handbook Annex 1 and 3), assessors should describe in considerable details their objective understanding of existing conditions, policies, practices, and procedures. Within the Assessment section, assessors should provide the recommended ratings and clearly document identified gaps; the jurisdiction's response to the findings will be contained in the Comments section.

Stage 3 - Selecting Ratings

The next stage of the self-assessment is to determine the extent of compliance. The assessment follows a five-grade scale: Compliant (C), Largely Compliant (LC), Materially Non-Compliant (MNC), Non-Compliant (NC), and Not Applicable (NA). The Handbook (Section III.C., Phase 3) and FSI Tutorial (Applying Ratings Section) define these ratings, and offer detailed explanations of what should be considered when assessing compliance. In summary:

- **Experience, training, and judgement are important to assessing compliance, as assigning ratings is not an exact science.** It is possible, for instance, for legal requirements and actual practice to be inconsistent, and the assessment team must judge the extent to which policies and procedures make up for the lack of formal legal authority. For example, a deposit insurer may have a long-standing practice of regular information sharing with the supervisory authority in the absence of any statutory requirement or memorandum of understanding. Here,

⁴ Mandates can range from a narrow “pay box” to a “risk minimizer” and are defined in the Handbook (Section II).

an assessment could be made that the jurisdiction is compliant or largely compliant, and a recommendation would be made for the authorities to have the formal framework amended to correspond more closely to actual practice.

- **Compliance with the Core Principles is assessed against the Essential Criteria.** The assessment criteria should not be seen as a checklist approach to compliance but as a qualitative exercise. The number of criteria receiving a compliant grade and the commentary that should accompany each grade will be considered in the scoring process for each CP. For example, a DIS can be compliant with a particular Core Principle even if it is not assessed to be compliant with some of the ECs. The assessors must decide which of the ECs are more relevant in the context of the system being assessed. Assessors would typically assign grades to each EC for the purpose of helping them decide about the overall grade for the CP. Overall, ratings for the ECs should be consistent with the final rating for the CP, but some EC ratings may be given more or less weight in determining the rating for the CP.
- **Be aware of interdependencies** - There are many interdependencies between a jurisdiction's operating environment and the Core Principles, and among certain Core Principles themselves (for example, CP2 – Mandate and CP3 – Governance). When these interdependencies are encountered, it is important that assessors consider how the interdependency can affect the achievement of an EC or CP when assigning a rating.
- **Address inconsistencies** –The self-assessment team may encounter differences between what's required in the CP and EC and what the laws and practices in the jurisdiction require. Some instances of non-compliance may be abundantly clear, for example when the assessment concludes that existing laws and regulations are not implemented, the system is not considered compliant with the relevant CP. However, there may be instances where greater judgment will need to be exercised before rendering an opinion of compliance.

Stage 4 – Developing Recommended Actions

The last step of the assessment is to develop recommendations that will help the DI strengthen its compliance with the Core Principles. An effective way of achieving this goal is to draw up an action plan that prioritizes the steps needed to address the identified deficiencies and close gaps in compliance. The Handbook (Section III. C., Phase 4) and FSI Tutorial (Deposit Insurer Mandates – Appropriate Recommended Actions, and Classifying Improvement Actions Sections) address the necessary components of an action plan. In summary: the action plan should take into account and describe the financial and economic realities and resources available, and should clearly define the objective, timing (e.g., short-, medium-, or long-term), resource requirements, and accountable parties.

If an issue falls outside the DI's responsibility, the DI should meet with the relevant safety-net participants to discuss the conclusions and possible remedial efforts identified in the action plan. Ideally, this dialogue will lead to a cooperative effort among the safety-net participants to address the gaps. The DI may also find the self-assessment a useful tool to begin a conversation about its legal framework and the changes that would be needed to bring the DI into full compliance with the CPs.



CONCLUDING STEPS

The final steps in the self-assessment process include ensuring buy-in by internal and external stakeholders and assembling a working group, that includes internal and external collaborators, to ensure that the work plan is satisfied in an agreed-upon manner and timetable. The self-assessment process concludes similarly to how it began, by ensuring the support of the DI's executive sponsor, who has the authority to facilitate the implementation of the agreed-upon action plan and to communicate the findings and recommendations of the self-assessment to the DI's board or executive body, and financial safety-net participants, among others. For more information on communicating the self-assessment findings, please see the FSI Tutorial (Communicating Findings Section).

Finally, should the DI need support or want an independent review of its self-assessment, IADI technical assistance resources are available, such as the Self-Assessment Technical Assistance Program (SATAP)⁵. This program was developed to help members achieve compliance with the CPs by providing IADI experts to evaluate a jurisdiction's self-assessment and ultimately its compliance with the CPs.

⁵ For more information on the SATAP, please see the SATAP Guidelines (approved in 2018).

ANNEX

SUGGESTED DOCUMENTS TO BE PREPARED PRIOR TO CONDUCTING THE ASSESSMENT

A key element during the overall assessment process is related to the availability of the necessary documentation that explains or supports the deposit insurance framework. Since maintaining an effective deposit insurance system is usually the responsibility of several parties, documentation that will aid the self-assessment will likely be produced by various sources, which is why early coordination is important. The following documents could be considered a preliminary, but not an exhaustive, list generally used in self-assessments. The assessors should adjust this list to include other relevant documents that support the analysis of the unique characteristics of each jurisdiction. When working with third parties, particular attention should be given to whether the materials will require translation into another language, and the impact that will have on the timeline and budget.

Operating environment

- Macroeconomic reports issued by safety-net authorities or international multilateral agencies such as the IMF, the World Bank and the Organization for Economic Co-operation and Development (OECD).
- Reports from the central bank or bank supervisor detailing specifics of the financial system including, structure, condition of banks, type and characteristics of banks, types of depositors, covered depositor and currency composition of deposits.
- Legal and judicial framework including, banking laws and regulations; deposit insurance laws and regulations; key deposit insurance agency policies and resolutions; securities laws, central bank laws and regulations; bank supervision agency laws and regulations; bankruptcy laws and codes; and, policies, rules, and regulations governing problem bank resolutions.
- Accounting and disclosure system, including reports related to the deposit insurance financial statements.
- Results of IMF or World Bank Financial Sector Assessment Program (FSAP), Article IV reports, or FSB peer reviews.
- Compliance with other international standards such as the BCBS's Core Principles for Effective Banking Supervision and the FSB's Key Attributes of Effective Resolution Regimes.
- Depositor preference rules and regulations: treatment of depositors in the creditor hierarchy.
- Results of any previous self-assessments, peer reviews, or other evaluation of the deposit insurance system.
- Liquidity, stress, and resolvability tests, as available.

Principle 1 – Public policy objectives

- Legislation, regulations, policy statements or other documents supporting the design features of the deposit insurance system incorporating the two principal objectives of protecting depositors and contributing to the stability of the financial system.

Principle 2 – Mandate and powers

- Legislation, regulations, policy statements or other documents supporting the public policy objectives and the powers of the deposit insurer, including elements described in the EC4.
- Operational budget, business plans, financial statements, and strategic plans.
- Legislation, regulations, policy statements or other documents clarifying the roles and responsibilities of safety-net members.

Principle 3 – Governance

- Legislation, regulations, policy statements or other documents supporting the independence of the deposit insurer.
- Corporate governance framework, including internal control, transparency and disclosure regimes, and stakeholder information.

- Laws or statutes related to the terms, conditions and composition of the Board of Directors and the Governing Body.
- Codes of conduct to ensure ethical standards.
- Regular assessments carried out to monitor deposit insurer's capacity to fulfill its mandate.
- External audit reports and letters from the auditors relating to the deposit insurance agency.

Principle 4 – Relationship with other safety-net participants

- Legislation, regulations, policy statements or other documents supporting the close coordination of activities and information sharing between the DI and safety-net participants.
- Memoranda of understanding (MOU), confidentiality and other legal agreements existing between the DIA and other safety-net participants.
- Relevant internal guidelines, regulations and manuals of the deposit insurance agency.
- Examples of information that is regularly shared under the MOU; minutes of interagency meetings; and other examples that demonstrate ongoing coordination and collaboration.
- Internal policies or procedures that guide the exchange of information under an MOU.

Principle 5 – Cross border issues

- Banking system reports that identify the extent of foreign banking presence in the jurisdiction.
- Legislation, regulations, policy statements or other documents supporting the close coordination of activities and information sharing with jurisdictions where there is a material presence of foreign banks.
- Legislation or documents supporting deposit insurer's responsibility of covering deposits in a foreign jurisdiction, if applicable.

Principle 6 – Deposit insurer's role in contingency planning and crisis management

- Legislation, regulations, policy statements or other documents supporting contingency planning and crisis management procedures.
- System-wide strategies or policies to undertake crisis preparedness with other safety-net players.
- Institutional framework for ongoing communication and coordination with other safety-net members.
- Reports or documentation summarizing the results of tests or exercises related to crisis preparedness.
- Pre- and post-crisis communication plans involving safety-net participants.

Principle 7 – Membership

- Legislation, regulations, policy statements or other documents supporting membership conditions and procedures.
- Communication protocols related to informing depositors about the withdrawal of the bank's deposit-taking license by the relevant authority.

Principle 8 – Coverage

- Legislation, regulations, policy statements or other documents supporting
 - the level and scope of deposit coverage;
 - the insured deposits, reflecting the public policy objectives;
 - the ineligibility of deposits and depositors for deposit protection;
 - the level and scope of coverage periodical revision;
 - situations where there are multiple deposit insurers operating in the same national jurisdiction, but differences in coverage do not adversely affect overall deposit insurance system effectiveness and financial stability; and,
 - blanket guarantee conditions, if applicable.

Principle 9 – Sources and uses of funds

- Legislation or documents supporting funding arrangements as a responsibility of members banks.
- Legislation or documents supporting “seed” funding, if applicable.
- Legislation or documents supporting emergency funding arrangements.
- Target fund determination methodology.
- Investment policies and risk managements procedures.
- Legislation or documents supporting the authorized use of funds by the deposit insurance system.
- Legislation or documents supporting the premium system, including its methodology, and the scoring/premium categories.

Principle 10 – Public awareness

- Communication plans or programs issued by the deposit insurer as a normal course of business and in the event of a bank failure.
- Public awareness program, as part of a long-term strategy, including budget allocations and cross-border arrangements.
- Results of independent evaluations of the effectiveness of its public awareness program or activities.

Principle 11 – Legal protection

- Legislation, regulations, policy statements or other documents that explain the legal protections offered to DI staff and others, both currently and formerly for the deposit insurer, in the discharge of its mandate, in order to protect them from liability arising from actions, claims, lawsuits or other proceedings for their decisions, actions or omissions taken in good faith in the normal course of their duties.

Principle 12 – Dealing with parties at fault

- Legislation, regulations, policy statements or other documents supporting deposit insurer’s (or other relevant authority’s) power to seek legal redress against those parties at fault in a bank failure.
- The policies and procedures in place to ensure that insiders, related parties and professional service providers acting for the failed bank are appropriately investigated for wrongdoing and for possible culpability in a bank failure.

Principle 13 – Early detection and timely intervention

- Legislation, regulations, policy statements or other documents supporting the existence of an effective framework within the financial safety-net that provides for the early detection of, and timely intervention in, banks in financial difficulty before the bank becomes non-viable.
- Legislation, regulation or arrangements supporting clearly defined qualitative and/or quantitative criteria that are used to trigger timely intervention or corrective action.
- Documents or procedures supporting a periodical revision of the detection and intervention framework.

Principle 14 – Failure resolution

- Legislation, regulations, policy statements or other documents supporting
 - the special resolution regime framework, including the powers, roles and responsibilities of each safety-net member;
 - the resolution tools available in the jurisdiction;
 - least cost determination when selecting a resolution method; and
 - resolution regime isolation against legal actions aiming the reversal of the decisions related to the resolution of non-viable banks.



Principle 15 – Reimbursing depositors

- Documentation and procedures supporting the reimbursement plan.
- Contracts or agreements with agent banks, if any.
- Pre- and post-closing manuals and documentation.
- Scenario simulations on bank closing.
- Postmortem reports, if any, reviewing payout procedures.
- Contracts or arrangements with clearing and settlement system agencies.

Principle 16 – Recoveries

- Legislation supporting the deposit insurer’s role in the recovery process.
- Legislation supporting the deposit insurer’s recognition as a creditor of the failed bank, its creditor rights and its treatment after the bank failure.
- Legislation or documentation prohibiting that those working on behalf of the deposit insurer, other financial safety-net participants, and third party professional service providers providing resolution services, are not allowed to purchase assets from the liquidator.