



# **International Association of Deposit Insurers**

## **2018/2019 ANNUAL REPORT**

# IADI

International Association of Deposit Insurers

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## Vision

To share deposit insurance expertise with the world

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## Mission

To contribute to the enhancement of deposit insurance effectiveness  
by promoting guidance and international cooperation

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## Objectives

To contribute to the stability of financial systems by promoting international cooperation in the field of deposit insurance, providing guidance for establishing new and enhancing existing deposit insurance systems, and to encourage wide international contact among deposit insurers and other interested parties

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## International Association of Deposit Insurers

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# 2020 IADI Annual Conference & AGM

## Buenos Aires, Argentina

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# SAVE THE DATE

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26-30 OCTOBER 2020



**SEDESA**  
SEGURO DE DEPÓSITOS S.A.

The International Association of Deposit Insurers (IADI or Association) is the global standard-setting body for deposit insurance systems. It contributes to the stability of financial systems by enhancing the effectiveness of deposit insurance and promoting international cooperation on deposit insurance and bank resolution arrangements in active partnership with other international organisations. As of the end of March 2019, 111 organisations are affiliated with IADI, including 87 Members, 10 Associates (primarily central banks and bank supervisors) and 14 Partners (other interested domestic and international organisations). IADI draws upon its membership to provide guidance on the establishment or enhancement of effective deposit insurance systems as well as training, outreach, educational programmes and research. A full list of IADI participants is included in Annex I.

Founded in 2002, IADI is a non-profit organisation constituted under Swiss law and domiciled at the Bank for International Settlements (BIS) in Basel, Switzerland. Along with the other standard setters and committees hosted and supported by the BIS, IADI is part of the Basel Process,<sup>1</sup> sharing with its host and peers the common goal of global financial stability and ensuring that the jurisdictions' financial systems operate effectively, supporting economic growth, and interacting in a global environment increasingly characterised by cross-border interests. Being grouped with similar organisations enables IADI to engage in partnerships and collaborations to achieve its objectives and increase its value to its Members.

IADI's standards, outlined in its Core Principles for Effective Deposit Insurance Systems (Core Principles), are part of the Financial Stability Board's (FSB) Key Standards for Sound Financial Systems, and are used in the Financial Sector Assessment Program (FSAP) reviews conducted by the International Monetary Fund (IMF) and the World Bank. In addition, as a member of the FSB's Resolution Steering Group (ReSG), IADI contributes to the design of international standards and guidance for effective resolution regimes.

IADI is governed by the General Meeting (GM) of its Members, and its Executive Council (EXCO). The GM elects the officers of the Association, including the President and Treasurer. Katsunori Mikuniya, Governor of the Deposit Insurance Corporation of Japan, was elected as the IADI President and Chair of the Executive Council at the Association's 16th Annual General Meeting (AGM), in October 2017, for a three-year term. Roberto Tan, President and CEO of the Philippine Deposit Insurance Corporation, was elected Treasurer of the Association at the 17th

AGM, in October 2018, for a three-year term. Mr Tan took over from Nikolay Evstratenko (Deposit Insurance Agency, Russia) who held the position ad interim until the 2018 AGM, following the departure of Mr John Chikura, former CEO of the Deposit Protection Corporation, Zimbabwe, who had served as IADI Treasurer from 2014 to 2018. IADI's GM is also responsible for: approving the Association's annual budget and business plans, including the annual fees and initial fund contributions of participants; approving the IADI Annual Report and audited financial statements; appointing an independent external auditor; and approving the process for developing guidance to enhance the effectiveness of deposit insurance systems.

EXCO ensures the smooth functioning of the Association's affairs. It is structured as an inclusive body which involves the active participation of its membership. There are 25 EXCO members and they are elected at the AGM, typically to serve three-year terms. EXCO's composition reflects the regional diversity of the Association. It establishes committees to support IADI's objectives. As of 31 March 2019, there were eight Regional Committees and four Council Committees. The terms of reference for each committee, including their objectives and responsibilities, are approved by EXCO.

IADI is primarily funded by initial fund contributions and annual membership fees, which vary depending on the type of participant. IADI receives support from the BIS, as well as contributions from individual Members, for staffing through secondments, contributing subject-matter experts to address issues related to deposit insurance and financial stability, and advancing IADI's database capabilities and functionality. Members also provide support through sponsorship of meetings, hosting of seminars, and other assistance to support the Association's initiatives.

The permanent Secretariat, which is based in Basel, Switzerland, remains an operational arm of the Association. Composed of the Secretary General, Deputy Secretary General, Senior Policy and Research Advisor, Senior Research Analyst and Administrator, four Secondees and one part-time Administrative Assistant, the Secretariat manages the daily business and affairs of the Association. As of the end of March 2019, IADI was in process of filling two new staff positions – Financial Management and Administration Specialist, and Senior Training and Technical Assistance Advisor – both to start work in September 2019. The Secretariat also supports IADI's agenda and the implementation of its mission, goals and strategic priorities.

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<sup>1</sup> The Basel Process refers to the BIS's role in hosting and supporting the work of international groups – six committees and three associations – engaged in standard setting and the pursuit of financial stability, including: the Basel Committee on Banking Supervision (BCBS), the Committee on the Global Financial System (CGFS), the Committee on Payments and Market Infrastructures (CPMI), the Irving Fisher Committee on Central Bank Statistics (IFC), the Financial Stability Board (FSB), IADI, the International Association of Insurance Supervisors (IAIS), and the Financial Stability Institute (FSI). The Basel Process is based on three key features: synergies of co-location; flexibility and openness in the exchange of information; and support from the BIS's expertise in economics, banking and regulation.

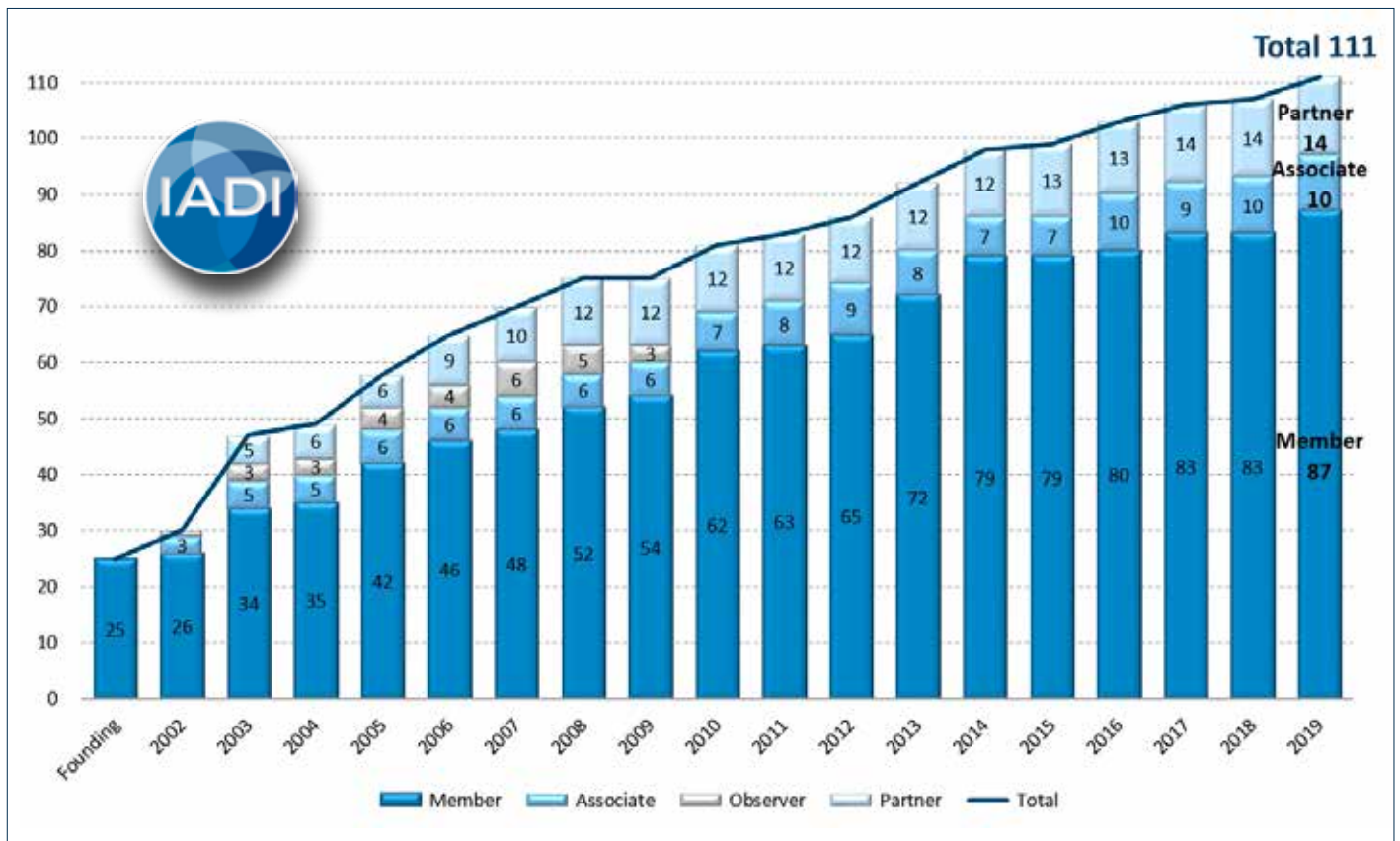


# IADI Membership



## ● IADI Members and Associates

IADI's Membership Growth





In the 17 years since its foundation, IADI has had a history of continued growth in terms of spreading its activities and expanding Members' participation. In FY 2018/2019, as IADI welcomed seven new Participants, the number of Members, Associates and Partners reached 111. To advance deposit insurance systems further and contribute to financial stability in a changing financial environment, IADI has made further progress on achieving its goals.

At the beginning of this century, in September 2001, the Financial Stability Forum (FSF; later relaunched as the Financial Stability Board, FSB) endorsed the report "Guidance for Developing Effective Deposit Insurance Systems", prepared by the Working Group on Deposit Insurance. The report stated: "A deposit insurance system can contribute effectively to the stability of a country's financial system if it is part of a well-designed safety net. To be credible, a deposit insurance system needs to be properly designed, well implemented and understood by the public. It also needs to be supported by strong prudential regulation and supervision, sound accounting and disclosure regimes, and the enforcement of effective laws."

Subsequently, IADI was founded in 2002 to "(1) contribute to the stability of financial system by (a) promoting international cooperation in the field of deposit insurance, and (b) providing guidance for establishing new, and enhancing existing, deposit insurance systems; and (2) encourage wide international contact among deposit insurers and other interested parties." (Statutes Article 3).

The global financial crisis that began in 2007 was one of the worst financial crises in modern history. It reshaped our views on the financial institutions' business models, the resilience of the global financial system and the appropriate framework for ensuring financial stability. The crisis brought us dramatic changes in the global financial situation as well as in our financial regulatory systems.

The FSB published the "Key Attributes of Effective Resolution Regimes for Financial Institutions" in 2011. In 2009, IADI and the Basel Committee on Banking Supervision (BCBS) published the "Core Principles for Effective Deposit Insurance Systems", which was incorporated into the global Compendium of Standards by the FSB in 2011. IADI revised the Core Principles in 2014, and published the Core Principles' Handbook for Assessors in 2016. The World Bank and IMF now apply the Core Principles in order to assess the financial stability frameworks of jurisdictions across the world.

Based on these achievements and successes, and in order to further strengthen its position as an authority on global deposit insurance systems, IADI examined its strategic priorities and identified the following three goals in the "IADI Strategic Goals: The Way Forward", issued in 2015:

- Promote deposit insurance system compliance with the Core Principles,
- Advance deposit insurance research and policy development,
- Provide Members with technical support to modernise and upgrade their systems.

It was intended that these goals would be achieved through a two-phase process. Phase I primarily focused on advancing IADI's deposit insurance research and policy development. IADI revised its governance structure and recruited a Senior Policy and Research Advisor (SPRA) and a Senior Research Analyst and Administrator (SRAA). Moreover, thanks to an additional contribution from the BIS, IADI was able to launch recruitment process for a Senior Training and Technical Assistance Advisor (STTAA) and a Financial Management and Administration Specialist (FMAS).

Phase II began with a stock-taking of the success of the initial activities to implement the strategic goals during Phase I, followed by a revision to activities as needed, an evaluation of further hiring needs and an examination of new funding options including the possibility of introducing a differential fee structure.

To progress with the work, EXCO set up a Working Group on New Funding Options (WGNFO) in January 2018. The WGNFO, balancing inclusiveness and efficiency, is composed of: the Chair and the Vice Chair of EXCO, the EXCO Ex-Chair's representative, the former fee structure WG Chairperson, four Council Committee Chairpersons, eight Regional Committee Chairpersons and the Secretary General. The WGNFO has split its work into four steps: Step A (Evaluation of Phase I); Step B (Evaluation of future resources and related expenditures); Step C (Study of future fee structure options), and; Step D (Decisions).

IADI's four Council Committees and the Secretariat in cooperation are contributing to the enhancement of IADI's activities. The Secretariat and its Research Unit (RU) worked on preparations for the IADI Fifth Biennial Research Conference, which focused on analysing the challenges in deposit insurance and bank resolution in building more resilient financial systems. They also accomplished the audit of the IADI Website Relocation and Enhancement Project in collaboration with the Audit and Risk Council Committee (ARCC), as well as important milestones such as the first phase of the project to develop the IADI Survey Data Management System (ISDMS).

Additionally, the RU collaborated with the Core Principles and Research Council Committee (CPRC) and completed the "Guidelines for the Development of IADI Research, Guidance and the Core Principles", which clarified the division of roles between the RU and the CPRC. This was one of the remarkable milestones achieved that would contribute to improving the research function at IADI. The CPRC and the RU continued working on several research and guidance papers covering a variety of topics, including the Guidance Paper on the "Deposit Insurers' Role in Contingency Planning and System-wide Crisis Preparedness and Management", which was published in May 2019, shortly following the end of the reporting period.

The eight Regional Committees cooperate closely with the Training and Technical Assistance Council Committee (TTAC) and the Secretariat, to contribute to the enhancement of the regional activities such as conducting Technical Assistance Workshops (TAWs) alongside regional meetings. As IADI's activities expand and as the number of Members and Associates increases, the importance of the role of Regional Committees will grow even further. In the ongoing work on communication priorities by the Member Relations Council Commit-

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## President's Message

tee (MRC), an enhanced role for Regional Chairpersons is one of the top priorities.

Failures of financial institutions impose a heavy burden not only on depositors but also on borrowers and other stakeholders, including impacts on daily and basic financial transactions. An effective deposit insurance system and resolution regime can prevent or mitigate such impacts and help in maintaining financial stability. Once a crisis occurs, economic policymakers need to act and reforms are introduced. In the case of failures of financial institutions, deposit insurance also plays an important role in supporting financial stability. It supports the smooth resolution of failed financial institutions, contributes to the continuity of financial functions and helps the robust recovery of the financial system and real economy. Nevertheless, such results cannot be achieved solely by regulatory systems. They need to be accompanied by solid management and operations. In order to strengthen the functioning of the financial safety-net, it is important for deposit insurers to plan and be prepared for the worst during normal times. IADI's strategic goals contribute to these efforts, and we need to continue to strengthen IADI's capacities and capabilities.

Deposit insurance systems are affected by many factors such as the economic situation, the legal and regulatory frameworks of other financial safety-net partners, and the DIS's positioning among safety-net players. Jurisdictions also need to weave international agreements into

their own system, especially after the latest global financial crisis. The IADI Statutes state that "IADI will develop principles, standards and guidance, taking into account different circumstances, settings and structures." In order to pursue our broad direction, IADI strives to be an inclusive association, attentive to the development of circumstances surrounding us. From my experience, actual crises emerge unexpectedly with unpredictable consequences. But irrespective of changing circumstances, our core mission and principles will never change. We should continue to learn from history and the experiences of others, strive to improve ourselves, cultivate our insights and share them with the next generation. I believe IADI will continue to contribute to these goals and the public policy objectives of related financial systems.

Last but not least, I would like to express my gratitude to all IADI Participants and the Secretariat for their remarkable contributions to IADI. To make further progress with our three strategic goals and contribute to global financial stability, IADI needs to further solidify its foundation with the widest possible consensus. I sincerely ask for Members' cooperation on this important work for the future.

**Katsunori Mikuniya**

*President and Chair of the Executive Council  
International Association of Deposit Insurers*





The past year has seen significant accomplishments for IADI. The Association has been successfully advancing its Strategic Goals through key initiatives such as improving the delivery of training, technical assistance and capacity building services to Members, advancing policy and research, and intensifying outreach efforts. The Association continues to build up its operational capacity to deliver more and better benefits to the Membership.

The IADI Training and Technical Assistance Council Committee (TTAC) conducted five Technical Assistance Workshops (TAWs) during the year. In addition, two Self-Assessment Technical Assistance Program (SATAP) Member reviews were initiated. The TTAC and Secretariat finalised a special training manual for TAWs and other training areas, and established a repository of IADI knowledge events (e.g. conferences, seminars and workshops). To date, materials from over 60 events have been made available on the IADI Members' Only website.

In the area of research, guidance and policy development, the Core Principles and Research Council Committee (CPRC) and the Secretariat's Research Unit (RU) headed by Senior Policy and Research Advisor Kumudini Hajra, worked intensively on the development and articulation of IADI-generated policy and research on deposit insurance. This included the development of research on asset recoveries, contingency planning and crisis management, public policy objectives, risk management and internal control systems, and differential premium systems. A revised set of Guidelines for the development of IADI research, guidance and the Core Principles was published.

IADI's research activities with partner organisations also expanded over the past year. The CPRC and the Secretariat worked closely with the Islamic Financial Services Board (IFSB) on developing joint IADI-IFSB Islamic Deposit Insurance Core Principles, and on recovery and resolution planning for institutions offering Islamic financial services. A joint research project with the Financial Stability Institute (FSI) was initiated on the use of deposit insurance funds in bank failure management. Meanwhile, IADI continued to work with the BIS in consolidating the work of standard-setting bodies (SSBs) on financial inclusion, and with the Financial Stability Board (FSB) on resolution-related issues. In addition, a new initiative between the RU and the Alliance for Financial Inclusion's (AFI) Global Standards Proportionality Working Group on e-money and deposit insurance is underway.

Preparations and planning for the IADI Fifth Biennial Research Conference were initiated over the past year and included a call for and selection of papers, finalisation of the agenda, selection of speakers and discussants, invitation to participants and other tasks associated with hosting the conference.

IADI database development accelerated in 2018/19, enabling the Association, and researchers around the world, to better analyse global deposit insurance trends, as well as provide insight for those seeking to enhance their domestic deposit insurance systems. This includes the 2018 IADI Annual Survey with 135 respondents, the largest number to date. Moreover, the enhancement of IADI's database through the development of the IADI Survey and Data Management System (ISDMS) – a new tool to enhance the collection, storage and management of information on deposit insurance systems from around the world – made significant progress during the year and will be utilised for the 2019 IADI Annual Survey.

Outreach activities by the Association's representatives helped promote more effective deposit insurance systems, resulting in IADI welcoming seven new Participants (five Members and two Associates) during the year. This brought the total number of Members, Associates and Partners to 111. The Member Relations Council Committee (MRC) and the Secretariat have been developing a more effective means of attracting new members and enhancing the understanding of the benefits provided to existing Members, Associates and Partners.

The support of the BIS has been integral to IADI's achievements. As well as hosting the Association and contributing to its operations, the BIS provides assistance with accounting, logistics, infrastructure, legal matters and human resources. The BIS enhanced its contributions to IADI further this year by providing additional funding to support IADI's training and technical assistance capacity and address our needs for additional administrative support. As a result, Mr Sangjun Lee, formerly from the Korea Deposit Insurance Corporation, joined the Secretariat as the Financial Management and Administration Specialist, and the recruitment process for a Senior Training and Technical Assistant Advisor is well advanced.

As part of the duties of the IADI Deputy Secretary General, Kim Peeters White and her team provided quarterly reports on the financial condition of the Association to the IADI Treasurer, the Audit and Risk Council Committee (ARCC) and the MRC. The Secretariat also provided key support to the Association by working with the BIS to develop a special provision to support the funding of the ISDMS project.

Reflecting our close working relationship with the BIS, the Secretariat partners with the Financial Stability Institute (FSI) to provide online tutorial subscriptions to FSI Connect for our Members and Associates, and jointly host conference and training events. The second FSI-IADI Policy Implementation Meeting was held in April 2019, and looked at cross-border issues in bank supervision, resolution and deposit insurance.

Looking to the future, the IADI Working Group on New Funding Options (WGNFO), established in January 2018 by EXCO, completed its evaluation on implementing the first phase of the "IADI Strategic Goals: the Way Forward" and is finalising its work on examining options for implementing the second phase of the Strategic Goals, including exploring various ways of introducing a differentiated fee system for IADI Members and Associates.

In the coming year, we look forward to continuing to support these initiatives and working closely with the deposit insurance community to promote more effective deposit insurance systems and play our part in contributing to global financial stability.

**David Walker**

*Secretary General*

*International Association of Deposit Insurers*

# Leadership

## President of the Association and Chair of the Executive Council

Katsunori Mikuniya, Governor of the Deposit Insurance Corporation of Japan (DICJ), was elected as IADI President and Chair of the Executive Council at the Association's 16th AGM in October 2017, for a three-year term. Governor Mikuniya has held the position of Governor of the DICJ since March 2015, prior to which he was a Professor at the Policy Alternatives Research Institute at the University of Tokyo, from April 2012 to February 2015, and served as the Commissioner of the Financial Service Agency (FSA), Japan, from July 2009 to August 2011. Governor Mikuniya started his career with the Japanese Ministry of Finance in 1974 and moved to the FSA at the time of its foundation in 2000.



three-year term (unless noted otherwise): Dean Cosman (Canada Deposit Insurance Corporation), Vincent Gros (Fonds de Garantie des Dépôts et de Résolution, France), Muhiddin Güral (Savings Deposit Insurance Fund, Turkey), Joon Ki Kim (Korea Deposit Insurance Corporation, for a one year term), and André Loes (Fundo Garantidor de Créditos, Brazil).

## Vice Chair of the Executive Council

Giuseppe Boccuzzi, General Director of the Interbank Deposit Protection Fund (Italy), was elected as Vice Chair of the Executive Council at the Association's 55th EXCO Meeting in May 2018, for a one-year term. Mr Boccuzzi had a long career at the Bank of Italy in roles within the banking and financial supervisory area, especially as the representative to the Basel Committee on Banking Supervision from 2006 to 2008. He also participated in the work of the European Commission for the preparation of the 94/19/EC Directive on Deposit Guarantee Schemes, and was appointed to the Financial Stability Forum's Task Force on Dealing with Weak Banks, in collaboration with the World Bank and the IMF. He also coordinated a working group for the implementation of Basel II in Italian legislation. He is a qualified Associate Professor in Law and Economics and lectures on banking and insolvency law.



The Vice Chair of EXCO acts for the Chair of EXCO in the event of his absence. When acting for the Chair, the Vice Chair is primarily responsible for the effective operation of EXCO, and for making presentations and representing the EXCO as appropriate. The Vice Chair assists the Chair in ensuring that the relationship between the Councilmembers and the Secretary General facilitates IADI fulfilling its mandate.

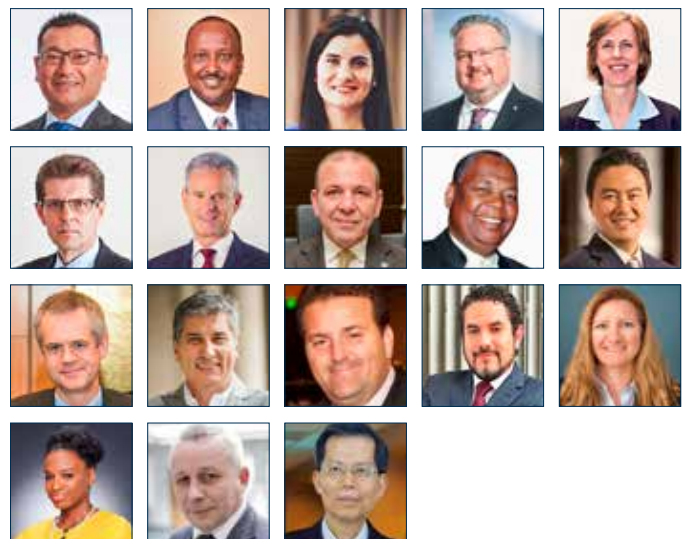


The remaining EXCO members following the 17th AGM were: Rafiz Azuan Abdullah (Malaysia Deposit Insurance Corporation), Mohamud Ahmed Mohamud (Kenya Deposit Insurance Corporation), Violeta Arifi-Krasniqi (Deposit Insurance Fund of Kosovo), Patrick Déry (Autorité des marchés financiers, Québec, Canada), Diane Ellis (Federal Deposit Insurance Corporation, United States), Nikolay Evstratenko (Deposit Insurance Agency, Russian Federation), Gregor Frey (essuisse, Switzerland), Zaher Hammouz (Palestine Deposit Insurance Corporation), Umaru Ibrahim (Nigeria Deposit Insurance Corporation), Fauzi Ichsan (Indonesia Deposit Insurance Corporation), Alex Kuczynski (Financial Services Compensation Scheme, United Kingdom), Hugo Libonatti (Corporación de Protección del Ahorro Bancario, Uruguay), Alejandro López (Seguro de Depósitos Sociedad Anónima, Argentina), Raúl Castro Montiel (Instituto para la Protección al Ahorro Bancario, Mexico), Sonja Lill Flø Myklebust (The Norwegian Banks'

## Treasurer of the Association

During the 17th AGM, IADI elected Mr Roberto Tan, President and CEO of the Philippine Deposit Insurance Corporation, as the Association's Treasurer, for a three-year term effective 18 October 2018. Mr Tan took over from Mr Nikolay Evstratenko (Deposit Insurance Agency, Russian Federation), who held the position ad interim until the 2018 AGM.

The Association expresses its gratitude to Mr John Chikura, former CEO of the Deposit Protection Corporation, Zimbabwe (DPC), for his longstanding efforts to advance the IADI's objectives. Since the DPC joined the Association in 2003, Mr Chikura had been IADI's longest serving EXCO member. In addition to representing the Africa Regional Committee as its Chairperson, Mr Chikura also chaired the first IADI Working Group on Funding Options and served two terms as the IADI Treasurer in 2014–2018. Mr Chikura retired from the DPC in July 2018. IADI Members wish him every success in his future endeavours.



## Composition of the Executive Council

There were several changes in the Executive Council membership that became effective at the 17th AGM. The IADI Members elected the following five Designated Representatives to represent EXCO, each for a

Guarantee Fund), Michelle Rolingson-Pierre (Deposit Insurance Corporation, Trinidad and Tobago), Zdzisław Sokal (Bank Guarantee Fund, Poland), and William Su (Central Deposit Insurance Corporation, Chinese Taipei).

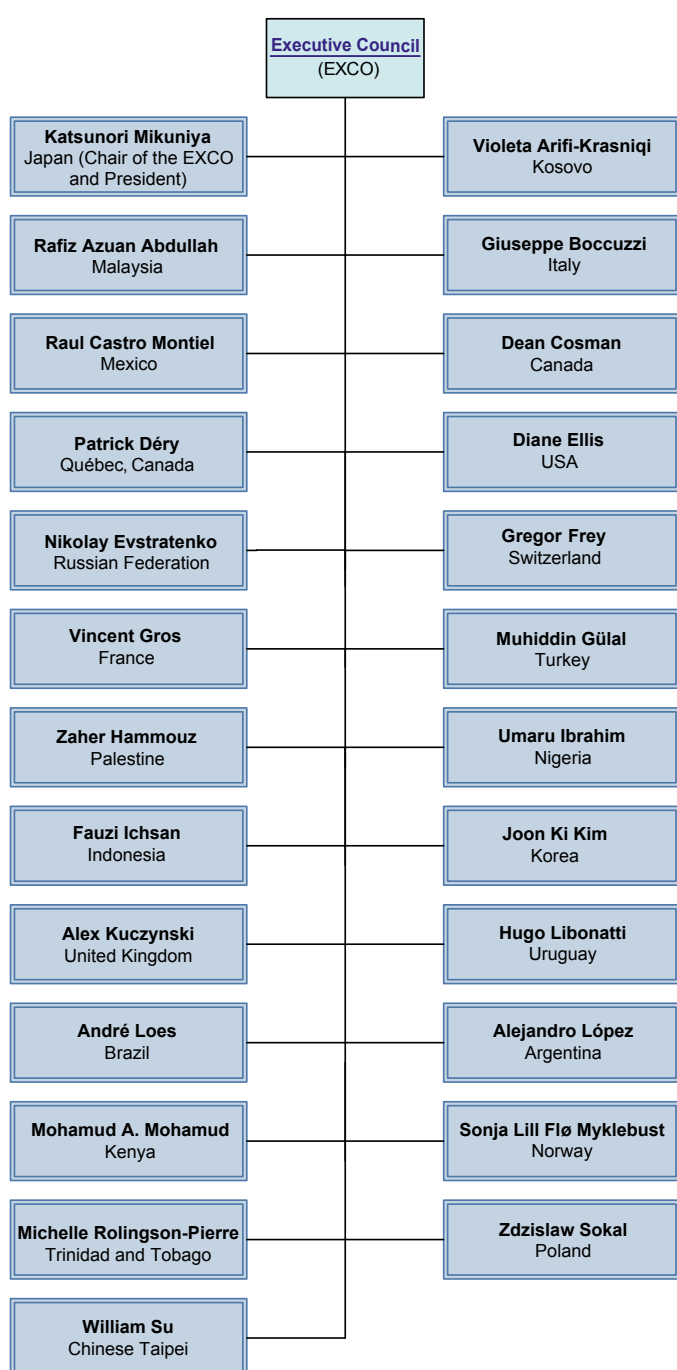
Note: between the EXCO elections at the 17th AGM and end-March 2019, the following Executive Council members departed from the Executive Council: Vincent Gros (Fonds de Garantie des Dépôts et de Résolution, France), Joon Ki Kim (Korea Deposit Insurance Corporation), and Raúl Castro Montiel (Instituto para la Protección al Ahorro Bancario, Mexico).

The Members also expressed their gratitude to the following EXCO members who concluded their service on the Executive Council during the past year: András Fekete-Győr (National Deposit Insurance Fund of Hungary), Bumgook Gwak (Korea Deposit Insurance Corporation), İlhami Öztürk (Savings Deposit Insurance Fund of Turkey), Kapal Kumar Vohra (Deposit Insurance and Credit Guarantee Corporation, India), Marija Hrebac (Croatian Agency for Deposit Insurance and Bank Resolution), and Malvika Sinha (Deposit Insurance and Credit Guarantee Corporation, India).

## Secretary General

The responsibilities of the Secretary General are set out in the IADI Statutes, and in further detail in the Secretary General's Accountability Profile, as determined by EXCO. Commencing 1 October 2016, David Walker was appointed as the Association's Secretary General for a four-year term.

The Secretary General is supported by the Deputy Secretary General, Kim Peeters White, who has been employed by IADI since 2002 and has served as IADI Deputy Secretary General since 2004, as well as the Senior Policy and Research Advisor, Kumudini Hajra, who joined the Secretariat in July 2016. In July 2018 Ryan Defina joined the Secretariat as Senior Research Analyst and Administrator. In addition, during the 2018/19 financial year, the Secretary General was also supported by the following secondees from their respective Member organisations: Sangjun Lee, Senior Policy Analyst, Korea Deposit Insurance Corporation (until 31 August 2018); Ramadhian Moetomo, Senior Research Analyst, Indonesia Deposit Insurance Corporation (from 14 May 2018); Nikolay Remchukov, Senior Research Associate, Deposit Insurance Agency, Russian Federation; Myeonghee Song, Senior Policy Analyst, Korea Deposit Insurance Corporation (from 16 April 2018); and Takayuki Suzuki, Senior Policy Analyst, Deposit Insurance Corporation of Japan. Sanjeeve Sharma, Senior Policy Analyst, formerly a secondee from the Financial Services Compensation Scheme, United Kingdom, concluded his term in the Secretariat at the end of August 2018. The Association wishes to express its sincere gratitude to these individuals, and their sponsoring organisations, for their efforts and commitment in helping the Association achieve its objectives.





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# Implementing IADI's Strategic Priorities

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## Background and "The Way Forward"

In recognition of the development of the Association since its inception (e.g. the growth in membership, having become an international standard setter and evaluator, assisting its Members and international partners to incorporate these standards into their current activities, and its work with international financial institutions), and the desire to advance IADI as the authoritative voice on deposit insurance, three Strategic Goals for the five-year period 2016–21 were approved in 2015 by EXCO and the AGM:

- promoting deposit insurance system compliance with the Core Principles for Effective Deposit Insurance Systems (Core Principles or CPs);
- advancing deposit insurance research and policy development; and
- providing Members with technical support to modernise and upgrade their systems.

The paper "IADI Strategic Goals: The Way Forward" was drafted and unanimously approved by EXCO, after outreach to the Members through the Regional Committees. The paper details the activities and proposed a strategy for achieving these goals, with implementation in two phases. Phase I was completed over the 2016–18 planning period, ending on 31 July 2018. Phase II commenced on 1 August 2018, and runs until 31 March 2021.

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## Phase I Activities

The first phase, completed over the 2016–18 planning period, involved promoting deposit insurance compliance with the Core Principles through initiatives such as: enhancing collaboration with international financial institutions including the BIS, the International Monetary Fund (IMF), the World Bank and the Financial Stability Board (FSB); encouraging Members to undertake self-assessments under the IADI Self-Assessment and Technical Assistance Program (SATAP); and introducing an expert training workshop on the Core Principles.

Another important development in Phase I involved IADI advancing its ongoing deposit insurance research and policy role by adding two experts to the Secretariat's staff – a Senior Policy and Research Advisor (SPRA) in July 2016, and a Senior Research Analyst and Administrator (SRAA) in July 2018. The Secretariat Research Unit was successful in taking over the work of the Data and Survey Technical Committee and provided support to the Core Principles and Research Council Committee in furthering IADI's research and policy goals. The IADI biennial research conference, planned and led by the Research Unit, provided visibility to IADI among academia and deposit insurance practitioners alike.

In addition, training and capacity building support was provided through a series of regional technical assistance workshops (TAWs); initiatives to better customise technical assistance programmes to meet Member needs; and by starting the development of a repository of deposit insurance materials to assist training and capacity building. A major accomplishment in Phase I was the agreement by the BIS to increase funding support for IADI to allow the Association to hire a

Financial Management and Administration Specialist (FMAS) and a Senior Training and Technical Assistance Advisor (STTAA), to further enhance the capacity of the Secretariat to deliver programmes to the Members.

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## Phase II Activities and the Working Group on New Funding Options

The second phase (Phase II) began with an analysis of the success of the initial activities during Phase I, and a process is now underway in which the need to revise IADI's activities to implement the Strategic Goals is being reviewed, further hiring needs are being evaluated, and new funding options are being examined, including the possibility of a differential fee structure. A Working Group of EXCO, the Working Group on New Funding Options (WGNFO), was established in January 2018, and is being led by the IADI President and Chair of EXCO.

In order to be inclusive and gather the largest amount of inputs, the WGNFO is composed of the following 16 members: (i) EXCO Chair; (ii) Vice-Chair; (iii) Four Council Committee Chairpersons; (iv) EXCO Ex-Chair's representative, former fee structure WG Chairperson (position currently vacant); (v) Eight Regional Committee Chairpersons (or Regional Delegates); and (vi) Secretary General.

The WGNFO completed its evaluation of Phase I in February 2019 and presented its report to EXCO. The Working Group has been working with EXCO on a proposed strategy for advancing training, technical assistance and research to meet the Phase II Strategic Goals. The evaluation of Phase I indicated that the majority of the activities included in the IADI Strategic Plan were accomplished due to the efforts of the Membership and the Secretariat. In addition, during Phase I, there was progress in a number of Phase II activities, particularly in the areas of training and technical assistance. The strengthening of the relationship between IADI and the BIS led to significant additional funding from the BIS. Nevertheless, some gaps were identified in achieving goals in research and policy paper development, due to resource constraints and the need for more clearly defined roles and responsibilities between the Secretariat and the membership.

Phase II is intended to strengthen these efforts and enhance the Secretariat, so that it can assume greater operational responsibilities for managing IADI. The general elements for Phase II outlined in the document "Strategic Goals: the Way Forward" are intended to build on Phase I achievements in research and training by developing areas such as: (1) a Core Principles compliance assessment programme to benchmark the progress of Members in meeting higher standards; (2) the identification and regular monitoring of "gaps" and the development of customised technical assistance programmes, including an expansion of SATAP and regional TAWs, to address them; (3) the creation of a core curriculum for deposit insurers; and (4) the conduct of "thematic reviews" to identify emerging trends, common weaknesses and prioritise the need for reforms.

## Secretariat Research Unit

Flowing from the agreed Strategic Goals of the Association, a primary aim of IADI as a standard setter is the continued dissemination of the Core Principles and support for Members in making improvements to their systems, in order to achieve full compliance with the Core Principles. Strengthening the Association's role in research and policy development is one key step towards meeting the Strategic Goals. The Secretariat Research Unit, led by the SPRA, is responsible for, among other things:

- (i) advancing the policy development and research efforts of the Association in international fora; this entails the drafting of research and policy papers on current and emerging topics, and guidance papers supporting the Core Principles;
- (ii) overseeing the enhancement of IADI's database to ensure quality control and efficiency in the collection, use and interpretation of IADI data collected primarily from its Members; and
- (iii) participating, on behalf of the Association, in meetings and research conferences related to deposit insurance and financial stability policy, in addition to representing IADI within the FSB groups.

The SPRA chaired the technical committee to prepare a guidance paper on Deposit Insurers' Role in Contingency Planning and System-wide Crisis Preparedness and Management, which was published on the IADI website in May 2019, shortly following the end of the reporting period, and was the only research paper launched and primarily completed in Phase I. The SPRA, in collaboration with the CPRC, prepared the annual research plan, provided quality control for the CPRC research and guidance papers, and made presentations to EXCO members on FSB matters and on specific topics of emerging relevance, such as resolution funding and least-cost analysis. Such policy briefs are guided by the research being done in the Secretariat and are further developed based on feedback received from IADI Members. These are in addition to "Emerging Issues" presentations made at the AGM and speaker support to technical assistance workshops and regional events. The SPRA also worked closely with the CPRC on preparing and finalising the "Guidelines for the Development of IADI Research, Guidance and the Core Principles", which were published on the IADI website in April 2019, shortly following the end of the reporting period.

The SPRA also represents the Association in meetings and activities of other standard-setting bodies and international financial institutions, especially the FSB's Resolution Steering Group (ReSG) and the Cross-Border Crisis Management Committee (CBCM), thereby ensuring that the views of the Association and the deposit insurance community continue to be represented. The SPRA also represents IADI as a team member of the FSB Peer Review of South Africa, the only G20 member without a deposit insurance system in place. In addition, the SPRA took initiatives to extend collaboration with other international bodies, including with the Financial Stability Institute of the BIS on a joint paper on the Role of Deposit Insurance Funds in Bank Insolvency and Resolution, and with the Alliance for Financial Inclusion on E-money and Deposit Insurance.

Work was completed in a number of different areas, such as the transition of functions from the Data and Survey Technical Committee to the Secretariat; preparations for the Fifth IADI Biennial Research Conference (which was held after the end of the reporting period, on 23–24 May 2019 in Basel, Switzerland); and EXCO approval of the IADI Survey Data Management System (ISDMS).

## IADI Survey Data Management System (ISDMS)

In efforts being led by the Secretariat Research Unit, IADI has procured a Survey Data Management System (ISDMS). The procurement process was carried out via the BIS, and under its rules and procedures, on behalf of IADI. ISDMS will enable IADI to automate a seamless end-to-end process for collecting, consolidating and managing information on deposit insurance systems worldwide. The system will also provide an online platform for analysis and reporting via static and ad hoc reports generated from a structured back-end IADI database.

The goals and objectives of this initiative are to:

- Simplify data collection, analysis and reporting processes through the use of an automated online information collection tool;
- Provide online access to multiple data requests, the ability to directly query the database for questions already asked in past requests and corresponding prescribed answers, and create ad hoc reports (based on user queries); and
- Implement an online end-to-end automated system for collecting, managing and reporting annual and ad hoc data requests.

The project was initiated during the first quarter of FY 2018/19. Contracting of the vendor (Sitrox) and its financing were approved by EXCO in February 2019. The project is divided into three phases, with target completion by the end of calendar year 2019.

The survey platform is to be developed in three stages. Each has a clear pre-defined scope and encompasses corresponding vendor development and business testing windows, along with formal sign-off and deployment milestones.

- Release A (Annual Survey) – Focus on functionality to facilitate the IADI Annual Survey for 2019, including profile creation; historical data pre-population; 'prefer not to answer' interactions; communication templates and workflows; currency integration; contact/help; and privacy disclaimers.
- Release B (Data validation) – Focus on enabling survey administrators to validate IADI Annual Survey data for 2019, including data validation tools; automation of currency calculations; data extraction and reporting features; and limited reporting options.
- Release C (All other features) – Focus on all remaining features as specified in business requirements, including survey approval workflow; interactive metadata; fully configured landing page for survey participants; migration of (selected) historical survey data; search function for questions; and full communication workflows.



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## Key IADI Membership Benefits

- IADI is an international standard-setting body, with our standards recognised and utilised around the world and by international organisations;
- Participate in developing IADI Core Principles, standards, guidance and assessment methodologies to enhance the effectiveness of deposit insurance systems;
- Share expertise and information on deposit insurance issues through training, development and educational programmes;
- Participate in capacity building, conferences, executive training and e-learning;
- Engage in Regional Technical Assistance Workshops, to address Member challenges, capacity building, and help in improving compliance with the IADI Core Principles for Effective Deposit Insurance Systems;
- Cooperate with other international organisations, particularly those involved in issues related to financial markets and the promotion of financial stability (Financial Stability Institute, IMF, World Bank, etc);
- Participation in joint IADI and Financial Stability Institute (FSI) conferences and the FSI-Connect e-learning tool;
- Access to IADI's Members-only website, including comprehensive data on deposit insurers from IADI Annual Surveys for benchmarking and other purposes;
- Access to IADI Members-only repository of knowledge materials from each IADI conference, workshop or seminar from 2013 onwards, with materials from over 60 events already posted;
- Create awareness for, and highlight the importance of, deposit insurance in maintaining financial stability among safety-net partners and deposit-taking institutions within a Member's jurisdiction;
- Access to ongoing, timely IADI research on emerging trends in deposit insurance and resolution of deposit-taking institutions;
- Receive of IADI guidance on assessing compliance with the Core Principles and unique Members-only access to the Self-Assessment Technical Assistance Program (SATAP), which is important in preparing for IMF/World Bank FSAPs, technical assistance and FSB Peer Reviews.

IADI successfully hosted its fifth Biennial Research Conference at the BIS in Basel, Switzerland on 23 and 24 May 2019. The conference was titled “Towards Building a More Resilient Financial System – Challenges in Deposit Insurance and Bank Resolution” and was attended by over 200 participants from 75 jurisdictions.

The BIS Deputy General Manager, Luiz Awazu Pereira da Silva, welcomed the participants to the Bank and highlighted the so-called “Basel Process”, which refers to the BIS’s role in hosting and supporting the work of international groups – six committees and three associations, including IADI – engaged in standard setting and the pursuit of financial stability. The Basel Process is based on three key features: synergies of co-location; flexibility and openness in the exchange of information; and support from the BIS’s expertise in economics, banking and regulation.

In his remarks, IADI Secretary General David Walker stressed that 63 research papers were received for the conference and from these the eight most relevant papers for the conference were selected. The research offered a diverse range of perspectives on issues of critical importance to deposit insurers and resolution authorities, including the impact of financial crisis on credibility and confidence in deposit insurance systems (DISs); bank re-capitalisation and risk-shifting in a crisis environment; deposit insurance pricing and its impact on interbank lending behaviour; as well as research into shadow banking, private deposit insurance, the European Deposit Insurance Scheme and bank insolvency regimes.

Katsunori Mikuniya, IADI President and Governor of the Deposit Insurance Corporation of Japan, delivered the opening remarks, stating that each jurisdiction’s mechanism for responding to financial crises had been established through an actual need to deal with real financial difficulties. The more financial transactions are developed, complicated and globalised, the more new challenges are faced. A crisis sometimes emerges unexpectedly and in a new manner. President Mikuniya emphasised that good supervision and effective resolution and DIS regimes could prevent and mitigate such impacts and play an important role in keeping the economy resilient.

In his keynote address, Stijn Claessens, Head of Financial Stability Policy and Deputy Head of the Monetary and Economic Department, BIS, reviewed lessons on crisis management from earlier crisis epi-

sodes. While vulnerabilities can be reduced, crises are likely to recur. He highlighted the need to plan ahead for such cases, including in terms of resolution, not only in regards individual banks but also the banking system as a whole.

Distinguished Guest Speaker, Mr Thomas M. Hoenig, former President and Chair of the Executive Council, IADI, and former Vice Chairman, Federal Deposit Insurance Corporation (FDIC, United States), shared his views on the future of banking. He made four main points. First, despite the global economy’s many challenges, it is recovering from the economic shocks of a decade ago. Financial institutions are better capitalised and those best capitalised have seen the most success. Second, memories are short and the industry and some regulatory authorities are unwisely seeking elimination of useful prudential standards. Third, regulations that create endless processes and establish ever more difficult barriers to entry, encouraging further consolidation, concentration and less choice, should be repealed or amended. Finally, the public is best served by simple, clear rules relying on strong accountable levels of capital, so that systemic crises and bailouts are less likely to occur in the first place.

Conference attendees listened to presentations by paper authors and discussants from Brazil, Canada, Germany, Indonesia, Italy, Japan, Nigeria, Portugal, Switzerland, the United Kingdom and the United States. The European Central Bank, the Financial Stability Board, the Financial Stability Institute and the International Monetary Fund also contributed speakers and discussants to the conference. A panel discussion on “Deposit Insurance Fund – Uses and Safeguards” and a regulators’ roundtable on “Perspectives on the Global Financial Safety-Net” were conducted as well.

IADI is grateful to the BIS for its support of the conference, and to the IADI Secretariat Research Unit headed by Kumudini Hajra for organising the conference.

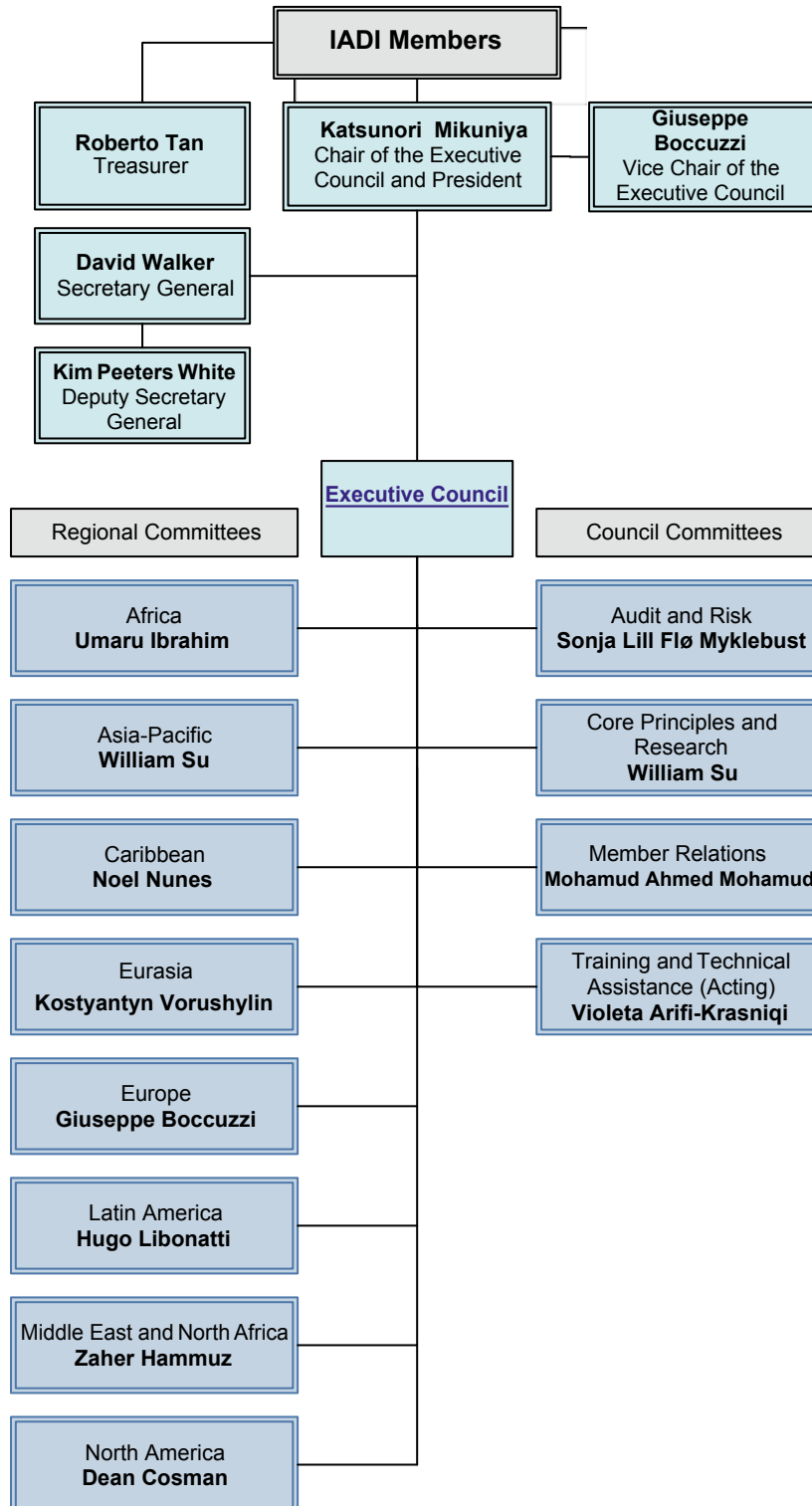
The next IADI Biennial Research Conference is scheduled to be held in May 2021. Further details of the event, including a ‘Save the Date’, will be distributed closer to the time of the Conference.

**For the Proceedings from the 2019 IADI Biennial Research Conference, please refer to Annex III of this Annual Report, or visit [www.iadi.org](http://www.iadi.org).**



# Council, Technical and Regional Committee Reports

The work of the Association is led by EXCO and its Council, Technical and Regional Committees. The activities of these Committees are described in the following two sections.





### Report of the Chairperson

**Sonja Lill Flø Myklebust** – The Norwegian Banks' Guarantee Fund

The main objective of the Audit and Risk Council Committee (ARCC) is to monitor the financial reporting process and internal controls, including the risk management systems, in furtherance of the Association's objectives and financial operations. The Committee also supports the Association in ensuring that its financial resources are used exclusively for pursuing the objectives of the Association, and shall solely be applied to the operating cost of the Association, in addition to the constitution of adequate reserves.

#### Financial reporting

During the past year, the ARCC held several meetings and performed its tasks according to its mandate, reviewing the quarterly reports and comparing the results against the budgets. The Committee reviewed the financial reporting process, including the internal controls ensuring the integrity of the Association's financial reports. The Council Committee reviewed the Association's performance and Annual Report against the budget and the Business Plan, including the endorsement for the approval of the IADI Financial Statements for FY 2018/19. Further to the conclusion of the financial year, the Committee reviewed the Secretariat's Report on Statement of Activities and Financial Position, including the BIS Compliance and Risk Unit's statement of non-compliance or operational risk incidents related to the Association's Secretariat during the year.

#### Other activities

During FY 2018/19, the ARCC reviewed the results from the audit of the IADI Website Relocation and Enhancement Project (Phase II) performed by Deloitte, reviewed the IADI Secretariat Evaluation Report on the website audit, and advised upon a suitable solution for the IADI accounts and reserve target. The committee also assumed a role as Project Auditor of the IADI Survey Data Management System, and reviewed the funding and budget implications and the accounting treatment of the project.

During the year, the ARCC and its Chairperson contributed to the Working Group on New Funding Options, by evaluating the progress in implementing the first phase of the "IADI Strategic Goals: the Way Forward".

In undertaking its activities, the Council Committee was assisted by the Secretariat team and the BIS Finance Department.

#### Chairperson

Sonja Lill Flø Myklebust (The Norwegian Banks' Guarantee Fund)

#### Vice Chairperson

Dean Cosman (Canada Deposit Insurance Corporation)

#### Members

Gregor Frey (esisuisse, Switzerland), Michelle Rolingson-Pierre (Deposit Insurance Corporation, Trinidad and Tobago), Umaru Ibrahim (Nigeria Deposit Insurance Corporation), Zaher Hammouz (Palestine Deposit Insurance Corporation)

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# Council Committee Reports

## Core Principles and Research Council Committee

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### Report of the Chairperson

**William Su** – Central Deposit Insurance Corporation, Chinese Taipei

As the centrepiece of IADI's research and database framework, the Core Principles and Research Council Committee (CPRC) promotes IADI's objectives by providing strategic direction for IADI research and guidance, and supporting the implementation of the Core Principles. In order to enhance IADI's ability to identify emerging issues in deposit insurance and financial stability and play a more prominent role in policy and research in these areas, the CPRC, with the support of its Technical Committees, has been pursuing its objectives and IADI's Strategic Priorities.

During the reporting year, the *Guidelines for the Development of IADI Research, Guidance and the Core Principles* were updated by the CPRC and RU to reflect the governance reform of IADI in 2016/2017. They serve as the basis for the development of IADI research, guidance and the Core Principles to meet the IADI strategic goals, and to strengthen the effectiveness and efficiency of IADI research development. The *Guidelines* were approved by EXCO in February 2019.

Under the auspices of the CPRC, the Research Paper *Deposit Insurance Fund Target Ratio* was published on the IADI Website. This paper examines the current approaches and practices of deposit insurance agencies (DIAs) with ex ante funding in determining the optimal size of the deposit insurance fund through the setting of fund targets. On the basis of a survey and case study analyses, the paper provides a summary of these approaches and practices, which DIAs could use as guidance when adopting a fund target or enhancing existing approaches and practices. For more details, see the relevant section below.

Additionally, the Guidance Paper on *Deposit Insurers' Role in Contingency Planning and System-wide Crisis Preparedness and Management* was finalised during the reporting period, and subsequently approved by EXCO and published on the IADI website in May 2019. This paper provides supplementary guidance to the IADI Core Principles for Effective Deposit Insurance Systems (Core Principle 6) and a direction for the implementation and strengthening of deposit insurers' contingency planning, and crisis preparedness and management frameworks (for more details, see the relevant section below). Another seven papers are underway. Meanwhile, a new research project on *Deposit Insurance Coverage Level and Scope* was approved in February 2019.

In order to promote knowledge on Islamic deposit insurance and the resolution of Islamic banks, with the aim of developing standards on Islamic deposit insurance, the CPRC's Islamic Deposit Insurance Technical Committee (IDITC) facilitated the signing of a Memorandum of Understanding between IADI and the Islamic Financial Services Board

(IFSB) in August 2018 with a focus on jointly developing the Core Principles for Effective Islamic Deposit Insurance Systems, which are scheduled to be issued at the end of 2019.

### Chairperson

William Su (Central Deposit Insurance Corporation, Chinese Taipei)

### Vice Chairperson

Nikolay Evstratenko (Deposit Insurance Agency, Russian Federation)

### Members

Rafiz Azuan Abdullah (Malaysia Deposit Insurance Corporation), Giuseppe Boccuzzi (Interbank Deposit Protection Fund, Italy), Patrick Déry (Autorité des marchés financiers, Québec, Canada), Thierry Disaux (Fonds de Garantie des Dépôts et de Résolution, France), Diane Ellis (Federal Deposit Insurance Corporation, United States), Fauzi Ichsan (Indonesia Deposit Insurance Corporation), Hugo Libonatti (Corporación de Protección del Ahorro Bancario, Uruguay), Andre Loes (Fundo Garantidor de Créditos, Brazil), Katsunori Mikuniya (Deposit Insurance Corporation of Japan), Mohamud A. Mohamud (Kenya Deposit Insurance Corporation), Iliana Salazar Escobar (Instituto para la Protección al Ahorro Bancario, Mexico), Sven Stevenson (De Nederlandsche Bank, the Netherlands) and Zdzisław Sokal (Bank Guarantee Fund, Poland)



# Council Committee Reports

## Core Principles and Research Council Committee

### CPRC's Technical Committees

- Islamic Deposit Insurance  
Chairperson: Ronald Rulindo, Indonesia Deposit Insurance Corporation
- Purchase and Assumption  
Chairperson: Yanggi Cho, Korea Deposit Insurance Corporation
- Financial Inclusion and Innovation  
Chairperson: Juan Carlos López, Fondo de Garantías de Instituciones Financieras, Colombia
- Public Policy Objectives  
Chairperson: Yvonne Fan, Central Deposit Insurance Corporation, Chinese Taipei
- Deposit Insurers' Role in Contingency Planning and System-wide Crisis Preparedness and Management  
Chairperson: Kumudini Hajra, IADI Secretariat
- Resolution Issues for Financial Cooperatives  
Chairperson: Julien Reid, Autorité des marchés financiers, Québec, Canada
- Risk Management and Internal Control Systems of Deposit Insurance Systems  
Chairperson: Giuseppe Boccuzzi, Interbank Deposit Protection Fund, Italy
- Differential Premium Systems  
Chairperson: Tony Sinopole, Federal Deposit Insurance Corporation, United States
- Deposit Insurance Coverage Level and Scope  
Chairperson: Juan Carlos Quintero, Fondo de Garantías de Instituciones Financieras, Colombia

### IADI Research Paper – Deposit Insurance Fund Target Ratio

A research paper titled “Deposit Insurance Fund Target Ratio” was published on the IADI website in July 2018. The paper was developed by a technical committee under the CPRC, chaired by Ma. Ana Carmela L. Villegas, Executive Vice-President of the Philippine Deposit Insurance Corporation.

The paper examines the current approaches and practices of DIAs with ex ante funding in determining the optimal size of the deposit insurance fund (DIF) through the setting of fund targets. On the basis of a survey and case study analysis, the paper provides a summary of these approaches and practices, which DIAs could use as guidance when adopting a fund target or enhancing existing approaches and practices.

The setting of the fund target for DIAs with an ex ante funding system is important in ensuring the adequacy of their DIF. This can be gleaned from the results of the 2015 DIF Target Ratio Survey, which showed that 69% of total respondents with an ex ante funding system have a fund target.

The IADI Core Principles specifically state (Core Principle 9) that “funding for the deposit insurance system is provided on an ex ante basis.” The IADI Guidance Paper “Funding of Deposit Insurance Systems” (2009), on the other hand, states that an appropriate fund target

size should be adequate to at least cover the potential losses of the deposit insurer under normal conditions. The fund target is affected by a number of factors, which could vary across jurisdictions. Thus, every jurisdiction may have a different method for setting its fund target.

To ensure that the target remains current and relevant, the majority of DIAs conduct periodic reviews, in most cases at least once a year, to validate the approach, methodology and models used to determine the adequacy of the target.

Most DIAs with a fund target have their emergency funding set out in law, but the majority have no implementation arrangements. DIAs should consider setting up such arrangements to ensure effective and timely access to emergency funds in support of prompt reimbursement of depositors' claims.

Members of the Technical Committee:

Ma. Ana Carmela L. Villegas – Chairperson (Philippine Deposit Insurance Corporation), Alessio Veccia (Interbank Deposit Protection Fund, Italy), Andrey Pekhterev (Deposit Insurance Agency, Russian Federation), Arturo Rodríguez Salazar (Instituto para la Protección al Ahorro Bancario, Mexico), Camilo Hernandez (Fondo de Garantías de Instituciones Financieras, Colombia), Carlos Alfredo de Villemor Vianna (Fundo Garantidor de Créditos, Brazil), Dawn Marie Brown (Jamaica Deposit Insurance Corporation), Eloise Williams Dunkley (Jamaica Deposit Insurance Corporation), Eugenia Kuri Alamillo (Instituto para la Protección al Ahorro Bancario, Mexico), Eun Ik Jang (Korea Deposit Insurance Corporation), Fiona Yeh (Central Deposit Insurance Corporation, Chinese Taipei), Hugo Libonatti (Corporación de Protección del Ahorro Bancario, Uruguay), Jose G. Villaret, Jr. (Philippine Deposit Insurance Corporation), Juan Carlos Quintero (Fondo de Garantías de Instituciones Financieras, Colombia), Kuanyshbek Abzhanov (Kazakhstan Deposit Insurance Fund), Masami Yasuda (Deposit Insurance Corporation of Japan), Michelle Juyong Shin (Korea Deposit Insurance Corporation), Mu'taz Barbour (Jordan Deposit Insurance Corporation), Nargiz Aliyeva (Azerbaijan Deposit Insurance Fund), Noel Nunes (Deposit Insurance Corporation, Trinidad and Tobago), Phan Thi Thanh Binh (Deposit Insurance of Vietnam), Ramil Tahirov (Azerbaijan Deposit Insurance Fund), Riccardo De Lisa (Interbank Deposit Protection Fund, Italy), Sandra A. Diaz (Philippine Deposit Insurance Corporation), Thierry Dissaux (Fonds de Garantie des Dépôts et de Résolution, France), Violeta Arifi-Krasniqi (Deposit Insurance Fund of Kosovo), Justice W. LeRoy Inniss (Barbados Deposit insurance Corporation)

### IADI Guidance Paper – Deposit Insurers' Role in Contingency Planning and System-wide Crisis Preparedness and Management

A guidance paper titled “*Deposit Insurers' Role in Contingency Planning and System-wide Crisis Preparedness and Management*” was finalised during the reporting period; it was subsequently approved by EXCO and published on the IADI website in May 2019, shortly following the end of the reporting period. The guidance paper was developed by a Technical Committee under the CPRC, chaired by Kumudini Hajra, IADI Senior Policy and Research Advisor.

This paper provides supplementary guidance to the IADI Core Principles for Effective Deposit Insurance Systems (Core Principle 6) aimed

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## Council Committee Reports

### Core Principles and Research Council Committee

at providing a direction for the implementation and strengthening of deposit insurers' contingency planning and crisis preparedness and management frameworks. The key points emerging from the guidance paper are summarised below.

Depending on the design of the institutional and regulatory framework in a jurisdiction, the mandates of deposit insurers may differ. Irrespective of the mandate, however, there are elements of contingency planning and crisis preparedness and management that are applicable to all deposit insurers. Financial safety-net structures also differ among IADI Members. This imposes varied requirements for coordination and information sharing, and has implications for the scope of contingency planning exercises conducted by the deposit insurer, as well as the deposit insurer's role in contingency planning and crisis management.

Contingency planning is a process through which an institution outlines policies, procedures and actions that it might follow in the event of unexpected developments and significant shocks. The testing of a contingency plan helps to identify weaknesses in the plan and improve it by addressing the weaknesses observed in the testing phase. A prerequisite for a contingency planning framework is that the deposit insurer has in place the necessary tools and procedures (operational capabilities) to perform normal operations in accordance with its mandate. The scope of plans and testing will differ among deposit insurers, reflecting their different mandates. Contingency planning practices of deposit insurers vary a great deal and such frameworks are still evolving.

Preparations for a system-wide crisis require that financial safety-net participants work closely and in a coordinated manner. Crisis management planning requires clarity about the role of each participant in a crisis, the decision-making process, the process for implementing actions in a coordinated manner, and the communication strategy. This coordination is typically conducted by an inter-agency coordination committee. Deposit insurers play a key role in minimising the risk of runs and contributing to financial stability during a crisis, by participating in the system-wide entity or group responsible for crisis management.

The role of communication is especially important in a crisis. As the crisis unfolds, depositors need more information about the safety of their deposits, the cause/s of the crisis and the policies being implemented to contain the crisis. Communication protocols, typically established in stable times, are an important part of contingency planning for a systemic crisis. Safety-net agencies need to be able to help prepare mechanisms to develop a common public communication approach.

Members of the Technical Committee:

Kumudini Hajra – Chairperson (IADI Senior Policy and Research Advisor), Rafiz Azuan Abdullah (Malaysia Deposit Insurance Corporation), Giuseppe Boccuzzi (Interbank Deposit Protection Fund, Italy), John Mafungei Chikura (Deposit Protection Corporation, Zimbabwe – till July 2018), Patrick Déry (Autorité des marchés financiers, Québec, Canada), Nikolay Evstratenko (Deposit Insurance Agency, Russian Federation), Yvonne Fan (Central Deposit Insurance Corporation, Chinese Taipei), David Hoelscher (independent financial sector consultant, United States), Sung Wook Youn / Taewook Chang (Korea Deposit Insurance Corporation), Alex Kuczynski (Financial Services Compensation Scheme, United Kingdom), Oana Maria Nedelescu/Jan Philipp Nolte (International Monetary Fund), Jan Philipp Nolte (World Bank – till February 2018), Hiroyuki Obata/Takamasa Hisada (Deposit Insurance Corporation of Japan), Nancy L. Sevilla-Samson (Philippine Deposit Insurance Corporation), Dalvinder Singh (Professor, University of Warwick, United Kingdom), Zdzisław Sokal/Mirosław Panek (Bank Guarantee Fund, Poland), Sven Stevenson (De Nederlandsche Bank, the Netherlands)



### Report of the Chairperson

**Mohamud A. Mohamud** – Kenya Deposit Insurance Corporation

The mandate of the Member Relations Council Committee (MRC) is to support efforts to expand and maintain the Membership of the Association, review budgets and business plans, act in the best interests of the Association, and operate in an open and transparent manner.

#### Outreach

During the reporting period, as a result of the concerted efforts of the Regional Committees and IADI Secretariat, membership increased in the regions of Africa, Asia-Pacific, Europe and the Middle East and North Africa. The number of IADI Participants increased by seven (five Members and two Associates). The new Members are the Deposit Protection Fund of Uganda (transition of membership from the Bank of Uganda, which continued as an Associate), the Deposit Guarantee Fund of Rwanda, the Deposit Protection Corporation of Pakistan, the Ghana Deposit Protection Corporation, Einlagensicherung Austria (ESA)/DGS Austria, and the Saudi Arabian Monetary Authority – Depositors Protection Fund. The Association also welcomed two new Associates, namely the Bank of Uganda (transition from Member status) and the National Bank of Cambodia. Moreover, information from some Regional Committees suggests that new membership applications will be submitted early in the new financial year.

Close and proactive contact has been maintained with a number of potential Members and Associates across all the regions. As part of the outreach strategy, opportunities continued to be taken by the Secretary General, IADI event hosts and the Regional Committee Chairpersons to hold specially convened meetings with potential new Members and Associates during the Regional Technical Assistance Workshops. These meetings have provided an open platform for membership queries to be raised directly with representatives of the Association, and the benefits of IADI membership to be articulated to those present.

#### Follow-up on Membership Benefits and Communication Initiatives

Based on the result of prioritising the Membership Benefits and Communication Initiatives (efforts formerly led by the Canada Deposit Insurance Corporation (CDIC)), the top three priorities based on the responses received were:

- Review of the membership fee structure – MRC members are currently taking an active part in the Working Group on New Funding Options (WGNFO) in this regard;
- Greater use of Regional Chairpersons – the MRC is closely interacting with both Regional Chairpersons and the IADI

Secretariat to ensure that it receives the most up-to-date information (especially on outreach opportunities and inputs from smaller deposit insurers); and

- Surveying the specific needs of IADI Members.

#### Survey on Members' Level of Satisfaction towards the Association

Due to the necessity of keeping updated on the needs and requirements of both new and longstanding Members with various mandates and powers, the MRC has set up a task force to conduct a satisfaction survey among the Association's Members. The purpose of the survey is to obtain feedback from existing Members on their satisfaction with, and expectations of, the Association.

#### Chairperson

Mohamud A. Mohamud (Kenya Deposit Insurance Corporation)

#### Vice Chairperson

Muhiddin Güllal (Savings Deposit Insurance Fund, Turkey)

#### Members

Mu'taz Barbour (Jordan Deposit Insurance Corporation), Giuseppe Boccuzzi (Interbank Deposit Protection Fund, Italy), Thierry Dissaux (Fonds de Garantie des Dépôts et de Résolution, France), Alejandro López (Seguro de Depósitos Sociedad Anónima, Argentina), Antoinette McKain (Jamaica Deposit Insurance Corporation), Malvika Sinha (Deposit Insurance and Credit Guarantee Corporation, India), William Su (Central Deposit Insurance Corporation, Chinese Taipei), Roberto Tan (Philippines Deposit Insurance Corporation)

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# Council Committee Reports

## Training and Technical Assistance Council Committee

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### Report of the Acting Chairperson

Violeta Arifi-Krasniqi – Deposit Insurance Fund of Kosovo

The mandate of the Training and Technical Assistance Council Committee (TTAC) includes (i) overseeing the development of high-quality training and conference programmes on effective deposit insurance systems and other issues relating to global financial stability; (ii) promoting and facilitating the sharing and exchange of expertise among Members, Associates and Partners and the dissemination of information through training, development and educational programmes; and (iii) promoting the Association's recognition worldwide as an international standard setter on deposit insurance issues.

To accomplish these objectives, two Technical Committees support the TTAC's work: the Training and Conference Technical Committee (TCTC) and the Technical Assistance Technical Committee (TATC).

#### Establishing Guidelines to develop IADI Workshops and Knowledge Events

During the last year, the TTAC has worked on developing general guidelines and technological tools for the preparation, development and follow-up of knowledge events and workshops. In particular, the Committee developed the following: the *Manual for Planning and Conducting Training and Technical Assistance Workshops* (TAW Manual), which is an essential guide and reference for those planning and hosting workshops; the IADI Members-only Repository, which houses event materials from IADI's "knowledge events"; an updated version of the FSI-Connect tutorial on self-assessment, using the revised Core Principles; and a speakers database readily available for the planning of conferences and workshops.

#### Strengthening the IADI Technical Assistance Programme

As of 1 April 2018, the TTAC – together with the IADI Secretariat, Regional Committees and the TC Chairpersons – has assisted in conducting four Regional Technical Assistance Workshops (TAW), one regional conference, and the offsite preparations for two SATAPs.

- The following regional workshops and conferences took place: Caribbean, Latin and North America (Mexico City, Mexico, 23–26 April 2018); Asia-Pacific (Hanoi, Vietnam, 16–18 April 2018); Eurasia (Istanbul, Turkey, 7–9 May 2018), Africa (Lagos, Nigeria, 25–28 September 2018); and Asia-Pacific (Taipei City, Chinese Taipei, 27–29 November 2018).
- Two SATAP requests were received: Corporación del Seguro de Depósitos, Fondo de Liquidez y Fondo de Seguros Privados

(Ecuador), and the Deposit Insurance Corporation (Trinidad and Tobago). During the reporting period, offsite preparations began. The onsite reviews for both SATAPs are anticipated in August 2019.

#### Increasing knowledge and compliance with the Core Principles

The TTAC, jointly with the TCTC and the IADI Secretariat, approved a Core Curriculum Proposal to develop four different types of Core Principles Workshops: High Level, Practitioner, Regional, and Expert Training. These training programmes will be tailored to target audiences interested in different levels of engagement that contribute to enhancing the effectiveness of DISs.

- The high level workshop took place in Basel, Switzerland in October 2018, following the 17th AGM. The objective of this event was to provide an overview of the Core Principles to a mixed audience of staff and decision-makers and management. The workshop was attended by over 200 participants and focused on operational, technical and policy issues.

#### Building a peer assistance framework

The TTAC, with the support of its two TCs, has developed different initiatives to identify specific needs for training and technical assistance, as well as Members' areas of expertise that will be available to the rest of the IADI Membership. The initiatives developed so far are the following:

- Expert Training Strategy: developed by the TCTC and approved by the TTAC, this proposal defines a structured four-stage training programme for Members interested in developing an in-depth knowledge of the Core Principles. Members who complete the programme will be able to support TAWs, provide bilateral assistance, and support FSAPs and SATAPs.
- Request Form for Organisations Seeking Capacity Building Assistance in Specific Topic Areas: the TATC has collected requests from 16 Members for technical assistance on certain areas covered by the Core Principles. Working with the Secretariat, and the Regional Committees, a methodology is being put in place to validate the requests and determine the best way of providing the assistance. In some cases that might be bilateral engagement with another Member, in others it might be through regional workshops, or even materials and lessons learned from past events.

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# Council Committee Reports

## Training and Technical Assistance Council Committee

- The Expert Registry: After initial activity to build a database of experts and collect Members' requests for technical assistance, the IADI Annual Survey has been expanded to keep the database up to date, and to capture ongoing needs for technical assistance. Terms of reference have been agreed for the Expert Consultancy Assignments under the Technical Assistance Program.

### **Acting Chairperson**

Violeta Arifi-Krasniqi (Deposit Insurance Fund of Kosovo)

- Training and Conference Technical Committee (TCTC) Chair:  
Tony Sinopole (Federal Deposit Insurance Corporation, United States)
- Technical Assistance Technical Committee (TATC) Chair:  
Karen Gibbons (Financial Services Compensation Scheme, United Kingdom)

### **Members**

Alejandro Lopez (Seguro de Depósitos Sociedad Anónima, Argentina), Seongbak Wi (Korea Deposit Insurance Corporation), Kuanyshbek Abzhanov (Kazakhstan Deposit Insurance Fund), Julia Oyet (Deposit Protection Fund of Uganda), Iliana Salazar Escobar (Instituto para la Protección al Ahorro Bancario, Mexico), Michelle Rolingson-Pierre (Deposit Insurance Corporation, Trinidad and Tobago), Nikolay Evstratenko (Deposit Insurance Agency, Russian Federation), Roberto Tan (Philippine Deposit Insurance Corporation), Alex Kuczynski (Financial Services Compensation Scheme, United Kingdom)



# Training and Conference Technical Committee



## Report of the Chairperson

**Tony Sinopole** – Federal Deposit Insurance Corporation, USA

The Training and Conference Technical Committee (TCTC) is charged with supporting IADI Members and the Secretariat in the organisation and planning of the IADI Annual Conference, Biennial Research Conference, and other training initiatives. Additionally, the TCTC is responsible for coordinating IADI's Self-Assessment Technical Assistance Program (SATAP), as well as regional, Core Principles, and expert training workshops.

## Technical Assistance

### Workshops and Conferences

The TCTC provided assistance to the Regional Committees in developing technical assistance workshops (TAW), which are designed to develop strategies for addressing gaps among Members in meeting the Core Principles. During the period, TAWs were hosted for the North America, Latin America, Caribbean, Asia-Pacific, Eurasia, and Africa Regional Committees. Additionally, the Committee oversaw the development of a Core Principles workshop oriented towards a mixed audience, from junior-level employees, to high-level officials and decision-makers. The workshop was divided into panels that focused on policy, operational, and technical issues.

### SATAPs

During the period, the Vietnam SATAP report was finalised. Additionally, Ecuador and Trinidad and Tobago officially requested SATAPs and the review teams were formed. The teams scheduled onsite reviews in each jurisdiction for August 2019.

### Knowledge sharing Instruments

In 2018/19, the Committee developed several organisational tools and guides to increase knowledge sharing on capacity-building and training among IADI Members. These include:

- a) **Speakers Database** – to identify speakers for workshops and conferences classified by region and Core Principle expertise.
- b) **Members-only Repository** – to house materials, such as agendas and presentations, from each IADI “knowledge event” (e.g. workshops, conferences, etc.) from 2013 to the present, on the IADI Members-only Website
- c) **Manual for Planning and Conducting Technical Assistance Workshops** – this describes the project management requirements for designing, implementing and assessing training events.
- d) **FSI-Connect Tutorial on Self-Assessment** – the TCTC proposed updates and edits to this existing tutorial so that it may align with the revised Core Principles.
- e) **SATAP Guidelines** – the Guidelines, which date from 2013, were revised using the lessons learned from recent SATAPs.

## Training Initiatives under Development

The Committee developed two proposals to strengthen and standardise IADI's training programme. The first, a Core Curriculum Proposal, outlines workshops designed for four differing audiences: (i) High-Level Core Principles Overview, for decision-makers and senior management; (ii) Core Principles Practitioners' Workshops, for staff and practitioners with less experience in the Core Principles; (iii) Regional TAWs, for an audience with varying levels of experience with the Core Principles; and (iv) Core Principles Expert Workshops, for Members with intermediate experience with the Core Principles looking to advance their technical and assessment skills.

The second proposal is the Expert Training Strategy, which seeks to create a structured programme for training IADI Members interested in developing an in-depth knowledge of the Core Principles, becoming capable of leading SATAP reviews, supporting TAWs, and supporting or participating in International Monetary Fund/World Bank *Financial Sector Assessment Program* reviews. The programme has four stages: (i) attend the Core Principles Practitioners Workshop; (ii) participate in the Expert Training Working Group calls, which will cover each of the Core Principles in depth; (iii) attend the Core Principles Expert Workshop; and (iv) participate in at least two SATAPs under the direction of a more senior expert.

Both proposals were approved by the TTAC, and the TCTC will begin implementing them in the next fiscal year.

### Chairperson

Tony Sinopole (Federal Deposit Insurance Corporation, USA)

### Members

Rishanthi Pattiarachchi (Canada Deposit Insurance Corporation), Yvonne Fan (Central Deposit Insurance Corporation, Chinese Taipei), Antonia Caballero (Instituto de Garantía de Depósitos, El Salvador), Sylvie Derozières (Fonds de Garantie des Dépôts et de Résolution, France), Kuanyshbek Abzhanov (Kazakhstan Deposit Insurance Fund), Taewook Chang (Korea Deposit Insurance Corporation), Mohamed Mahraoui (Moroccan Deposit Insurance Corporation), Lucas Metzger (esisuisse, Switzerland), Noel Nunes (Deposit Insurance Corporation, Trinidad and Tobago), Vilma Rosa Leon-York (Office of Technical Assistance, United States Department of Treasury), Taurai Togarepi (Deposit Protection Corporation, Zimbabwe)



## Report of the Chairperson

**Karen Gibbons** – Financial Services Compensation Scheme, United Kingdom

The work of the TATC considers how IADI should identify and meet the requirements for specific training needs from each Member (or in some cases, multiple Members within the same region), and act accordingly in order to provide a demand-driven, tailor-made response or solution for the DIS concerned. Such needs might arise from IADI workshops or conferences, or from local assessments or reviews. The term ‘technical assistance’ in this context should be understood as support provided by sharing expertise, knowledge and information among Members (i.e. peer collaboration).

### **IADI Annual Survey and TATC**

During the reporting period, the TATC worked with the Secretariat, the former Data and Survey Technical Committee (DSTC, which concluded its activities in October 2018) and the TCTC to develop appropriate questions for the IADI Annual Survey to identify Members’ technical assistance needs. The completed new Part 6 of the Annual Survey has been approved by the TATC and will be circulated to all Members for completion in Q4 2019 and form part of the IADI Annual Survey from 2020 onwards.

### **IADI Member Technical Assistance Requests**

The TATC reviewed the training and technical assistance requests which had been received in response to a TATC special survey circulated to IADI Members in 2018. The TATC shared the training and technical assistance requests with the relevant Regional Committees for review and discussion. For those technical assistance requests which cannot be met solely via Regional Committee support, the TATC will work with the planned Senior Training and Technical Assistance Advisor based within the IADI Secretariat, to consider the best way to deliver the technical assistance required.

### **Terms of Reference for Expert Consultancy Assignment under Technical Assistance Programme for IADI Members**

The TATC developed a draft template for Terms of Reference for the Expert Consultancy Assignment under the Technical Assistance Programme for IADI Members. Following approval by the TATC, the Terms of Reference have been finalised and shared with the Secretariat.

### **Chairperson**

Karen Gibbons (Financial Services Compensation Scheme, United Kingdom)

### **Members**

Malvika Sinha (Deposit Insurance and Credit Guarantee Corporation, India), Kuanyshbek Abzhanov (Kazakhstan Deposit Insurance Fund), Juliet Oyet (Deposit Protection Fund, Uganda), Maria Ester Hanopol (Philippine Deposit Insurance Corporation), Michel Canta (Fondo de Seguro de Depósitos, Peru), Mohamed Mahraoui (Moroccan Deposit Insurance Corporation), Thorbjörn Karp (Auditing Association of German Banks)

## Overview of IADI Training and Education Events in FY 2018/19



### 16th APRC Annual Meeting and APRC International Conference, Hanoi, Vietnam, 16–18 April 2018

The 16th APRC Annual Meeting and International Conference were hosted by the Deposit Insurance of Vietnam (DIV) from 16 to 18 April 2018 in Hanoi, Vietnam. During the Annual Meeting, amendments to the APRC's Terms of Reference (TORs) and the new APRC organisational structure were ratified by the APRC members. In addition, the APRC approved the positions of the APRC Vice Chairperson, the Chairpersons of the two new Technical Committees and their respective memberships.

The International Conference was entitled "Small and Medium-sized Insured Institutions – What We Can Do for Them." Nearly 160 participants from 23 jurisdictions attended the conference. Experts from the regions of America, Europe and Asia were invited to share their experiences in monitoring risks and resolving small and medium-sized problem financial institutions effectively and efficiently. The conference also covered the ways in which IADI provides technical assistance to help its Members in compliance with, and application of, the Core Principles via the SATAP mechanism.

### Third Americas Deposit Insurance Forum, Regional Committee Meeting and Technical Assistance Workshop, Mexico City, Mexico, 23–26 April 2018

Three IADI Regional Committees, namely the Latin America, Caribbean and North America Regional Committees, came together to hold the third Americas' Deposit Insurance Forum and Regional Committee Meetings in Mexico City, Mexico, on 23–26 April 2018, hosted by Mexico's Instituto para la Protección al Ahorro Bancario (IPAB). With the theme of "Bank Resolution and Crisis Management: Beyond the Core Principles", the Forum aimed to share experiences in the areas of deposit insurance, bank resolution and crisis management. Numerous sessions, several of which included an interactive component, covered investment policy and funding, safety-net cooperation and governance, resolution planning and toolkits, resolution case studies, and a workshop on the IADI Core Principles Self-Assessments. Over 90 participants from more than 20 jurisdictions attended this event, and both the forum and individual sessions were highly rated by participants.

Discussions during the roundtable sessions highlighted the following additional topics:

- The importance of carrying out simulation exercises, resolution planning, subsequent evaluations of the resolution processes and dissemination of their scope, to strengthen the confidence in the financial system.
- The cooperation between international authorities provides credibility and strengthens deposit insurance institutions.
- The need to use a common language that is understandable to all participants.
- The importance of embracing new technologies and adapting them to deposit insurance schemes.

# Overview of IADI Training and Education Events in FY 2018/19

## 11th EARC Annual Meeting, Technical Assistance Workshop and International Conference, Istanbul, Turkey, 7–9 May 2018

The 11th Eurasia Regional Committee (EARC) Annual Meeting, Technical Assistance Workshop and International Conference on “Crisis Management: Traditional versus New Approaches” were hosted by the Savings Deposit Insurance Fund of Turkey (SDIF), in Istanbul, Turkey, on 7–9 May 2018. The conference sessions were moderated and presented by prominent representatives from IADI Members and international financial institutions (World Bank and BIS/FSI). The topics covered included technical aspects of crisis preparedness, crisis management, case studies on dealing with a crisis, and crisis preparedness in Islamic deposit insurance systems. Further, EARC Members presented their own crisis management frameworks during the Technical Assistance Workshop, followed by group discussions on relevant gaps and challenges, which were led by the IADI Secretariat.

## 55th EXCO Meeting and International Conference, Moscow, Russia, 28 May – 1 June 2018



The Deposit Insurance Agency of the Russian Federation hosted the 55th EXCO and related meetings and International conference from 28 May to 1 June 2018 in Moscow, Russia. During the first three days, meetings of EXCO, Council, Technical and Regional Committees took place.

The theme of the conference was “Deposit Insurance: Promoting Accessibility and Convenience”. Over 150 participants from 45 jurisdictions attended the conference, which was addressed by the Governor of the Bank of Russia, Elvira Nabiullina. The Governor noted that the technological decisions implemented in Russia should make the interaction of the DIA with failed banks’ depositors and creditors more user-friendly and easy; it is planned to move a number of important actions and requests to an electronic format. Stephen Murchison, Chair of the Financial Stability Board’s (FSB) Financial Innovation Network and Advisor to the Governor of the Bank of Canada, elaborated on the FSB’s work on systematisation and analysis of developments in FinTech, identification of the risks and benefits that arise, and development of internationally agreed approaches to the regulation of financial innovations.

The participants discussed a number of emerging issues, including the implementation of new technologies, the development of communication channels for interacting with banks’ depositors and creditors, and the challenges for deposit insurers arising from FinTech developments that need to be addressed. The panellists stated that accessibility of the services provided by deposit insurers should be coupled with adequate measures for ensuring the safety of personal data and minimisation of losses that depositors could face.

## Fifth Malaysia Deposit Insurance Corporation Africa Open House, Kuala Lumpur, Malaysia, 2–3 August 2018

The Malaysia Deposit Insurance Corporation (PIDM) hosted its Fifth Open House for the African Region from 1 to 2 August 2018. A total of 17 delegates from nine jurisdictions within the African region attended the event, including seven deposit insurers and two central banks.

Topics covered included the establishment of effective payout and reimbursement systems, frameworks for payout of insured deposits, single customer view considerations and treatment of pooled accounts, reports required from banks and reporting mechanisms, payout simulation and inter-agency cooperation and collaboration, stress testing of insured banks, and promoting financial literacy. The delegates also shared with the PIDM the experiences of their respective jurisdictions, especially in the area of bank liquidation. Both the delegates and PIDM staff expressed satisfaction with the event as they were able to learn valuable lessons from the topics and experiences discussed over the two days.

## IADI and Islamic Financial Services Board (IFSB) MoU to jointly develop and implement the Core Principles for Effective Islamic Deposit Insurance Systems, Kuala Lumpur, Malaysia, 6 August 2018



IADI, represented by Secretary General Walker, and the IFSB, represented by Secretary General Dr Bello Lawal Danbatta, signed a Memorandum of Understanding (MoU) on 6 August 2018, in Kuala Lumpur, Malaysia. The MOU between the two global standard-setting bodies aims at strengthening collaboration to jointly develop, and promote, technical standards for the implementation of effective Islamic deposit insurance systems. Under this agreement, areas of cooperation between the IFSB and IADI include:

- Developing prudential standards for Islamic deposit insurance systems;
- Promoting the implementation of prudential standards to facilitate the development of Islamic deposit insurance; and
- Raising awareness through knowledge sharing and organisation of executive programmes, workshops, seminars, etc.

The IADI-IFSB MoU signing also marked the inaugural Joint Working Group (JWG) Meeting on the *Core Principles for Islamic Finance Regulation: Effective Islamic Deposit Insurance Systems* (CPIFR-IDIS). The JWG is guiding the development of CPIFR-IDIS, which aims to serve as an internationally recognised framework to facilitate the development and implementation of effective Shari’ah-compliant deposit insurance systems (SCDIS).



# Overview of IADI Training and Education Events in FY 2018/19

## ARC Annual Meeting and Technical Assistance Workshop, Lagos, Nigeria, 25–28 September 2018

The ARC Annual Meeting and Technical Assistance Workshop were held from 25 to 28 September 2018 in Lagos, Nigeria, hosted by the Nigeria Deposit Insurance Corporation (NDIC). The event was attended by approximately 70 participants, including 23 international delegates from Ghana, Kenya, Rwanda, Sudan, Swaziland, Switzerland, Uganda, the West African Monetary Union, and Zimbabwe.

The topics presented at the workshop included: determining a target funding ratio framework; exploring investment options for a deposit insurer – a critical analysis; IFRS 9 and deposit insurance: issues and challenges; crisis management, recovery and the role of financial safety-net players: the Nigerian experience; cross-border arrangements for systemic crisis management; and simulations for crisis preparedness.

## 17th IADI Annual General Meeting and Conference, Basel, Switzerland, 15–19 October 2018

The 17th IADI Annual Conference was held on 18–19 October 2018, in Basel, Switzerland, at the BIS. The event was attended by over 210 participants representing approximately 70 jurisdictions worldwide. The conference, entitled “Deposit Insurance and Financial Stability: Recent Financial Topics”, featured presentations and panel discussions by top policymakers, deposit insurers and prominent academics to discuss, debate and provide insights into key issues affecting the global economy, deposit insurance and financial stability.

Conference attendees were addressed by Agustín Carstens, General Manager of the BIS. During his keynote address, he recognised that deposit insurance is an important pillar of trust in the financial system. It is most effective when it stands alongside other pillars of trust, such as banking supervision, resolution arrangements and ultimately the central banks. Mr Carstens also highlighted the challenging issues to which deposit insurers and their financial safety-net partners need to pay close attention in the future, such as FinTech and the blurring of the lines between the traditional banking sector and non-banks.

Keynote speaker Jelena McWilliams, Chairman of the Federal Deposit Insurance Corporation (FDIC), USA, emphasised the urgency in promoting greater compliance with the IADI Core Principles. This includes measures to upgrade the quality and value added of all IADI training workshops, and to ensure a full supply of IADI CP compliance experts to assist with the needs of IADI Members. She also underlined the essential role of transparency in supporting an effective DIS.

The 17th AGM and conference events also included a workshop to promote compliance with the IADI Core Principles. The workshop included four panels focusing on: (1) the evolving role of deposit insurers in the financial safety-net; (2) contingency planning for deposit insurers; (3) the role of the deposit insurer in resolution implementation and funding; and (4) policy issues associated with depositor payouts.

*For the Proceedings from the 2018 IADI Annual Conference, please refer to Annex II of this Annual Report.*

## APRC Regional Workshop, Taipei City, Chinese Taipei, 27–29 November 2018

The Central Deposit Insurance Corporation (CDIC) hosted the APRC Technical Assistance Workshop on the theme of “Dealing with Failing and Failed Member Institutions: Case Studies and Lessons Learnt” from 27 to 29 November 2018 in Taipei City, Chinese Taipei. Experts with practical experience from Brazil, the IADI Secretariat, Japan, Korea, Québec (Canada), Russia, the United Kingdom and the United States were invited as speakers. Approximately 60 participants from 25 jurisdictions attended the workshop.

Case studies on fast depositor reimbursement and various resolution mechanisms, such as bridge bank, purchase and assumption, and open bank assistance, were presented and discussed at the workshop, which focused on the effective handling of failing and failed institutions in order to maintain financial stability. At a time of growing emphasis on cross-border cooperation, the workshop helped its participants to consider how to strengthen both payout and resolution mechanisms.

## 57th EXCO Meeting and International Conference, Almaty, Kazakhstan, 25 February–1 March 2019



The Kazakhstan Deposit Insurance Fund (KDIF) hosted an International Conference on “Deposit Insurance and the Public: Promoting Communication, Financial Literacy and Transparency”, in Almaty, Kazakhstan, on 28 February 2019. The conference, which was attended by 140 participants from 40 jurisdictions, was preceded by the 57th EXCO Meeting and the meetings of the IADI Council, Technical and Regional Committees.

The conference addressed the role of deposit insurers in promoting communication, raising financial literacy and enhancing the transparency of operations. Presentations and case studies from a wide range of experts from Canada, Colombia, Indonesia, Japan, Kazakhstan, Kenya, Korea, the Philippines, Poland, Russia, Turkey, Ukraine, the United Kingdom and the United States were made. The Alliance for Financial Inclusion, the FSI and the OECD also contributed presenters to the conference.

## APRC CEO Dialogue, Taipei City, Chinese Taipei, 1 April 2019

The Central Deposit Insurance Corporation hosted the APRC CEO Dialogue immediately following the end of the reporting period, on 1 April 2019, in Taipei City, Chinese Taipei, with the theme of the global and Asia-Pacific economic outlook and responses to challenges facing APRC deposit insurers. Approximately 40 participants attended the event. For the Asia-Pacific Regional Committee, this was the first time it had held a CEO dialogue. Taking this opportunity, the Chairmen, CEOs and high-level representatives of the APRC Member organisa-



tions shared the latest financial developments in their jurisdictions, the challenges facing their deposit insurance systems, policy responses and measures. The APRC Members brainstormed possible solutions, symbolising the cooperative effort to promote financial stability in the Asia-Pacific region. Through this dialogue, consensus in the region could be achieved.

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### ERC Annual Meeting and Technical Assistance Workshop, Tirana, Albania, 4–5 April 2019

The Albanian Deposit Insurance Agency (ADIA) hosted the ERC Annual Technical Assistance Workshop in Tirana, Albania, on 4 and 5 April 2019, immediately following the end of the reporting period. The workshop, titled “Dealing with Contingency Planning, Crisis Management and Failure Resolution”, was supported by the Bank of Albania and attended by 70 participants from 28 jurisdictions. It focused on two crucial IADI Core Principles, namely Core Principle 6 – The Deposit Insurer’s Role in Contingency Planning and Crisis Management and Core Principle 14 – Failure Resolution.

Before the workshop, the ERC held its 40th AGM, chaired by the General Director of the Italian Interbank Deposit Protection Fund (FITD) and the Vice Chair of the IADI EXCO, Giuseppe Boccuzzi. The meeting took place at the premises of the Bank of Albania in Tirana. Participants were welcomed by Mr Gent Sejko, Governor of the Bank of Albania, who introduced the country’s banking system. Governor Sejko emphasised the importance of cooperation among financial safety-net members, and provided Albania as a good example: the Financial Stability Advisory Group (FSAG) is mandated by law, and high-level representatives from the central bank, Ministry of Finance, financial supervisory authority and ADIA participate in its work.

Workshop attendees received presentations and case studies from a wide range of experts from Canada, Croatia, Greece, Italy, Kosovo, the Netherlands, Norway, Poland, Romania, Russia, Turkey, the United Kingdom and the United States, as well as the World Bank’s Financial Sector Advisory Center (FinSAC). The keynote speech was delivered by Mr Dominique Laboureix, Member of the Board – Director of Resolution Planning and Decisions, the Single Resolution Board.

The second day of the workshop featured case study roundtables on such topics as “contingency planning, crisis preparedness and management: policies and procedures at DIA level”, “the role of the DIA in failure resolution frameworks: tools and effectiveness” and “business continuity planning”; several jurisdictions described their experiences.

## Regional Outreach and Key Focus

IADI Regional Committees have been created for Africa, Asia-Pacific, the Caribbean, Eurasia, Europe, Latin America, the Middle East & North Africa, and North America, to reflect regional interests and common issues through the sharing and exchange of information and ideas.

The Chairpersons of the Regional Committees are responsible for recommending actions to EXCO and communicating plans and activities, as well as reporting on their activities at each meeting of EXCO, in order to ensure focus and transparency. This approach ensures EXCO's awareness of Member jurisdictions' regional interests and developments.

### Africa Regional Committee – ARC

#### Chairperson:

Umaru Ibrahim – Nigeria

#### Vice Chairperson

Mohamud A. Mohamud – Kenya

#### Secretary General

Julia Oyet – Uganda (DPFU)

#### Members:

- Ignatius Wilson – Ghana
- Olivier Ngenzie – Rwanda
- TBC – Sudan
- Richard Malisa – Tanzania
- Habib Soumana – West African Monetary Union
- Vusilizwe Vuma – Zimbabwe

#### Associates:

- Yandraduth Googoolye – Bank of Mauritius
- Nicola Brink – South African Reserve Bank
- Nkosana Mashiyi – National Treasury, South Africa
- Charles Owiny Okello – Bank of Uganda

#### Outreach and Focus

The Committee continued with capacity building activities on topical issues for its regional members; this significantly contributed to enhancing the operational efficiency of these DIAs. Similarly, the ARC also pursued its outreach to non-member jurisdictions that have established or have yet to establish deposit protection systems, by inviting these potential Members and Associates to attend ARC programmes. During the ARC programmes, updates were delivered on developments in deposit insurance systems by invited jurisdictions.

Furthermore, ARC members continued to focus on advancing financial inclusion in the African region, with a view to reducing the huge number of financially excluded persons as well as protecting depositors through financial literacy initiatives.

Within the reporting period, IADI welcomed two Members and an Associate from the Africa region: the Deposit Protection Fund of Uganda (DPFU)

Furthermore, the Regional Committees are critical to a proactive outreach programme, being the contact points for IADI Members, newcomers and potential Members, in disseminating information on IADI, its Core Principles, its research and guidance, and events and activities. The Regional Committees once again held a number of training events organised jointly with the Training and Technical Assistance Council Committee and the Training and Conference Technical Committee (for details, see the *Overview of IADI Training and Education Events* section above). The table below outlines the activities undertaken by each Regional Committee during the period under review.

(transition of membership from the Bank of Uganda, which continued its IADI participation as an Associate), the Deposit Guarantee Fund of Rwanda (DGFR) and the Ghana Deposit Protection Corporation (GDPC).

#### ARC Annual Meeting and Conference

The Nigeria Deposit Insurance Corporation (NDIC) hosted the 2018 Africa Regional Committee Annual Meeting and Technical Assistance Workshop in Lagos, Nigeria, from 25 to 28 September 2018.

The workshop was attended by 67 participants, including 23 international delegates from Ghana, Kenya, Rwanda, Sudan, Swaziland, Switzerland, Uganda, the West African Monetary Union and Zimbabwe. Forty-four local participants from the NDIC, the Federal Ministry of Finance, the Budget Office of the Federation, the Securities and Exchange Commission, the National Insurance Commission, the Central Bank of Nigeria and the Chartered Institute of Bankers of Nigeria attended the event.

The topics discussed at the Technical Assistance Workshop included: determining the target funding ratio framework; exploring investment options for a deposit insurer – a critical analysis; IFRS 9 and deposit insurance: issues and challenges; crisis management, recovery and the role of financial safety-net players: the Nigerian experience; cross-border arrangements for systemic crisis management; and simulation for crisis preparedness.

The ARC Annual Meeting was attended by 19 delegates from 10 jurisdictions, namely Ghana, Kenya, Nigeria, Rwanda, Sierra Leone, Sudan, Swaziland, Uganda, the West African Monetary Union and Zimbabwe. During the Annual Meeting elections were held, during which Umaru Ibrahim, the MD/CEO of NDIC, emerged as the new ARC Chairman, taking over from John Chikura, the former CEO of the Deposit Protection Corporation of Zimbabwe. Mohamud A. Mohamud (CEO, Kenya Deposit Insurance Corporation) and Julia Oyet (CEO, Deposit Protection Fund of Uganda) were elected as the ARC Vice Chairman and ARC Secretary General, respectively.



### Asia-Pacific Regional Committee – APRC

#### Chairperson

William Su – Chinese Taipei

#### Vice Chairperson

Roberto B. Tan – Philippines

#### Members

- Chris Gower – Australia
- Vugar Abdullayev – Azerbaijan
- S.K. Sur Chowdhury – Bangladesh
- Tracy Chong Ling Kun – Brunei Darussalam
- Daryl Ho – Hong Kong
- Malvika Sinha – India
- Fauzi Ichsan – Indonesia
- Katsunori Mikuniya – Japan
- Nurlan Abdrakhmanov – Kazakhstan
- Seongbak Wi – Korea
- Erkebai Murzabekov – Kyrgyz Republic
- Rafiz Azuan Abdullah – Malaysia
- Bum-Erdene Khariyu – Mongolia
- Lubna Farooq Malik – Pakistan
- Nikolay Evstratenko – Russian Federation
- Denise Wong – Singapore
- Satorn Topothai – Thailand
- Nguyen Quang Huy – Vietnam

#### Associates

- Em Kamnan – National Bank of Cambodia
- Maria Almasara Cyd Tũaño-Amador – Bangko Sentral ng Pilipinas, Philippines

#### Partners

- Robin Newnham – Alliance for Financial Inclusion
- Naoyuki Yoshino – Asian Development Bank Institute
- Hans Genberg – The SEACEN Centre



### Outreach and Focus

The APRC's current business plan comprises the following activities: (1) Promoting IADI membership and participation in the region; (2) Promoting dialogue through meetings and other opportunities in the region; (3) Conducting deposit insurance-related studies from the perspective of the region; (4) Enhancing regional cooperation by providing support to deposit insurers and other interested parties; (5) Collaborating with international financial institutions; and (6) Providing a platform for communication among Members in the region.

During the reporting period, IADI welcomed two new Participants from the Asia-Pacific region: the Deposit Protection Corporation of Pakistan joined as a Member, and the National Bank of Cambodia as an Associate.

Under the approved revised APRC Terms of Reference (TORs), two Technical Committees, namely the Research Technical Committee (RTC) and the Training and Assistance Technical Committee (TATC), were established in April 2018; they are responsible for conducting research projects and providing training programmes and technical assistance for APRC members respectively. During the reporting period, the two Technical Committees' major activities and achievements were as follows:

- The RTC drew up a paper on the APRC membership profile, in order to identify similarities, common issues, challenges and gaps among members, as well as to identify potential topics for further research by the RTC, based on its approved 2018–2020 Business Plan and work schedule. Additionally, the RTC is also preparing a Memorandum of Understanding (MOU) template on cross-border cooperation, by compiling and analysing the points of commonality across APRC members' existing MOUs.
- The TATC developed its Work Plan with the objectives of advancing the deposit insurance systems in the region and capacity building. Based on the tasks illustrated in the Plan, the TATC organised a programme of study visits, in which the host member organisation invites working-level staff of other APRC members, with the aim of providing them with an overview of the host's financial safety-net structure, as well as enhancing cross-border cooperation. Going forward, this is planned to be an annual Asia-Pacific regional event. The first study visit was hosted by the Korea Deposit Insurance Corporation (KDIC) in mid-September 2019.

A draft outreach policy was prepared by the APRC Secretariat, in consultation with the APRC TATC, with the aim of promoting IADI membership in the Asia-Pacific region, as well as providing a platform for interaction and collaboration among deposit insurance organisations in the region, to support prospective members. The document was approved by the APRC at its 17th Annual Meeting in St. Petersburg, Russia in June 2019.

Moreover, the first and the second issues of the APRC e-newsletter, *APRC Net*, were released and circulated to APRC members in September 2018 and June 2019 respectively. *APRC Net* reports on the latest developments and emerging issues on deposit insurance relevant to the region. It provides an effective and convenient forum for members to exchange insights and share experiences which could help strengthen

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## Regional Outreach and Key Focus

and deepen collaboration and cooperation among APRC members. To promote awareness of developments within the APRC, *APRC Net* was also shared with the complete IADI membership through the IADI Secretariat.

### Events held

During the reporting period, training events, seminars and conferences on a variety of topics were organised by the APRC and its members, including the 16th APRC Annual Meeting and International

Conference in Hanoi, Vietnam in April 2018, the IADI Executive Council (EXCO) 55th meeting and International Conference in Moscow, Russia in May 2018, the KDIC Global Training Programs in Seoul, Korea in May and November 2018, the APRC Technical Assistance Workshop in Taipei City, Chinese Taipei in November 2018, the 11th Deposit Insurance Corporation of Japan's (DICJ) Round Table in Tokyo in March 2019, and the first APRC CEO Dialogue in Taipei City, Chinese Taipei on 1 April 2019.

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### Caribbean Regional Committee – CRC

Noel Nunes – Trinidad and Tobago

#### Members

- D'Andrea Ramsey – Bahamas
- Arlita John – Barbados
- Antoinette McKain – Jamaica
- Sven Stevenson – Caribbean Netherlands

#### Associates

- Glenroy A. Forbes – British Virgin Islands

### Outreach and Focus

The CRC continued to engage with the wider IADI membership through its participation on Council and Technical Committees of the Association.

During the period under review, the CRC welcomed the DGS of the Caribbean Netherlands, operated by De Nederlandsche Bank (DNB, IADI Member), as a new CRC member; the CRC has also reached out to potential new members including Guyana, Suriname and the Eastern Caribbean Central Bank (ECCB). It should be noted that in the second half of 2018, the Deposit Insurance Corporation of Guyana was established, and staff from the Bank of Guyana were seconded to work for the Corporation.

The CRC also continued to contribute to the establishment of a model deposit insurance system based on the IADI Core Principles under the authority of the Caribbean Community (CARICOM). In addition, there was ongoing focus on key topics requested by the members, including the determination of fund levels and coverage limits.

In January 2019 the IMF conducted the Bahamas Financial Sector Assessment Program (FSAP), which included a review of the Bahamas Deposit Insurance Corporation's framework in relation to financial safety-net, resolution and crisis preparedness and management. The Bahamas Deposit Insurance Corporation is currently working on closing the gaps identified.

The Deposit Insurance Corporation of Trinidad and Tobago (DICTT) engaged IADI to conduct a review of the DICTT's compliance with the Core Principles under the IADI Self-Assessment Technical Assistance Program (SATAP), and an IADI expert team has been identified. The review will be conducted later in 2019.

The British Virgin Islands continue to work towards establishing the legal framework under which the Deposit Insurance Corporation will operate.

Jamaica continues to focus on financial sector reform, including the strengthening of its framework through the drafting of legislation for a Special Resolution Regime. The Jamaica Deposit Insurance Corporation (JDIC) has drafted proposals for the design of deposit insurance features that would be applicable to credit unions as part of the enactment of the Credit Unions (Special Provisions) Act. The implementation of an integrated protection scheme (IPS) for non-deposit-taking institutions, namely the insurance and securities sectors, is also being explored as a component of the country's financial sector reform, and the JDIC is being considered as the competent authority to manage the IPS.

Shortly after the end of the reporting period, in May 2019, the IADI EXCO appointed Derek Douglass (Advisor, Strategic Planning, Corporate Governance and Controls, Deposit Insurance Corporation of Trinidad and Tobago) to serve as CRC Chairperson for a one-year term, effective from 22 May 2019.



### Eurasia Regional Committee – EARC

#### Chairperson

Kostyantyn Vorushylin – Ukraine

#### Vice Chairperson

Muhiddin Güral – Turkey

#### Members

- Vugar Abdullayev – Azerbaijan
- Nurlan Abdrakhmanov – Kazakhstan
- Erkebai Murzabekov – Kyrgyz Republic
- Bum-Erdene Khariyu – Mongolia
- Georgy Agaptsev – Russian Federation

#### Observers

- Hermine Harutyunyan – Armenia
- Valery Tsialipka – Belarus
- Asadullo Gafurov – Tajikistan

In the 2018/19 financial year, the EARC continued to work to fulfil the objectives outlined in its business plan, including increasing IADI membership in the region, intensifying dialogue between the Committee’s members, and promoting capacity building and technical assistance related to deposit insurance within the region.

The 11th EARC Annual Meeting, International Conference on “Crisis Management: Traditional versus New Approaches” and Technical Assistance Workshop were held in Istanbul, Turkey, on 7–9 May 2018, hosted by the Savings Deposit Insurance Fund of Turkey (SDIF). At the invitation of the SDIF, deposit insurers from Moldova and Uzbekistan participated in the event, while representatives of the Deposit Insurance Agency of Georgia attended the 17th IADI Annual General Meeting and Annual Conference in Basel, Switzerland, in October 2018.

At the EARC meeting held in Basel, Switzerland, in October 2018 during the 17th IADI Annual General Meeting events, the EARC Chairmanship was transferred from the Savings Deposit Insurance Fund of Turkey to the Deposit Guarantee Fund of Ukraine (DGF). EARC members and observers welcomed Kostyantyn Vorushylin (the DGF’s Managing Director) as their new Chairperson, succeeding Muhiddin Güral, Chairman and President of the SDIF. Mr Güral continues as EARC Vice Chairperson, following long-standing EARC practice.

During the period under review, some EARC members continued working together with the World Bank to assess their compliance with the IADI Core Principles and to enhance bank resolution activities. In addition, EARC members strengthened cooperation with other financial safety-net participants in their respective jurisdictions, as well as with IADI Members from beyond the Eurasia region. Promotion of public awareness and financial literacy, and IT systems improvement were other areas of focus.



# Regional Outreach and Key Focus

## Europe Regional Committee – ERC

### Chairperson

Giuseppe Boccuzzi – Italy

### Vice Chairperson

Sonja Lill Flø Myklebust – Norway

### Members

- Genci Mamani – Albania
- Stefan Tacke – Austria
- Michèle Casteleyn – Belgium
- Matey Matev – Bulgaria
- Marija Hrebac – Croatia
- Renáta Kadlecová – Czech Republic
- Taos Tuija – Finland
- Thierry Dissaux – France
- Dirk Cupei – Deposit Protection Fund of the Association of German Banks, Germany
- Georgia Karageorgi – Greece
- Richard Denton – Guernsey
- András Komar – Hungary
- Brynjar Kristjánsson – Iceland
- Tom Fothergill – Jersey
- Violeta Arifi-Krasniqi – Kosovo
- Rafik Yezza – Liechtenstein
- Predrag Marković – Montenegro
- Sven Stevenson – Netherlands
- Zdzisław Sokal – Poland
- Petre Tulin – Romania
- Nikolay Evstratenko – Russian Federation
- Vladimir Šaric – Serbia
- Helena Persson – Sweden
- Gregor Frey – Switzerland
- Muhiddin Güla – Turkey
- Kostyantyn Vorushilin – Ukraine
- Alex Kuczynski – United Kingdom

### Associate

- Thorbjörn Karp – Auditing Association of German Banks

## Outreach and Focus

The ERC has continued to avail itself of all opportunities to increase its voice in IADI governance, including its an active role in the Working Group on New Funding Options (WGNFO). The ERC has encouraged its members to comply with the IADI Core Principles and carry out self-assessments.

The ERC is actively engaged in cooperation between the regions. Thanks to the many efforts in this direction, ERC membership has increased. ERC was pleased to welcome Einlagensicherung AUSTRIA Ges.m.b.H. (ESA or DGS Austria), represented by Mr. Stefan Tacke, Managing Director, which joined IADI in February 2019, and became a de facto member of the ERC.

## ERC events

- The ERC met on 17 October 2018 at the Bank for International Settlements in Basel, Switzerland, as part of the IADI Annual General Meeting. Participants discussed the work of the WGNFO, the regional survey on compliance with the Core Principles, carrying out self-assessments with IADI assistance, and outreach activities (particularly towards the DGSs in Spain and Portugal).
- Immediately following the end of the reporting period, ERC Members met on 4 April 2019 in Tirana, Albania, for the ERC Annual Meeting, at the premises of the Bank of Albania. Participants discussed a number of topics, including: updates on the WGNFO Assessment of Phase I of the implementation of the IADI Strategic Goals; the WGNFO's recommendations on implementing Phase II of the Strategic Goals and funding issues; the ERC's role and activities in relation to the IADI Strategic Goals.

The ERC meeting was followed by a Technical Assistance Workshop on contingency planning, crisis management and failure resolution, held on 4–5 April 2019. The Workshop, organised by the ERC and the TTAC, focused on IADI Core Principles 6 and 14, as previously chosen by ERC members in a regional survey on training needs. Compliance with the Core Principles was analysed both at the DIA and system-wide levels through presentations and a roundtable discussion. The workshop provided ERC members and participants from other regions with the opportunity to exchange knowledge and experience useful for supporting actions in complying with the IADI Core Principles.



### Latin America Regional Committee – LARC

#### Chairperson

Hugo Libonatti – Uruguay

#### Vice Chairperson

To be appointed

#### Members

- Alejandro López – Argentina
- André Arantes Loes – Fundo Garantidor de Créditos, Brazil
- Lúcio César de Faria – Fundo Garantidor do Cooperativismo de Crédito, Brazil
- Juan Carlos López – Fondo de Garantías de Instituciones Financieras, Colombia
- Adriana McAllister – Fondo de Garantías de Entidades Cooperativas, Colombia
- Lorena Freire Guerrero – Ecuador
- Ana Graciela Trejo Padilla – El Salvador
- Oscar Roberto Monterroso Sazo – Guatemala
- César Ferdinando Carranza Euceda – Honduras
- Gabriel Ángel Limón González – Mexico
- Rolando José Sevilla Boza – Nicaragua
- Diego Duarte Schussmuller – Paraguay
- Carlos Carrión Marotta – Peru

#### Invitees

Ana Lillo Cervantes and Carlos Colao Osorio – Spain



### Outreach and Focus

The objectives of LARC (or CRAL in Spanish), as set out in the Committee's business plan, are to: prepare LARC research papers (including comparative studies of the main features of deposit systems in the region); organise meetings and conferences to promote the exchange of knowledge, experience and ideas among members; evaluate the need for technical assistance, advice and training in the region; and promote membership and participation in IADI among regional DISs and with relevant international organisations.

In the year under review, the Central Bank of Brazil launched a cross-border initiative on the resolution process for regional commercial banks. A working group has been created, comprising representatives of the Central Banks of Brazil, Argentina, Chile, Paraguay and Uruguay. The Uruguayan Deposit Insurance Agency (COPAB) has also joined the group as the resolution authority in Uruguay. The aim of the working group is to examine the banking resolution legal framework in participating jurisdictions and identify future potential resolution problems, as well as the need for coordination among different national regulatory agencies.

Several self-assessments against the Core Principles have been also carried out. Compared with the self-assessments conducted in the Latin American region in 2015, there have been improvements in the areas of legal protection, early detection and timely intervention, and resolution practices.

### Papers produced

The Investment Policy Working Group, led by the Brazilian Fundo Garantidor de Créditos, published two papers. *“Deposit Insurance and Financial Cycles: the role of strategic and tactical allocation on the minimum immediate liquidity determination”* presents a new concept called the minimum immediate liquidity target, and describes how to tactically adjust it depending on the phase of the financial cycle. The other paper is titled *“Asset allocation for Deposit Insurers”*, and borrows the best from the static and multi-period portfolio selection literature to create an investment methodology for deposit insurers. The first paper was presented at the investment panel of the Third Americas Deposit Insurance Forum, while the second was made available at the LARC meeting. The papers were also provided to the FDIC International Affairs and Research Department.

### Annual Meetings

Three IADI Regional Committees, namely the Latin America, Caribbean and North America Regional Committees, came together to hold the third Americas' Deposit Insurance Forum and Regional Committee Meetings in Mexico City, Mexico, on 23–26 April 2018. Hosted by Mexico's Instituto para la Protección al Ahorro Bancario (IPAB) and with the theme of “Bank Resolution and Crisis Management: Beyond the Core Principles”, the Forum aimed to share experiences in the areas of deposit insurance, bank resolution and crisis management.

At present, LARC, in collaboration with the Caribbean and North America Regional Committees, is organising the fourth Americas Deposit Insurance Forum that will take place from 24 to 26 July 2019, in Cartagena, Colombia, hosted by the Fondo de Garantías de Instituciones Financieras (FOGAFIN).



# Regional Outreach and Key Focus

## Middle East and North Africa Regional Committee – MENA

### Chairperson

Zaher Hammuz – Palestinian Authority

### Vice Chairperson

Mohamed Mahraoui – Moroccan Deposit Insurance Corporation

### Secretary

Mohammed Bdair – Palestinian Authority

### Members

- Sebhi Moftah – Bank Deposit Guarantee Fund, Algeria
- Mohammad Talebi – Iran
- Mu'taz I. Barbour – Jordan
- Khater Abi Habib – Lebanon
- Abuzed Ramadan El-Sharif – Libya
- Lhassane Benhalima – Moroccan Deposit Insurance Corporation
- Fahad Alshathri – Saudi Arabia
- TBC – Sudan
- Muhiddin Güral – Turkey

### Associates

- Bank of Algeria
- Hiba Zahoui – Bank Al Maghrib, Morocco
- Hamad Almulla – Qatar Central Bank

### Partner

Wissam H. Fattouh – Union of Arab Banks

### Objectives

The Committee's objectives, outlined in the MENA business plan, include: promoting IADI membership in the MENA region in line with the IADI outreach activities; promoting dialogue and cooperation on deposit insurance issues among MENA members in the region; strengthening MENA's relationships with other IADI member jurisdictions; improving MENA members' participation in IADI committees; undertaking research from the perspective of the region on issues related to deposit insurance; collaborating with regional and international financial institutions and other interested parties.

### Outreach Activities

The Committee engaged in outreach activities towards non-member jurisdictions with deposit insurance systems in place or under development. In March 2019, IADI welcomed a new Member from the MENA region, the Saudi Arabian Monetary Authority – Depositors Protection Fund.

### Collaborative Endeavours

As part of collaborative endeavours to share information and expertise on deposit insurance between deposit insurers and within safety-net structures, the Committee facilitated cooperation among member jurisdictions, as well as with other regional committees. Such cooperation took the form of memoranda of understanding, reciprocal visits, participation in deposit insurance-related events, and training pro-

grammes. Each year, the MENA Regional Committee holds its Annual Meeting alongside the IADI Annual General Meeting and Conference or thematic workshops.

### Memoranda of Understanding (MOUs)

The Savings Deposit Insurance Fund of Turkey (SDIF) and the Jordan Deposit Insurance Corporation (JODIC) signed an MOU. Both organisations also signed MOUs with the Korea Deposit Insurance Corporation (KDIC) during the IADI AGM and Annual Conference held in Basel, Switzerland in October 2018.

### Mandates and Powers

The amended Jordan Deposit Insurance Corporation's Law (Law no. 8 of the year 2019) was approved by Royal Decree and will become effective on 1 May 2019. The amended law imposes mandatory membership on Islamic banks under the deposit insurance umbrella in accordance with Shari'ah principles, granting JODIC a vital role in the resolution process in line with the amendments to the Banking Law. To obtain reimbursement, the depositor no longer needs to submit a claim.

The Palestine Deposit Insurance Corporation (PDIC) is in the process of reviewing the deposit insurance law with the assistance of a legal consultant. The proposed legislative amendments will require approval by the PDIC's Board of Directors, and then will be submitted to the regulatory authorities. The PDIC is also in the process of developing a risk-based premium system, as well as a stress-testing system to measure the risk and stability of member banks based on scenarios set by the PDIC.

The Savings Deposit Insurance Fund of Turkey (SDIF) continued working to comply with international financial regulations and practices, namely EU directives, the FSB Key Attributes and the IADI Core Principles, following the assessment of compliance. The SDIF continued to work on the policy proposals together with the Banking Regulation and Supervision Agency (BRSA), to further strengthen the current resolution framework by including new resolution powers and tools such as bridge bank, bail-in, recovery and resolution planning and resolvability assessment, etc. The proposals also include some changes in the deposit insurance area, such as introducing a deposit insurance fund target and extending coverage to commercial deposits (in addition to savings deposits at present).

In November 2018, the Moroccan Deposit Insurance Corporation (SGFG) selected a consulting firm to carry out a feasibility study on an appropriate payout system, and to perform the assessment of financial impacts on the SGFG and its member banks. A number of internal meetings have been held to review different options, and the SGFG is planning to meet with the central bank, France's Fonds de Garantie des Dépôts et de Résolution and member banks to share the key findings with them. The final report will be submitted to the SGFG's Board for a final decision.

In 2019 premiums from the Participation banks (Islamic banks) will be collected for the first time, in accordance with the provisions of the 2014 Banking Act. Finally, the SGFG has finished the accounting charter for the two funds operated by it (conventional and Islamic); it is now being reviewed by a national body (Conseil National de la Comptabilité) before being formally approved.

### Promoting Dialogue and Cooperation among MENA Members

As part of MENA's efforts to enhance communication between its current and potential members, the MENA Regional Committee is currently developing MENA's website and a newsletter.



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### Regional Committee of North America – RCNA

#### Chairperson

Dean Cosman – Canada Deposit Insurance Corporation (CDIC)

#### Vice Chairperson

Fred Carns – Federal Deposit Insurance Corporation (FDIC), USA

#### General Secretary

Rishanthi Pattiarachchi – CDIC, Canada

#### Members

- Patrick Déry – Autorité des marchés financiers (AMF), Québec, Canada
- Diane Ellis – FDIC, USA
- Iliana Salazar Escobar – Instituto para la Protección al Ahorro Bancario (IPAB), Mexico
- Stanley Chang – Credit Union Deposit Insurance Corporation of British Columbia (CUDIC), Canada

Sharing the knowledge and experience of RCNA member jurisdictions, and strengthening relationships with other IADI member jurisdictions have been the RCNA's key business goals. To that end, the RCNA held three in-person meetings during the 2018/19 fiscal year, to share new developments in member organisations and jurisdictions, and to discuss issues arising at IADI-related meetings. The Committee held a few additional teleconference meetings to deliberate on matters related to the IADI Working Group on New Funding Options (WGNFO). The RCNA submitted a proposal, which outlines resource recommendations to achieve the IADI Strategic Goals as stipulated in *The Way Forward* paper of 2015, to the WGNFO for its consideration in March 2019.

During the fiscal year, the RCNA undertook a research project to explore the recovery and resolution planning processes (RRP) in RCNA jurisdictions. Given that all RCNA organisations are resolution authorities in addition to their roles as deposit insurers, RCNA members agreed that it would be beneficial to study the lessons learned through the planning process and share them with other IADI Members through a research paper. The project was completed during the reporting period and the final research paper was shared with IADI Members and is also available on the IADI Members' Only website. The paper reflects the steps that RCNA members have taken to implement resolution frameworks in their jurisdictions, including some analysis of why members may have evolved in certain ways. While the paper does not present guidance or recommendations, it provides the experiences of RCNA members, which could be useful to IADI Members that are currently developing recovery and resolution frameworks in their jurisdictions as well as for those who are planning to undertake such endeavours in the future.

For the fourth consecutive time, the RCNA is collaborating with the Latin America and Caribbean Regional Committees to organise the Americas Deposit Insurance Forum in July 2019. The Financial Institutions Guarantee Fund of Colombia (Fogafín) will host the event, which will focus on IADI Core Principle 4 – Relationship with other safety-net participants, emphasizing the relationship with financial supervisors; and Core Principle 9 – Sources and uses of funds, analysing the investment strategies, the rationale behind them and the way forward.

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# Report from the Auditors and Audited Financial Statements



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To the Executive Council of  
**International Association of Deposit Insurers, Basle**

Basle, 22 May 2019

## Report of the statutory auditor on the limited statutory examination


As statutory auditor, we have examined the financial statements (statement of financial position, statement of cash flows, statement of activities and notes) of International Association of Deposit Insurers for the year ended 31 March 2019.

These financial statements are the responsibility of the Executive Council. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.


We conducted our examination in accordance with the Swiss Standard on the limited statutory examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and the company's articles of incorporation.

Ernst & Young Ltd

 Christian Fleig  
(Qualified  
Signature)

Licensed audit expert  
(Auditor in charge)

 Jenny Technow  
(Qualified  
Signature)

Master of science

### Enclosures

- ▶ Financial statements (statement of financial position, statement of cash flows, statement of activities and notes)

# Report from the Auditors and Audited Financial Statements

## INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS ("IADI")

### Statement of Financial Position

As at 31.03.2019

(in Swiss Francs)

	Notes	31 March 2019	31 March 2018
<b>ASSETS</b>			
Cash	5	4'107'189	3'870'994
Prepaid expenses and accrued income	6a	43'473	7'159
Short-term receivables	6b	12'276	-
		<u>4'162'937</u>	<u>3'878'153</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Short-term liabilities	7	250'517	350'589
Accrued expenses and Deferred income	8	113'455	142'443
Provision for ISDMS project	12	316'000	-
		<u>679'972</u>	<u>493'031</u>
<b>Equity</b>			
Capital - Paid up Initial Fund contributions	9	926'101	897'626
Balance brought forward		2'487'495	2'363'658
Net result for year		69'369	123'837
		<u>3'482'965</u>	<u>3'385'121</u>
		<u><b>4'162'937</b></u>	<u><b>3'878'153</b></u>

# Report from the Auditors and Audited Financial Statements

## INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS ("IADI")

### Statement of cash flows

For the year ending 31.03.2019

(in Swiss Francs)

	Notes	For the year ending 31 March 2019	For the year ending 31 March 2018
<b>Cash flow from / (used in) operating activities</b>			
Net result for the year		69'369	123'837
<b>Net change in operating assets and liabilities</b>			
Accrued expenses and deferred income		(28'988)	35'788
Short-term receivables		(12'276)	17'704
Prepaid expenses and accrued income		(36'314)	(7'159)
Short-term liabilities		(100'071)	144'471
Provision for ISDMS Project		316'000	-
<b>Net Cash flow from / (used in) operating activities</b>		<b>207'720</b>	<b>314'641</b>
<b>Cash flow from / (used in) investing and other activities</b>			
<b>Net Cash flow from / (used in) investing and other activities</b>		<b>-</b>	<b>-</b>
<b>Cash flow from / (used in) financing activities</b>			
Capital contributions from new members	9	28'475	22'780
<b>Net Cash flow from / (used in) financing activities</b>		<b>28'475</b>	<b>22'780</b>
<b>Net Increase / (decrease) in cash</b>		<b>236'195</b>	<b>337'421</b>
<b>Cash at beginning of year</b>		<b>3'870'994</b>	<b>3'533'573</b>
<b>Cash at end of year</b>	5	<b>4'107'189</b>	<b>3'870'994</b>



# Report from the Auditors and Audited Financial Statements

## INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS ("IADI")

### Statement of Activities

For the year ending 31.03.2019

(in Swiss Francs)

	Notes	For the year ending 31 March 2019	For the year ending 31 March 2018
<b>Operating income</b>			
Members Fees	1	1'472'304	1'470'832
Associates Fees	1	131'297	105'920
BIS Contribution	3	800'000	400'000
<b>Total operating income</b>		<b>2'403'600</b>	<b>1'976'752</b>
<b>Operating Expenses</b>			
Salaries	11	(1'410'678)	(1'267'233)
Conferences, Seminars and Meetings		(138'352)	(205'761)
Training Initiatives		(114'748)	(107'104)
Travel	11	(151'179)	(95'363)
Administration		(7'971)	(6'645)
Audit		(13'823)	(5'507)
IT and Communications		(3'673)	(2'271)
Membership & Outreach support		(25'362)	(78'352)
Publications and Research		(15'863)	(18'343)
IADI Database		(57'442)	-
Provision for ISDMS project		(316'000)	-
Allowance for doubtful debts		(66'054)	(66'501)
<b>Total operating expenses</b>		<b>(2'321'145)</b>	<b>(1'853'079)</b>
<b>Operating result</b>		<b>82'456</b>	<b>123'673</b>
Financial Income		-	-
Other Income	10	-	164
Financial Expense	10	(13'087)	-
<b>Net result for the year</b>		<b>69'369</b>	<b>123'837</b>

## International Association of Deposit Insurers

### Notes to the Financial Statements

Year Ended 31 March 2019

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#### 1. NATURE OF ORGANISATION

The International Association of Deposit Insurers (IADI, "the Association") is a non-profit organisation established under Swiss Law, domiciled in Basel, at the Bank for International Settlements.

Its objectives are to contribute to the stability of financial systems by promoting international cooperation in the field of deposit insurance, providing guidance for establishing new, and enhancing existing, deposit insurance systems; and to encourage wide international contact among deposit insurers and other interested parties.

The Association receives Annual Fees from its Members, Associates and Observers:

**Members:** Entities that, under law or agreements, provide deposit insurance, depositor protection or deposit guarantee arrangements as set out in Article 2 of the Statutes.

**Associates:** Entities that do not fulfill all the criteria of Members, but who are considering the establishment of a deposit insurance system or other entities that are part of a financial safety net and have a direct interest in the effectiveness of a deposit insurance system.

**Observers:** Other interested parties that are not-for-profit entities which do not fulfill the criteria to be an Associate but have a direct interest in the effectiveness of deposit insurance systems; and may include international organisations, financial institutions and professional firms. At the AGM of 24 September 2009, IADI Members amended the Statutes to eliminate the participation of for-profit Observers in the Association. Currently the Association has no Observers.

**Partners:** Not-for-profit entities who enter into cooperative arrangements with the Association in the pursuit and furtherance of the objects of the Association.

#### **Annual Fees:**

**Members:** CHF 17,650 fee with an initial fund contribution of CHF 11,390 payable over two years, have a right to vote at meetings and hold office.

**Associates:** CHF 13,240 fee, no vote but may participate in the activities of IADI.

**Observers:** CHF 8,825 fee, no vote but may participate in the activities of IADI.

**Partners:** No Fees due.

**The governing bodies** of the Association are the General Meeting of Members and the Executive Council. The Executive Council has established Council Committees covering Audit and Risk, Core Principles and Research, Training and Technical Assistance, and Member Relations. Eight regional Committees have been established (Africa, Asia Pacific, the Caribbean, Eurasia, Europe, Latin America, the Middle East & North Africa, and North America). The Secretary General acts as the Secretary to the Executive Council, supported by the Deputy Secretary General.

**The Executive Council** is composed of duly elected members, who govern the business and affairs of the IADI. Mr Katsunori Mikuniya, Governor of the Deposit Insurance

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# Report from the Auditors and Audited Financial Statements

Corporation of Japan (DICJ), Japan acts as President of the Association. Mr Mikuniya was elected by the Members at the 2017 AGM, for a three year term succeeding Mr Thomas Hoenig. The Treasurer is Mr Roberto B. Tan, Chief Executive Officer of the Philippine Deposit Insurance Corporation. Mr Tan was elected by the IADI Members at the 2018 AGM for a three year term, succeeding Mr John Chikura.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The Financial Statements have been prepared in accordance with the provision of the Swiss Law on Accounting and Financial Reporting (32<sup>nd</sup> Title of the Swiss Code of Obligations) enacted on 23 December 2011 by the Federal Assembly of the Swiss Confederation that became effective on 1 January 2013.

The accounts of IADI are drawn up on an historical cost basis and income and expense items are recorded on an accrual basis.

### **A. Scope of the financial statements**

These Financial Statements contain all assets and liabilities that are controlled by the Association and in respect of which the economic benefits, as well as the rights and obligations, lie predominantly with the Association. The Financial Statements have been prepared on a going concern basis.

### **B. Functional and presentation currency**

Being an international organisation, the Association is exposed to various currencies when conducting its activities. The main currencies the Association deals in are CHF and EUR.

All transactions are recorded in CHF at the exchange rates prevailing at the date of the transaction.

Exchange differences arising from the retranslation of monetary assets and liabilities are included as net foreign exchange gains or losses in the statement of activities.

### **C. Cash**

The Association considers cash to be current bank accounts valued at the nominal amount.

### **D. Investments held to maturity**

Investments are made in accordance with the Investment Policy, which was approved by the Executive Council in 2005 (amended in 2009 and 2016) the Investment Policy is reviewed periodically. All revenues from cash and investments are accounted for in interest income.

### **E. Short-term receivables and Short-term liabilities**

Accounts receivable and accounts payable are principally short-term amounts relating to the settlement of transactions as a result of activities of the organisation. They are included in the balance sheet at nominal value.

### **F. Uncollected Annual Fees**

Allowance for doubtful debts are recognised, as an expense to the statement of activities, if the Association has a concern over the recovery of outstanding accounts receivable.

### **G. Special Provision**

A provision is recognized on the balance sheet when the Association has a present legal or contractual obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

# Report from the Auditors and Audited Financial Statements

## 3. BENEFITS RECEIVED

The Association is hosted by the Bank for International Settlements, and benefits from administration, meeting facilities, IT services, accounting, a contribution to its operations and other advisory services provided by the Bank for International Settlements. IADI's Members also contribute resources to support the strategic objectives of the Association, including staff seconded to IADI and support for regional conferences and executive training. As of the FY 18/19, BIS increased its contribution to IADI Operations from CHF 400,000 to CHF 800,000 for a four year duration commencing on 1 April 2018.

The total amount of these benefits has not been determined.

## 4. INCOME TAXES

The Association is exempt from income tax.

## 5. CASH

	<b>Exchange rates at 31 March 2019</b>	<b>31 March 2019 CHF Value</b>	<b>Exchange rates at 31 March 2018</b>	<b>31 March 2018 CHF Value</b>
CHF Current Accounts		<b>4,107,121</b>		<b>3,870,941</b>
EUR Current Accounts	EUR / CHF: 1.11934446	<b>68</b>	EUR / CHF: 1.17640908	<b>53</b>
		<b>4,107,189</b>		<b>3,870,994</b>

## 6a. PREPAID EXPENSES AND ACCRUED INCOME

	<b>31 March 2019 CHF Value</b>	<b>31 March 2018 CHF Value</b>
Insurance	7,682	-
Licenses	27,972	-
Travel costs	7,819	7,159
	<b>43,473</b>	<b>7,159</b>

The FSI Connect Licences offered to Members and Associates were pre-paid for the FY 2019/20.



# Report from the Auditors and Audited Financial Statements

## 6b. SHORT-TERM RECEIVABLES

	<b>31 March 2019</b>	<b>31 March 2018</b>
	CHF Value	CHF Value
Membership and Associate fees total outstanding	144,831	66,501
Less: Allowance for doubtful accounts	(132,555)	(66,501)
	<b>12,276</b>	<b>-</b>

The allowance in the financial statements, reflects the amounts that are owed to the Association and are past due, but not yet deemed irrecoverable as at 31 March 2019.

## 7. SHORT-TERM LIABILITIES

Accounts payable mainly consists of year-end accruals for transactions incurred as a result of the Association's activities during March 2019. These amounts are payable to the Bank for International Settlements, the auditors and other parties who have performed services for the benefit of the Association.

	<b>31 March 2019</b>	<b>31 March 2018</b>
	CHF Value	CHF Value
Audit	9,663	4,900
Salaries	79,372	202,519
Conferences, seminars and meetings	1,800	3,790
Travel	51,467	33,452
Administration, IT & communications, and Publications & research	20,202	16,041
Training Initiative Support	53,200	31,439
Regional Outreach Funding	15,000	58,448
Database	17,612	-
Negative interest	2,201	-
	<b>250,517</b>	<b>350,589</b>

# Report from the Auditors and Audited Financial Statements

## 8. ACCRUED EXPENSES AND DEFERRED INCOME

Deferred revenue relates to the prepayment of a partial Member's or Associate's fee for the financial year 2018/19.

	<b>31 March 2019</b>	<b>31 March 2018</b>
	CHF Value	CHF Value
Members	-	-
Associates	-	748
Prepayments for secondees	113,455	141,695
	<b>113,455</b>	<b>142,443</b>

## 9. CAPITAL: INITIAL FUND CONTRIBUTIONS

	<b>31 March 2019</b>	<b>31 March 2018</b>
	CHF Value	CHF Value
Initial Fund Contributions	971,661	914,711
Less: Unpaid Initial Fund Contributions	(45,560)	(17,085)
Paid up Initial Fund Contributions	<b>926,101</b>	<b>897,626</b>
Number of Members	<b>87</b>	<b>82</b>

The unpaid Initial Fund Contributions relate to payments due in future accounting periods. Upon joining the Association, each Member shall settle, in addition to the annual members fee, an Initial Fund Contribution of CHF 11,390, which is payable over the first two years of membership in the Association. The Initial Fund Contribution shall not be refundable in the event of the resignation or expulsion of a Member.

## 10. FINANCIAL EXPENSE & OTHER INCOME

	<b>31 March 2019</b>	<b>31 March 2018</b>
	CHF Value	CHF Value
Financial expense		
Interest expense	12,769	-
Exchange difference	318	-
Other Income	-	164
	<b>13,087</b>	<b>164</b>

## 11. STAFF COSTS

	<b>31 March 2019</b>	<b>31 March 2018</b>
	CHF Value	CHF Value
Salaries	1,410,678	1,267,233
Travel costs	151,179	95,363
	<b>1,561,857</b>	<b>1,362,596</b>

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## Report from the Auditors and Audited Financial Statements

During the financial year one new staff member and one temporary staff member have joined the Association. On an annual average the Association has no more than 50 full time positions.

### **12. SPECIAL PROVISION**

The Special Provision in the financial statements reflects past events and the Association's legal obligation – for the IADI Survey Data Management System Project- "ISDMS project", that lead to the expectation of a cash outflow in future financial years. The Special Provision is charged to the profit and loss account.

### **13. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE**

There were no significant events between the Balance Sheet and the approval of these financial statements by the IADI Executive Council on 22 May 2019 which could impact the book value of assets and liabilities or which should be disclosed in these Financial Statements.

## Annex I – Participants as of 31 March 2019

IADI's Participants include Members, Associates, Observers and Partners.

**Members** are entities that, under law or agreement, have a deposit insurance system, and have been approved for Membership in the Association. An **Associate** is an entity that does not fulfil all of the criteria to be a Member, but which is considering the establishment of a deposit insurance system, or is part of a financial safety-net and has a direct interest in the effectiveness of a deposit insurance system. **Observers** are interested parties that are not-for-profit entities which do not fulfil the criteria to be an Associate, and **Partners** are not-for-profit entities that enter into a cooperative arrangement with the Association in the pursuit and furtherance of the Objectives of the Association.

For complete definitions, please refer to the **Statutes of the International Association of Deposit Insurers**.

### Members and Designated Representatives

#### Albanian Deposit Insurance Agency

Genci Mamani  
*General Director*

#### The Association of German Banks – The Deposit Protection Fund of the Association of German Banks

Dirk Cupei  
*Managing Director, Financial Stability and  
Deposit Insurance*

#### Australian Prudential Regulation Authority

Chris Gower  
*General Manager, Resolution & Enforcement*

#### Autorité des marchés financiers (Québec, Canada)

Patrick Déry  
*Superintendent, Solvency*

#### Azerbaijan Deposit Insurance Fund

Vugar Abdullayev  
*Executive Director*

#### Banco de Guatemala como Administrador del Fondo para la Protección del Ahorro

Oscar Roberto Monterroso Sazo  
*General Manager*

#### Bangladesh Bank

Ahmed Jamal  
*Deputy Governor*

#### Bank Deposit Guarantee Fund (Romania)

Petre Tulin  
*Chief Executive Officer*

#### Bank Deposit Security Fund of Sudan

Abdel Gadir Mohamed Ahmed Salih  
*Chairman and General Manager*

#### Bank Guarantee Fund (Poland)

Zdzisław Sokal  
*President of the Management Board*

#### Barbados Deposit Insurance Corporation

Arlita John  
*Chief Executive Officer*

#### Brunei Darussalam Deposit Protection Corporation

Tracy Chong Kun Ling  
*Senior Manager*

#### Bulgarian Deposit Insurance Fund

Matey Matev  
*Chairman of the Management Board*

#### Canada Deposit Insurance Corporation

Dean Cosman  
*Executive Vice-President and Chief Risk  
Officer*

#### Central Deposit Insurance Corporation (Chinese Taipei)

William Su  
*President*

#### Corporación de Protección del Ahorro Bancario (Uruguay)

Hugo Libonatti  
*Vice-President*

#### Corporación del Seguro de Depósitos (Ecuador)

Lorena Freire  
*President of the Board*

#### Credit Union Deposit Insurance Corporation of British Columbia (Canada)

Stanley Chang  
*Acting Executive Director, Deposit  
Insurance, and Chief Financial Officer*

#### De Nederlandsche Bank (Netherlands)

Sven Stevenson  
*Policy Coordinator, Deposit Insurance*

#### Deposit Guarantee and Investor Compensation Foundation PCC (EAS Liechtenstein)

Rafik Yezza  
*Managing Director*

#### Deposit Guarantee Fund (Ukraine)

Kostyantyn Vorushylin  
*Managing Director*

#### Deposit Guarantee Fund of Finland

Tuija Taos  
*Director General, Financial Stability  
Authority of Finland*

#### Deposit Guarantee Fund of Rwanda

Olivier Ngenzi Musengimana  
*Manager, Deposit Guarantee Fund*

#### Deposit Insurance Agency (Russian Federation)

Nikolay Evstratenko  
*Director, International Cooperation*

#### Deposit Insurance Agency (Serbia)

Vladimir Šarić  
*Chairman of the Executive Board*

#### Deposit Insurance and Credit Guarantee Corporation (India)

Malvika Sinha  
*Chief Executive Officer*

#### Deposit Insurance Board of Tanzania

Richard Malisa  
*Acting Director*

#### Deposit Insurance Corporation (Trinidad and Tobago)

Michelle Rolingson-Pierre  
*General Manager*

#### Deposit Insurance Corporation of Japan

Katsunori Mikuniya  
*Governor*

#### Deposit Insurance Corporation of Mongolia

Bum-Erdene Khariyu  
*Chief Executive Officer*

#### Deposit Insurance Corporation, Central Bank of The Bahamas

Karen V. Rolle  
*Manager of the Bank Supervision Department,  
Member of the Board of Management*

#### Deposit Insurance Fund of Kosovo

Violeta Arifi-Krasniqi  
*Managing Director*

#### Deposit Insurance of Vietnam

Nguyen Quang Huy  
*Chairman*

#### Deposit Protection Agency (Thailand)

Satorn Topothai  
*President*

#### Deposit Protection Agency of the Kyrgyz Republic

Erkebai Murzabekov  
*Executive Director*



## Annex I – Participants as of 31 March 2019

### **Deposit Protection Corporation (Zimbabwe)**

Vusilizwe Vuma  
*Legal Counsel and Corporate Secretary*

### **Deposit Protection Corporation Pakistan**

Lubna Farooq Malik  
*Managing Director*

### **Deposit Protection Fund (Montenegro)**

Predrag Marković  
*Director*

### **Deposit Protection Fund of Uganda**

Julia Clare Olima Oyet  
*Chief Executive Officer*

### **Depositor's Insurance Fund (Libya)**

Abuzed Ramadan El-Sharif  
*Deputy General Manager*

### **Einlagensicherung AUSTRIA (ESA) / DGS Austria**

Stefan Tacke  
*Managing Director*

### **esisuisse (Switzerland)**

Gregor Frey  
*Chief Executive Officer*

### **Federal Deposit Insurance Corporation (USA)**

Diane Ellis  
*Director, Division of Insurance and Research*

### **Financial Market Guarantee System (Czech Republic)**

Renáta Kadlecová  
*Chairperson of the Management Board and  
Managing Director*

### **Financial Services Compensation Scheme (United Kingdom)**

Alex Kuczynski  
*Chief Corporate Affairs Officer*

### **Fonds de Garantie des Dépôts Bancaires (Algeria)**

Sebhi Meftah  
*General Manager*

### **Fondo de Garantía de Depósitos – Banco Central del Paraguay**

Diego Duarte Schussmuller  
*Board Member*

### **Fondo de Garantía de Depósitos de las Instituciones Financieras (Nicaragua)**

Rolando José Sevilla Boza  
*President*

### **Fondo de Garantías de Entidades Cooperativas (Colombia)**

Oscar Mauricio Valencia  
*Director-in-charge*

### **Fondo de Garantías de Instituciones Financieras (Colombia)**

N/A

### **Fondo de Seguro de Depósitos (Peru)**

Carlos Carrion Marotta  
*President*

### **Fondo de Seguro de Depósitos (Honduras)**

César Ferdinando Carranza Euceda  
*Executive President*

### **Fonds de Garantie des Dépôts dans l'Union Monétaire Ouest Africaine (FGD-UMOA)**

Habib Soumana  
*General Manager*

### **Fonds de Garantie des Dépôts et de Résolution (France)**

Thierry Dissaux  
*Chief Executive Officer*

### **Fundo Garantidor de Créditos (Brazil)**

André Arantes Loes  
*Chief Executive Officer*

### **Fundo Garantidor do Cooperativismo de Crédito (Brazil)**

Lúcio César de Faria, Executive Director  
*Cláudio Luis Medeiros Weber, Director of  
Monitoring and Supervision*

### **Ghana Deposit Protection Corporation (GDPC)**

Ignatius Martin Kojo Wilson  
*Officer in Charge*

### **Guarantee fund for financial services (Belgium)**

Michèle Casteleyn  
*Head*

### **Guernsey Banking Deposit Compensation Scheme**

Richard L. Denton  
*Chair*

### **Hong Kong Deposit Protection Board**

Daryl Ho  
*Chief Executive Officer*

### **Icelandic Depositors' and Investors' Guarantee Fund**

Brynjar Kristjánsson  
*Managing Director*

### **Indonesia Deposit Insurance Corporation**

Fauzi Ichsan  
*Chief Executive Officer*

### **Institut National de Garantie des Dépôts (Lebanon)**

Khater Abi Habib  
*Chairman and General Manager*

### **Instituto de Garantía de Depósitos (El Salvador)**

Ana Graciela Trejo Padilla  
*President*

### **Instituto para la Protección al Ahorro Bancario (Mexico)**

Gabriel Limón  
*Executive Secretary*

### **Interbank Deposit Protection Fund (Italy)**

Giuseppe Boccuzzi  
*General Director*

### **Iran Deposit Guarantee Fund**

Mohammad Talebi  
*Chief Executive Officer*

### **Jamaica Deposit Insurance Corporation**

Antoinette McKain  
*Chief Executive Officer*

### **Jersey Bank Depositors' Compensation Board**

Harry McRandle  
*Secretary to the Board*

### **Jordan Deposit Insurance Corporation**

Mu'taz I. Barbour  
*Director General*

### **Kazakhstan Deposit Insurance Fund**

Nurlan Abdrakhmanov  
*Chairman*

### **Kenya Deposit Insurance Corporation**

Mohamud A. Mohamud  
*Chief Executive Officer*

### **Korea Deposit Insurance Corporation**

Seongbak Wi  
*Chairman and President*

### **Malaysia Deposit Insurance Corporation**

Rafiz Azuan Abdullah  
*Chief Executive Officer*

### **National Deposit Insurance Fund of Hungary**

András Kómár  
*Managing Director*

## Annex I – Participants as of 31 March 2019

### **Nigeria Deposit Insurance Corporation**

Umaru Ibrahim  
*Managing Director and Chief Executive Officer*

### **The Norwegian Banks' Guarantee Fund**

Sonja Lill Flø Myklebust  
*Director*

### **Palestine Deposit Insurance Corporation**

Zaher Hammouz  
*General Manager*

### **Philippine Deposit Insurance Corporation**

Roberto Tan  
*President and Chief Executive Officer*

### **Saudi Arabian Monetary Authority – Depositors Protection Fund**

Fahad Alshathri  
*Saudi Arabian Monetary Authority's Deputy Governor for Supervision*  
*Vice Chairman of Depositors Protection Fund Governance Committee*

### **Savings Deposit Insurance Fund of Turkey**

Muhiddin Güral  
*Chairman and President*

### **Seguro de Depósitos Sociedad Anónima (Argentina)**

Alejandro López  
*Chief Executive Officer*

### **Singapore Deposit Insurance Corporation**

Denise Wong  
*Chief Executive Officer*

### **Société Marocaine de Gestion des Fonds de Garantie des Dépôts Bancaires (Morocco)**

Lhassane Benhalima  
*General Manager*

### **State Agency for Deposit Insurance and Bank Resolution (Croatia)**

Marija Hrebac  
*General Manager*

### **Swedish National Debt Office**

Helena Persson  
*Deposit Guarantee Manager*

### **TEKE (Hellenic Deposit & Investment Guarantee Fund, Greece)**

Georgia Karageorgi  
*Director*

## ASSOCIATES

### **Auditing Association of German Banks**

Thorbjörn Karp  
*Member of the Board*

### **Bangko Sentral ng Pilipinas (Philippines)**

Chuchi G. Fonacier  
*Deputy Governor of the Financial Supervision Sector*

### **Bank Al-Maghrib (Morocco)**

Hiba Zahoui  
*Manager of the Division of Banking Supervision*

### **Bank of Algeria**

Mohamed Loukal  
*Governor*

### **Bank of Mauritius**

Yandraduth Googoolye  
*Governor*

### **Bank of Uganda**

Charles Rikky Owiny Okello  
*Director, Non-Bank Financial Institutions Department*

### **Ministry of Finance**

**Government of the British Virgin Islands**  
Glenroy A. Forbes  
*Financial Secretary, Ministry of Finance*

### **National Bank of Cambodia**

Em Kamnan  
*Director of Legal Department*

### **National Treasury (South Africa)**

Roy Havemann  
*Chief Director, Financial Markets and Stability*

### **South African Reserve Bank**

Nicola Brink  
*Head, Resolution Planning, Financial Stability Department*

### **Qatar Central Bank**

His Excellency Sheikh Mohammed Bin Hamad Al-Thani  
*Deputy Governor*

## PARTNERS

### **Alliance for Financial Inclusion (AFI)**

Alfred Hannig  
*Executive Director*

### **Asian Development Bank Institute (ADBI)**

Naoyuki Yoshino  
*Dean and Chief Executive Officer*

### **Association of Supervisors of Banks of the Americas (ASBA)**

Rudy V. Araujo Medinacelli  
*Secretary General*

### **Centro de Estudios Monetarios Latinoamericanos (CEMLA)**

Fernando Tenjo Galarza  
*General Director*

### **Consultative Group to Assist the Poor (CGAP)**

Timothy Lyman  
*Lead Policy Officer*

### **European Bank for Reconstruction and Development (EBRD)**

TBA

### **European Forum of Deposit Insurers (EFDI)**

Thierry Dissaux – *Chairman*  
Andras Fekete-Györ – *Secretary General*

### **Inter-American Development Bank (IADB)**

Kurt Focke  
*Division Chief, Capital Markets and Financial Institutions*

### **International Monetary Fund (IMF)**

Marina Moretti – *Division Head, Financial Crisis Preparedness and Management*  
Marc Dobler – *Deputy Division Head, Financial Crisis Preparedness and Management*

### **SEACEN Centre**

Hans Genberg  
*Executive Director*

### **Toronto International Leadership Centre for Financial Sector Supervision**

Babak Abbaszadeh  
*President and CEO*

### **World Bank**

Danilo Palermo  
*Senior Financial Sector Specialist*

### **Union of Arab Banks**

Wissam H. Fattouh, Secretary General  
*Feda Al Hajar (Jordan office)*

### **US Department of the Treasury, International Affairs, Office of Technical Assistance**

Vilma Rosa Leon-York  
*Adviser – Deposit Insurance Systems*

# Annex II – Proceedings from the 17th IADI Annual Conference “Deposit Insurance and Financial Stability: Recent Financial Topics”, Basel, Switzerland (18 October 2018)



## Welcome and introduction

Secretary General David Walker welcomed participants to the IADI 2018 Annual Conference, which brought together participants from all over the world and encompassed a vast array of stakeholder groups. The conference's theme was highlighting developments and challenges associated with deposit insurance and financial stability. This was shaped by three key objectives: to offer a global perspective on the key challenges that exist; to encourage the active exchange of ideas and dialogue; and to get to know, and share experiences with, others in the field of deposit insurance.

The Secretary General welcomed two eminent keynote speakers joining the Conference – Agustín Carstens, General Manager of the BIS, and Jelena McWilliams, Chairman of the FDIC, and thanked them for their participation.

## Opening address

IADI President and Chair of EXCO, Katsunori Mikuniya, welcomed all participants to the Conference. He expressed special gratitude to the keynote speakers Agustín Carstens and Jelena McWilliams, and visitors from international organisations including the IMF, the OECD and the World Bank.

He began his speech by summarising the achievements of the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS), and how their various initiatives have provided a regulatory environment that complements the efforts of deposit insurers. Fundamental was the joint effort of IADI and the BCBS on establishing the IADI Core Principles, which continue to provide an essential framework for deposit insurance systems.

He talked about the strategic objectives of IADI: promoting deposit insurance system

compliance with the Core Principles; increasing the capacity for research; and looking at opportunities to provide additional technical assistance to Members. These objectives will in part be guided by the efforts of the IADI Working Group on New Funding Options as it considers and advises on emerging funding requirements.

## Keynote address

BIS General Manager Agustín Carstens reiterated the benefit of IADI being hosted at the BIS in terms of facilitating close collaboration between standard-setting bodies.

Carstens emphatically stated that “deposit insurance is an important pillar of trust.” This however does not mean that deposit insurers should act alone. Deposit insurance systems should seek to address systematic risks to the financial system in conjunction with other tools, and this highlights the need for ongoing coordination and communication between organisations. They should also be conscious of moral hazard considerations and ensure that systems are well designed so as to exclude adverse incentives.

Reflecting on the post-Global Financial Crisis (GFC) period, he noted the increase in deposit insurance coverage that occurred in order to mitigate negative repercussions on the financial system. The revisions to the IADI Core Principles brought necessary improvements to established ideals, particularly framed within a global environment of increased interlinkages.

On the emergence on Fintech, Carstens suggested that both challenges and opportunities have arisen. This occurs within the context of the potential spillover of liquidity concerns from the non-traditional to the traditional banking sector. There is a need to understand how the IADI Core Principles should apply in the non-traditional banking

sector, in which many start-ups are now offering bank products and functions without deposit insurance protections. While Fintech poses a great challenge for deposit insurance systems, it has been coupled with vast improvements to data access which will drive new research and enable further tuning of policy settings.

## Panel Session 1: Recent financial topics from a global perspective

**Moderator: Giuseppe Boccuzzi, General Director, Interbank Deposit Protection Fund, Italy**

Giuseppe Boccuzzi commenced his speech by saying that after the GFC the regulators responded promptly to address vulnerabilities, introducing a wide range of macro- and microprudential tools. As a result, the financial safety-net (FSN) has been reinforced. However, “when a crisis happens we start to fight it with the weapons forged in the previous crises”, and time to adapt is needed. The recent financial discourse seems to have focused on reviewing the reforms put in place globally and locally. Such a review has three stages: vision, provision, and revision.

In the near-meltdown of the global financial system, the global community scrambled to find a vision of a system that would ensure that a similar crash would not occur for a long time. That vision was then transformed into a provision via laws and regulations. One of the major areas for testing over recent years has been the treatment of banking crises with the new resolution tools. Testing had revealed that things were not going exactly according to plan, or that other measures were necessary. As a result, many aspects of the reform are now under scrutiny – we have entered a period of revision. Mr Boccuzzi then gave the floor to the panellists, asking them whether, despite the significant progress with the resolution principles, objectives and tools, they were sure that the new resolution framework is well designed.

**Speaker: Eva Hüpkes, Adviser, Regulatory Policy and Cooperation, Financial Stability Board**

At the beginning of her speech, Eva Hüpkes reminded the audience that the GFC demonstrated that large financial institutions could not be resolved in a manner which maintained the continuity of critical functions



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## **Annex II – Proceedings from the 17th IADI Annual Conference “Deposit Insurance and Financial Stability: Recent Financial Topics”, Basel, Switzerland (18 October 2018)**

and without exposing taxpayers to the risk of loss. Ms Hupkes then set herself the task of answering the following three questions: what has changed since the GFC; what has not changed; and what remains to be done. She cited several achievements to date, including the establishment of resolution authorities in most G-SIB home and key host jurisdictions, with powers and tools to resolve systemic financial institutions while maintaining the continuity of functions critical for financial stability; a new paradigm built around resolution planning through Crisis Management Groups (CMGs); and G-SIB resolvability monitoring through the FSB Resolvability Assessment Process (RAP).

On a negative note, there was some remaining uncertainty around the cross-border enforceability of resolution actions, with the balance between locally prepositioned (‘internal TLAC’) and centrally managed (‘surplus TLAC’) resources yet to be determined for many G-SIBs; there is a lack of adequate public information to gauge firms’ resolvability in the market; finally, many jurisdictions still lack some or all the powers and tools needed to resolve systemic firms (reference was made to the FSB 2018 Resolution Report, which was published the following month). Reflecting on the things remaining to be done, she noted the need to continue building a system that is transparent and perceived by all stakeholders as allocating losses fairly by balancing flexibility and certainty. Cross-border challenges should be addressed through continued close cooperation and coordination amongst home and host authorities, and reforms should be extended beyond G-SIBs.

**Speaker: Marlon Rolston Rawlins, Financial Sector Specialist, Finance & Markets Global Practice, World Bank**

Marlon Rawlins started his speech with the impressive fact that the GFC is estimated to have cost the United States alone more than USD 22 trillion. Against this background, the work the World Bank has been doing in respect of financial stability as well as regulation and supervision is just a fraction of the cost of the GFC. Stating that weak FSNs lead to deeper and longer recessions, he outlined four key components of the FSN: prudential regulation and supervision, emergency liquidity assistance (lender of last resort), deposit insurance systems, and bank resolu-

tion. While these elements serve different purposes, they all contribute to the objective of minimising adverse impacts arising from distress or failure; it is critical that all components should work in concert. An FSN is only as strong as its weakest component, and so the World Bank continues to work across all the FSN elements.

He went on to group the work of the World Bank into three main categories. First, supporting jurisdictions with diagnostics and assessments against international standards and best practices (on a standalone basis or as part of the Financial Sector Assessment Program together with the IMF). The focus of the assessment is to highlight gaps and challenges that jurisdictions are facing in meeting international standards. Second, technical assistance is provided to strengthen the legal, institutional, regulatory and supervisory frameworks surrounding the FSN. Crisis simulation exercises are a key element here, with more than 40 already performed at both domestic and cross-border/regional levels. Third, lending operations are performed to support the strengthening of the FSN.

Reflecting on the role of deposit insurance, he suggested that it is not a cure for a weak banking system but should rather be introduced when the system is stable. In practice, quite often the announcement of a DIS’s establishment serves as a policy response to a weak banking system and is used to boost public confidence. In conclusion, he noted that the authorities in charge need to strengthen the policies and arrangements in respect of emergency liquidity assistance (ELA); strengthen bank resolution frameworks in broad alignment with the FSB Key Attributes; develop and strengthen DISs in line with the IADI Core Principles; and enhance cooperation and coordination.

**Speaker: Jan Nolte, Senior Financial Sector Expert, Financial Crisis Preparedness & Management Division, International Monetary Fund**

Jan Nolte started his presentation by recommending the recent IMF Technical Note “Resolution Funding: Who pays when financial institutions fail?”, by Oana Croitoru, Marc Dobler and Johan Molin, which was published in August 2018. He continued by identifying the pros and cons of establishing a separate resolution fund – an area with no ‘silver bullet’. IMF staff typically do not

recommend establishing a separate resolution fund, particularly in simple deposit-funded financial systems, and in jurisdictions where national savings are scarce. If the DIF is funded ex post or underfunded, priority should be given to increasing the DIF’s resources and making it available to fund bank resolutions (subject to safeguards). Where there is a preference for setting up a resolution fund, it may be advisable to select an ex post arrangement.

Touching upon the safeguards to enhance the resolution fund’s credibility as well as to mitigate moral hazard, Mr Nolte stressed the importance of having a resolution framework with clearly specified powers and roles, as well as triggers for the use of the fund. Losses should be first imposed on the shareholders and creditors, to the extent possible, before the resolution fund is used. Risk-based contributions should be introduced so that riskier or more systemically important institutions pay more than others; and an institution in resolution should be viable afterwards.

**Speaker: Sebastian Schich, Principal Economist, Directorate for Financial and Enterprise Affairs, OECD**

Sebastian Schich commenced his speech by suggesting that as a result of the policy response to the GFC, there has been a qualitative change in the FSN; a new function of ‘guarantor of last resort’ has been added in a more or less explicit form. This includes the temporary extension of deposit guarantee coverage limits, DIS backing by public institutions, and the introduction of DISs in jurisdictions where they had not previously existed. At present, there are attempts to withdraw that function as part of the financial regulatory reform.

He then referred to the conclusion reached by the OECD’s Committee on Financial Markets that the addition of a ‘guarantor of last resort’ function was necessary to avoid the worst outcome; however, it was not costless. In particular, perceptions that banks benefit from an implicit guarantee have been reinforced. Such perceptions are obviously undesirable as they imply that the financial costs to the bank are artificially lowered, market discipline is weakened and too much risk-taking is encouraged. Policymakers have therefore been trying to target such perceptions.



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## Annex II – Proceedings from the 17th IADI Annual Conference “Deposit Insurance and Financial Stability: Recent Financial Topics”, Basel, Switzerland (18 October 2018)

In 2014, the Committee undertook a survey of self-assessments among OECD member countries on the issue of how financial regulatory reform is expected to affect the value of implicit guarantees. Mr Schich described the three basic possibilities for reducing the value of an implicit guarantee: first, simply make the bank stronger; second, strengthen the capacity to withdraw the ‘guarantor of last resort’ function; third (and rather conceptually), levy a kind of user fee in order to disincentivise the use of this type of guarantee (e.g. by stimulating banks to become less systemically important).

He concluded by noting that despite the significant progress made by most jurisdictions in terms of resolution regimes, there is evidence suggesting that the value of implicit guarantees remains substantial, though it has declined. Moreover, empirical work on determinants of that value reveals the persistence of undesirable links (e.g. credit strength of bank home jurisdiction, role of domestic failure resolution regimes and practices). The ‘guarantor of last resort’ function might not yet have been withdrawn – thus, bail-in might not yet be fully credible.

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### Keynote address

The Chairman of the Federal Deposit Insurance Corporation, Jelena McWilliams, commenced her speech by praising IADI for its many achievements during a relatively short period of time. She spoke about her family’s experience in the former Yugoslavia, where their entire family savings were lost when the economy collapsed in the 1990s. For this reason, the mission statements of the FDIC and the Association personally resonate with her.

She urged IADI Members to advantage of IADI and its training resources to help them achieve full compliance with the Core Principles. She noted that international standard setters recognise that effective deposit insurance systems are paramount to financial stability. This is evidenced by the fact that jurisdictions that had well-established deposit insurance systems prior to the most recent financial crisis fared much better than those without. Despite this evidence, deposit insurance systems are not fully in place around the world.

To IADI Members, Chairman McWilliams urged that they take advantage of IADI and its training resources to assist in achieving

full compliance with the Core Principles. She noted that the FDIC believes the training function is important enough to devote its own resources to the cause, including by providing leadership for the Training and Conference Technical Committee. However, the Members alone cannot provide the continuity, coordination and institutional memory that is required for a successful organisation, and she therefore urged Members to provide additional resources to the Secretariat.

In ending her speech, Chairman McWilliams noted that transparency is important to a fully compliant deposit insurance system. She noted that the FDIC ‘Trust through Transparency’ initiative was her first major priority as FDIC Chairman: “Core Principles compliance and transparency are essential ingredients for building and maintaining the public trust that is the heart and soul of our common mission as deposit insurers”.

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### Panel Session 2 – Recent Financial Topics from a Deposit Insurer’s Perspective

**Moderator: Thierry Dissaux, Chair of the Management Board, FGDR, France and Chair, European Forum of Deposit Insurers**

Thierry Dissaux began the session by briefly mentioning that the session’s speakers were geographically diversified. He introduced each speaker to make full use of their allocated 12 minutes of speaking time to include a question and answer session.

**Speaker: William Su – Chairperson of IADI APRC / President of CDIC, Chinese Taipei**

William Su’s presentation was divided into three main sections: 1. Challenges from the global perspective; 2. Challenges to the Asia-Pacific Region; and 3. Conclusion and recommendations.

On the global challenges, he stated that it was time to say goodbye to the goldilocks economy, as we were currently facing extreme uncertainty across the world. These challenges are imminent as interest and inflation rates have been increasing recently, while economic growth is becoming more volatile. Moreover, we also see increasing risks of both global trade wars and rising debt problems, and all of these risks may undermine international financial stability.

With respect to the Asia-Pacific region, he indicated that the situation might be worse

than at the global level. This was because some jurisdictions in the region have been impacted by the side-effects of the exit from quantitative easing. Other indications include foreign exchange devaluation; falling stock markets; rising debt/GDP ratios; and increased interest rates.

Mr Su also identified challenges and risks in the banking industry in 2018 and 2019 (based on a survey of APRC members), namely: increasing cyber-attacks, decreasing economic growth rates, and rising NPL ratios. For DIAs in the APRC, according to the same survey, the challenges and issues are: low level of public awareness on deposit insurance systems (70% of DIAs in the Asia-Pacific region have a public awareness ratio below 75%), limited mandates, and inadequate cooperation with other relevant government agencies.

He also mentioned recent enhancements in the region, made by both supervisors and DIAs. He concluded with some recommendations for domestic financial safety-net members, including precautionary measures by the government aimed at reducing fiscal deficit, preventive supervisory policies and precautionary risk measures by deposit insurers.

**Speaker: Alex Kuczynski – Chief Corporate Affairs Officer, FSCS, United Kingdom**

Alex Kuczynski started his presentation by discussing some issues related to the recent financial topics from the FSCS perspective. On the first issue, access to liquidity, he mentioned that the UK is adopting a hybrid model between a *pay as you go* regime and a prefunded regime. Every year, the FSCS estimates the need for funds to cover deposits in failing banks. In most years, GBP 10–20 million per bank is needed to cover a small but consistent flow of credit union failures. This is apart from the annual levy limit – amounting to GBP 1.5 billion. If the fund is running short during the year, an overdraft facility is available, while still waiting on raising the levy facility. The FSCS also uses a revolving credit facility (amounting to GBP 1.5 billion), which is agreed by the market with a selection of lenders of 10–15 banks (to be renewed annually), but is a one-year facility which has to be repaid within a year. If that is not enough, the FSCS may address the government and ask that the prefund set aside under the EU Deposit Guarantee Scheme Directive

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## Annex II – Proceedings from the 17th IADI Annual Conference “Deposit Insurance and Financial Stability: Recent Financial Topics”, Basel, Switzerland (18 October 2018)

(DGSD) rules be provided to it, although this has to be repaid. If that is still not enough, the FSCS may ask for additional funds under the scheme of Non-Directive Funds (NDF) as they are not part of the DGSD.

In November 2018, the FSCS joined up with the authorities in the UK (including the Treasury Debt Management Office and the Bank of England) to conduct an exercise on how the access to money works in reality. The aim was also to achieve compliance with the European Stress Test Guidelines.

Mr Kuczynski mentioned the importance of recoveries, as the FSCS needs to get back from the estate or the third parties as much as it can, in order to repay either lenders or the levy payers. The FSCS has the advantage of being a preferred creditor under both UK and EU legislation.

On issues relating to Brexit, he quoted from a statement from the Prime Minister, and stated that this is a very open issue in the UK, as there are various perceptions and the outcome was currently uncertain. Obtaining agreement may be a lengthy process and we may see an extended transitional period. From a pure deposit insurance perspective, the main issue will be cross-border depositor protection, because currently the FSCS protects depositors across the EU if they bank with branches of UK banks. Similarly, within the UK there are depositors protected by EU counterparts if they bank with the counterpart EU banks based in the UK.

**Speaker: John Chikura – Former CEO, Deposit Protection Corporation of Zimbabwe, and Former Chair, IADI Africa Regional Committee**

John Chikura spoke about providing or extending deposit insurance to a financially linked deposit, i.e. in the area of Fintech. He focused on deposit insurance from the Africa region's perspective. The issue of Fintech can be generally defined as the emergence of technology and innovative ways to provide financial services that ordinarily were offered through traditional means, e.g. cryptocurrencies and mobile money (with more focus on mobile money). The increase in the usage of mobile technology and its acceptance has opened a window for new delivery channels for financial services, as well as a new suite of financial product offerings. These develop-

ments create both opportunities and risks or difficulties for deposit insurance systems.

Mr Chikura began with the question of whether there is a business case for protecting Fintech deposits or products. There is a business case that makes protection of these e-banking products a justifiable initiative. This is in line with efforts to promote financial inclusion, including proving access for the unbanked public. Such products are mostly used by small depositors.

Based on experiences in the Africa region, he concluded that in order to ensure a robust framework for covering Fintech products, the legislation should contain clauses that address issues of:

- Fund isolation – providers are required to create trust accounts in a bank where they store customer funds. The beneficiaries will be the e-money customers.
- Fund safeguarding – providers are prohibited from using the funds to finance business expenses; they may use funds as collateral and extend credit, but only to repay customers wanting to cash out.
- Minimising operational risk – There is need for auditing (the provider should audit agents' accounts) and active monitoring to enforce terms on behalf of clients.

**Speaker: Juan Carlos López – Head of Communication and Corporate Affairs, Fondo de Garantías de Instituciones Financieras (FOGAFIN), Colombia**

Mr López talked about deposit insurance and bank failure resolutions. He started with the question of who should resolve failing banks. What is the optimal design? Who should resolve all the political influences that the resolution authority faces during periods of financial distress? Finally, who can minimise conflicts of interest, especially from the perspective of deposit insurance agencies (both public and private), as well as from the perspective of banking supervisors and the central bank?

He mentioned that a comparative analysis performed by FOGAFIN using IADI data revealed that there were ten deposit insurers (in Slovenia, Finland, Japan, Trinidad and Tobago, Bulgaria, Ukraine, the Czech Republic, Peru, Singapore and Estonia) that in 2012 had no input in the decision-making process concerning the resolution of failing member

institutions, and that these deposit insurers were now showing greater involvement in decision-making.

FOGAFIN analysed their mandates and found that eight out of these ten deposit insurers increased their role in resolution from 2012 to 2016. FOGAFIN also analysed the size of the DIS resolution fund. There appears to be a positive correlation between an increase of mandates and an increase of funding. FOGAFIN then explored the roles that the DIS has taken in resolving failing member institutions. The analysis of this phase show that: the numbers are closely aligned with an increase in the number of deposit insurers who responded that they have “no input but are obligated to participate in resolution funding”; there has been a decrease in the number of DIAs stating that they have “no input or responsibility in resolution funding”; and more DIAs are obligated to participate in the resolution exercise, typically with higher a DI fund/eligible deposits ratio.

Mr López closed his presentation by stating that the correlation between the current resolution environment and the topic under discussion is reflected in the increased participation of DIIs in resolution. However, the changing economic environment poses a challenge: would deposit insurers be prepared to assume these new roles under the new economic environment? Moreover, would these efforts be enough for deposit insurers to reconstruct or rebuild their reserves in the short term?

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### Closing remarks

**Patrick Déry, Superintendent, Solvency, Autorité des marchés financiers, Québec, Canada, set himself the task of summarising the day's events in a single sentence. He suggested “the proof of the pudding will be in the eating”, reflecting on practical experience being the key mechanism to judge the real value of deposit insurance. He reiterated that while many high-profile individuals and organisations will attempt to predict, standard setters do not know when the next crisis will occur, and would rather “sleep with their eyes open”. While there have been tremendous efforts by IADI and Members since the GFC, we do not know if these efforts will be effective. Nevertheless, he encouraged Members to explore avenues to increase compliance with the IADI Core Principles.**

## Annex III – Proceedings from the IADI Fifth Biennial Research Conference, Basel, Switzerland (23–24 May 2019)

IADI hosted its fifth Biennial Research Conference on 23–24 May 2019, at the BIS in Basel, Switzerland. The conference was titled “Towards Building a More Resilient Financial System – Challenges in Deposit Insurance and Bank Resolution” and was attended by over 200 participants from 75 jurisdictions. The conference featured eight papers chosen from 63 paper submissions received in response to a Call for Papers. Each paper was presented by the author and discussed by a discussant. The authors and discussants were from Brazil, Canada, Germany, Indonesia, Italy, Japan, Nigeria, Portugal, Switzerland, the United Kingdom and the United States. The BIS, the European Central Bank (ECB), the Financial Stability Board (FSB), and the International Monetary Fund (IMF) also contributed speakers and discussants to the conference. The key points emerging from the discussions at various sessions of the Conference are summarised below.

### Welcoming Remarks

In his remarks, IADI Secretary General David Walker stressed that a large number of high-quality research papers were received for the conference and from these the eight most relevant papers for the conference were selected. The research offered a diverse range of perspectives on issues of critical importance to deposit insurers and resolution authorities, including the impact of financial crisis on credibility and confidence in deposit insurance systems; bank recapitalisation and risk-shifting in a crisis environment; deposit insurance pricing and its impact on interbank lending behaviour; as well as research into shadow banking, private deposit insurance, the European Deposit Insurance Scheme (EDIS) and bank insolvency regimes.

### Opening Remarks

Katsunori Mikuniya, IADI President and Governor of the Deposit Insurance Corporation of Japan, delivered opening remarks stating that each jurisdiction’s mechanism to respond to financial crises has been established through the actual need to deal with real financial difficulties. The more financial transactions are developed, complicated and globalised, the more new challenges are faced. An actual crisis sometimes emerges unexpectedly in a new manner. President Mikuniya emphasised that good supervision

and effective resolution and DIS regimes could prevent and mitigate such impacts and play an important role in keeping the economy resilient.

### Keynote Address

Stijn Claessens, Head of Financial Stability Policy and Deputy Head of the Monetary and Economic Department, BIS, delivered the keynote address. He reviewed lessons on crisis management from earlier crisis episodes. He said that there are patterns behind crises, with overlaps in banking, currency and sovereign crises. But crises are hard to identify. While each crisis has been unique, with different policy choices and outcomes, there is commonality in the causes. However, the global financial crisis was more global in nature, required much larger liquidity support, and monetary and fiscal policy responses which were more accommodative. Bank recapitalisations, additional guarantees and enhanced deposit insurance coverage levels played a big role. The real effects of crises were thus mitigated.

While vulnerabilities can be reduced, crises are still likely to recur. He highlighted the need to plan ahead for such cases, including in terms of resolution, not only as regards individual banks but also the banking system as a whole. He emphasised that deposit insurance serves multiple goals for a single bank and is also important in systemic crises. While there is still more to be learned, especially on resolution, an important lesson has been that the speed of resolution can be more demanding than in the past.

### Paper 1: The importance of deposit insurance credibility

**Chair:** Claudio Borio, Head of the Monetary and Economic Department, BIS

**Author:** Diana Bonfim, Banco de Portugal and João A. C. Santos, Federal Reserve Bank of New York

**Discussant:** Cathérine Koch, Economist, MED Financial Systems and Regulation, BIS

Diana Bonfim presented her paper, which looks at two specific events during the euro area sovereign debt crisis that threatened the credibility of deposit insurance. One event relates to the transformation of foreign bank subsidiaries into branches and the other is the bailout in Cyprus. She explained that

their research offers insight into the sensitivity of depositors to sovereign risk and how uncertainty in deposit insurance affects depositor behaviour.

She concluded that depositors actively react to events that raise doubts about the credibility of deposit insurance. Depositors value the security of foreign deposit insurance, with total, household, and corporate deposits all increasing when foreign subsidiaries convert to branches. Banks’ soundness also plays a role: depositors take their money away from smaller, less profitable and less liquid banks. The paper also reveals that the reaction from depositors is stronger for household deposits, as the fraction of insured depositors is much larger for households than for firms. A key policy implication of the paper is that without a complete EU Banking Union, the sovereign-bank link is still present.

Discussant Cathérine Koch complimented the paper, particularly with respect to the use of microdata and direct policy relevance. She felt the rich dataset could be further exploited e.g. to infer differences experienced by domestic/foreign and/or mutual/commercial banks. There could be further consideration given to additional differential effects that may support the identification exercise. Finally, future work may consider reallocation effects that can emerge when depositors shift towards alternative financial instruments, prefer cash holdings, or move money offshore.

### Paper 2: The spillover effects of forced bank recapitalisations and government guarantees

**Chair:** Claudio Borio, Head of the Monetary and Economic Department, BIS

**Author:** Arun Gupta, Yale School of Management

**Discussant:** Jean Roy, Professor, HEC Montréal and IADI Advisory Panel Member

Arun Gupta investigates the response of bank holding companies to the enforcement of subsidiary-level capital requirements. He explained the main hypothesis of the paper: when subsidiary-level capital requirements are imposed due to market frictions and imperfections, bank holding companies will be reluctant to issue new shares and will respond by transferring capital from high capital subsidiaries to undercapitalised ones



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and reducing assets or asset growth. The 1989 announcement of the United States Cross-Guarantee Authority is used to test the hypothesis. This announcement saw corporations making decisions about the capitalisation of weak subsidiaries which presented spillover effects on sibling lending.

He concluded that well-capitalised bank conglomerates shift risk onto the deposit insurance fund by strategically undercapitalising weak subsidiaries, and through a general reluctance to inject equity via issuing shares externally. The application of these findings to G-SIBs highlights the value of international policy coordination. Unilateral policy actions to protect national deposit insurance funds can lead to negative spillover effects on the credit growth of siblings in foreign jurisdictions.

Discussant Jean Roy felt the paper had a well-stated hypothesis that was tested using accounting data with a sufficiently large sample, and supported by sound econometric methodology. The paper's conclusion that there is a relationship between higher capital requirements and lower credit supply is not new. It is, however, the first paper to identify internal capital market and lending spillover effects that occur when parent holding companies are pressured to recapitalise weak subsidiaries. Further exploration of existing literature and articulation of the paper's relative contribution would be valuable.

### Paper 3: Deposit insurance premiums and arbitrage

**Chair:** Diane Ellis, Director, Division of Insurance and Research, FDIC, USA

**Author:** Edward Kim, UCLA Anderson School of Management and Marcelo Rezende, Board of Governors of the Federal Reserve System, USA

**Discussant:** Giovanni Calice, Associate Professor of Finance, School of Business and Economics, Loughborough University

Marcelo Rezende estimates the effects of deposit insurance premiums on bank demand for reserves and on interbank lending in the federal funds market. The paper is in part motivated by important links between deposit insurance and monetary policy implementation tools. He explained that the causation between premiums and reserve demand is established via exploiting a kink in

the FDIC's schedule of assessing premiums. The empirical strategy examines how excess reserves, federal funds sold and purchased change as the slope of the assessment rate changes at the 5 basis point minimum.

He concludes that premiums reduce demand for reserves and increase the supply of federal funds by these banks. Specifically, a 1 basis point increase in the assessment rate decreases excess reserves of the average bank in the sample from USD 5.6 million to USD 0.8 million. Optimal deposit insurance pricing may depend on the effects of insurance premiums on monetary policy implementation.

Discussant Giovanni Calice felt the paper could be improved in terms of readability and through further explanation of the methodology applied. He felt it important to emphasise the challenge of establishing causality, with so many potentially confounding dynamics at play. There was also some caution expressed concerning the generalisation of the results to all financial institutions when only a small sample of banks was studied.

### Paper 4: Private deposit insurance, deposit flows and bank lending

**Chair:** Diane Ellis, Director, Division of Insurance and Research, FDIC, USA

**Author:** Piotr Danisewicz, Chun Hei Lee, Klaus Schaeck, University of Bristol

**Discussant:** Andrew Campbell, Emeritus Professor of International Banking & Finance Law, School of Law, University of Leeds

Klaus Schaeck examines the role of unlimited private deposit insurance during a recent financial crisis. He explained the main hypothesis of the paper – whether banks with unlimited deposit insurance provided by a private deposit insurance fund receive additional deposit inflows. The research is facilitated by a case study in Massachusetts, USA during the 2008 global financial crisis, where additional (unlimited) private insurance above FDIC coverage levels was readily available subject to risk-adjusted premia. The authors combine annual branch-level deposit data on deposit volume with quarterly bank-level data for branches in Massachusetts and five surrounding states to test for significant effects.

The paper suggests that banks that purchase excess insurance for their deposits experienced additional deposit inflows and expanded lending during the recent financial crisis, relative to banks whose deposits do not receive excess insurance.

Discussant Andrew Campbell noted that private deposit insurance can be a controversial topic. He felt that very few depositors would exceed the coverage rates of FDIC insurance and hence minimise the potential impact of any private initiative. In addition, reiterating the strong reputation of the FDIC, he expressed reluctance as to whether additional private cover would be viewed favourably by the public. Regardless, he acknowledged the benefits that were observed during the global financial crisis in Massachusetts, but cautioned against generalising this result to a broader suite of scenarios.

### Panel Discussion: Deposit Insurance Fund – Uses and Safeguards

**Moderator:** Kumudini Hajra, Senior Policy and Research Advisor, IADI

#### Speakers:

- Dean Cosman, Executive Vice-President and Chief Risk Officer, CDIC, Canada
- Riccardo De Lisa, Senior Advisor, Interbank Deposit Protection Fund, Italy
- Prince Aghatise Erediauwa, Executive Director (Operations), Nigeria Deposit Insurance Corporation
- Ruth Walters, Senior Advisor, Financial Stability Institute, BIS

Moderator Kumudini Hajra presented issues on the theme of alternative uses of funds other than for payout to insured depositors of banks under liquidation. There are safeguards that can be applied to limit the overall costs of resolution and the use of deposit insurance funds.

On the question of the framework governing the use of deposit insurance funds and changes in the framework since the global financial crisis, panellists from Canada, Nigeria and Italy described the framework for resolution and deposit insurance. Dean Cosman stated that there has been no significant change since the global financial crisis in Canada but the CDIC has been given increased authority over time under the legal framework. Riccardo De Lisa described



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changes in the Italian DIS following changes in the broader European framework. Based on findings from an FSI Insights paper, Ruth Walters mentioned that insolvency regimes are not pre-designed, but continue to evolve. Prince Aghatise stated that in Nigeria, an attempt is made to follow the least disruptive approach for resolving banks, especially larger ones.

The panel also discussed safeguards such as least-cost criteria when using deposit insurance funds for bank resolution. Describing the Italian approach, De Lisa mentioned that there are direct and indirect safeguards that can be applied, and there are practical difficulties in applying least-cost criteria. Cosman stated that in Canada the focus is on preserving financial stability and minimising exposure to loss. In Canada, the central bank provides liquidity if the entity is viable. On alternative uses of deposit insurance funds, Walters spoke about emergency liquidity assistance and mentioned that deposit insurers do not have the same frameworks as central banks for assessing collateral and imposing penalties.

Panelists also shared their views regarding the benefits and limitations of having two separate funds for resolution and deposit insurance. Walters mentioned that in the EU, a resolution fund is not a choice as this is specified in the legislation. The FSB Key Attributes also call for some form of resolution funding, and deposit insurance funds could play a role in resolution funding. She added, however, that two separate funds could be a burden on smaller banking markets. De Lisa raised the issue of governance of the fund and decision-making on using it. Cosman mentioned that in Canada, there is one fund as the deposit insurer also has resolution powers. Aghatise stated that Nigeria is in the process of making legislative changes to establish a resolution fund.

### Paper 5: “Completing the Banking Union with a European Deposit Insurance Scheme: who is afraid of cross-subsidisation?”

**Chair:** Giuseppe Boccuzzi, General Director of Interbank Deposit Protection Fund, Italy

**Author:** Jacopo Carmassi, ECB; Sonja Dobbekowitz, University of Bonn; Johanne Evrard, ECB; Laura Parisi, ECB; André F. Silva, Federal Reserve Board; and Michael Wedow, ECB

**Discussant:** Dirk Cupei, Managing Director, Financial Stability and Deposit Insurance, the Association of German Banks

Jacopo Carmassi presented the findings of the joint paper, which uses a micro-level dataset on covered deposits for 2,148 euro area banks, and assesses the impact of the proposed European Deposit Insurance Scheme (EDIS) on risk-based contributions. The paper finds that both the smallest and largest banks (in terms of size of group by total assets) are actually paying a smaller contribution relative to the share of covered deposits. He explained that a better approach would be to include a minimum requirement for own funds and eligible liabilities (MREL), so that banks with the higher MREL would pay less in terms of risk-based contribution.

Carmassi added that the paper also finds that the fund size target of EDIS is sufficient to cover losses, on account of larger loss absorbency capacity built up after the crisis and the contribution of the Single Resolution Fund (SRF). On cross-subsidisation, he added that from the sample of banks (3% of which contains 65 banks and 10% contains 215 banks), only very few countries showed evidence of cross-subsidisation. He concluded that EDIS would offer large benefits in terms of enhancing confidence, avoiding crises and ensuring uniform protection of depositors, while on the other hand the risk would be very limited as regards both EDIS exposure and cross-subsidisation.

Discussant Dirk Cupei contended that the paper could be optimised by adding a comparison with stress tests on national schemes, as the level of resiliency may appear different on a standalone basis. According to the paper, the probability of losses was very low and kept on decreasing in recent years. He therefore suggested adding an aspect of liquidity support into the analysis. Cupei also questioned the rationale behind the selection of banks in the sample, as well as the significant variations of coverage level on a jurisdiction-by-jurisdiction basis. Lastly, he suggested that the paper include a preventive action perspective, given that some national DGSs within the scope of EDIS undertake measures other than just payout.

### Paper 6: “In Search of Optimal Liquidity for Deposit Insurers”

**Chair:** Giuseppe Boccuzzi, General Director of Interbank Deposit Protection Fund, Italy

**Author:** Jean Roy, Professor, HEC Montréal and IADI Advisory Panel Member

**Discussant:** Bruno Lund, Head of Research and Modelling, Fundo Garantidor de Créditos, Brazil

In his paper Jean Roy proposes a new approach to optimal liquidity practices, in addition to widely applied approaches, namely (1) liquidity and ex ante funding and (2) the liquidity-at-risk approach. The proposed approach is optimal liquidity using the inventory theory model. He introduced two new concepts; the holding cost (the cost of having liquid assets) and the stock out cost (the cost of not having these liquid assets). He then equated the expected marginal costs between the two. He defined the holding cost for liquid assets as the opportunity cost or rate of return on bank capital, less the rate of return obtained by the deposit insurer. The stock out cost for liquid assets is defined as the cost of borrowing, which is equal to the issuance cost plus interest costs.

The author uses real data from Canada’s CDIC for three sets of scenarios: actual situation, targeted situation and optimal situation. He finds that the higher the stock out cost, the higher the liquidity must be; and the higher the holding cost the lower the stock of inventory needed. He concluded that: (1) liquidity could be viewed as stock awaiting an uncertain demand and the inventory theory could provide a framework in order to find an optimal solution; (2) to do so requires estimating both holding cost and stock out cost; and (3) this new approach could help to improve the understanding of the problem of liquidity for deposit insurers.

Discussant Bruno Lund agreed that the paper has provided another perspective on the liquidity target: Nevertheless, he also admitted the difficulties in determining the liquidity target. With regard to estimating optimal liquidity through inventory models, he mentioned drawbacks in the holding cost aspect. He observed that the stock out cost was even harder to obtain. Lund stated that inventory theory was a new approach to determining the fund target, however he would rather consider this as an alternative way to obtain

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a new confidence level. In terms of the risk management perspective, he added that both holding and stock out costs were variable over time. Therefore, the level of confidence would also be a variable, which might not be viewed as a proper approach from a risk management perspective.

### Distinguished Guest Speaker

**Distinguished Guest Speaker,** Thomas M. Hoening, former President and Chair of the Executive Council, IADI, and former Vice-Chairman, Federal Deposit Insurance Corporation (FDIC), USA, shared his views on the future of banking. He started his speech by stating that there are signs of recovery from the great recession, in the US and parts of Asia and Europe. Global systemically important banks (G-SIBs) have also shown improvements in their balance sheets. Financial institutions are better capitalised and those best capitalised have seen the most success.

Hoening cautioned that memories are short and some jurisdictions are unwisely seeking the elimination of prudential standards that have served us well, especially the rules that most affect the use of leverage and bank safety. Push-back against standards is evident in the areas of underwriting of highly leveraged loans and derivatives trading.

He supported the idea that regulations which create endless process and establish ever more difficult barriers to entry, encouraging further consolidation, concentration and less choice, should be repealed or amended. Legislation and rules that attempt to account for every possibility and to micro-manage markets only build complexity into the system, promote bureaucracies, create barriers to entry and undermine competition. The public is best served by writing simple, clear rules, relying on strong accountable levels of capital so that systemic crises and bailouts are less likely to occur in the first place.

### Paper 7: The choice between judicial and administrative sanctioned procedures to manage liquidation of banks

**Chair:** Stijn Claessens, Head of Financial Stability Policy and Deputy Head of the Monetary and Economic Department, BIS

**Author:** Jens-Hinrich Binder, Eberhard-Karls-Universität Tübingen; Michael Krim-

inger, Cleary Gottlieb Steen & Hamilton LLP; María J. Nieto, Bank of Spain; and Dalvinder Singh, University of Warwick

**Discussant:** Eva Hüpkes, Acting Head of Regulatory and Supervisory Policies, FSB

Dalvinder Singh presented the co-authored paper, which reviews bank insolvency procedures in the EU and the US. Although the EU has agreed upon a euro area resolution regime, winding-up and insolvency proceedings are currently defined at the national level. This has resulted in the development of idiosyncratic insolvency regimes at the national level by creating differences in efficiency, treatment of creditors, and the application of EU resolution criteria in different jurisdictions. The paper recommends greater political consensus and coordination among member states to reduce existing inconsistencies in insolvency regimes, and enhance the credibility and functioning of the European Deposit Insurance Scheme (EDIS).

Through case studies, the paper demonstrates that there appears to be a low certainty or predictability regarding the BRRD's "public interest" criteria for resolution. Determining this threshold of systemic relevance is difficult without common insolvency proceedings in Europe. Singh concluded that in order for EDIS to provide equal protection for all euro area deposits, the EU needs to harmonise more aspects of its liquidation procedures, including the depositor preference rule, among member states to ensure there is predictability.

Discussant Eva Hüpkes mentioned the difficulty in deciding which regime functions the best and measuring the term "effectiveness". Effectiveness is a loaded term that can have numerous considerations beyond loss rates, such as market confidence in the operational capacity of resolution authorities and their performance history. Further, Hüpkes analysed predictability in relation to the effectiveness in assessing whether predictability influences or determines effectiveness. She also considered cross-border effectiveness and the role of crisis management groups. Finally, she examined the plurality of EU procedures and whether a third option of EU state aid could be used, as well as misalignment between regimes.

### Paper 8: Shadow banking and financial stability under limited deposit insurance

**Chair:** Stijn Claessens, Head of Financial Stability Policy and Deputy Head of the Monetary and Economic Department, BIS

**Author:** Lukas Voellmy, Study Center Gerzensee (Swiss National Bank foundation) and University of Bern

**Discussant:** Leonardo Gambacorta, Head, Innovation and the Digital Economy, Monetary and Economic Department, BIS

Lukas Voellmy's paper examines the relationship between shadow banking and financial stability, and explores whether a dual banking system could assist in absorbing uninsured deposits during a bank run. With a sufficiently low cap on deposit insurance, the shadow banking sector could be large enough to act as a stabilising factor. In this scenario, shadow banking would provide the largest benefit to institutional investors whose deposits are too large to be adequately covered by traditional deposit insurance programmes. The model determines the optimal allocation of insured and uninsured deposits across banks and determines the exogenous upper limit on insured deposits to create a stabilising shadow banking sector that does not also pose a significant risk to financial stability.

Voellmy presented two policy prescriptions to ensure the shadow banking system remains in the proper size range. First, fees at commercial banks should be eliminated or set as low as possible to remain competitive with the fee-free shadow banking sector. Second, a marginal tax is needed on uninsured deposits at commercial banks, to limit households' surplus savings and encourage the usage of shadow banks. Commercial banks have additional perceived stability as some deposits are insured and less susceptible to bank runs.

The discussant, Leonardo Gambacorta, raised three practical considerations. First, the relation between commercial banks and shadow banks is more complex and the model used in the paper is oversimplified. It has not considered their interconnectedness and how shadow banks provide funds to commercial banks. Second, riskier assets may contribute to greater instability. The paper assumes that assets have no risk, but there could be significant procyclical behavior and

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deleveraging with a strong market decline. A run on a shadow bank could be more disruptive to a commercial bank than the paper believes. Third, the discussant suggested exploring a few policy instruments and their application in relation to each other.

### Regulators' Roundtable: Perspectives on the Global Financial Safety-Net

**Moderator:** David Walker, Secretary General, IADI

#### Speakers:

- **Halim Alamsyah**, Chairman, Indonesia Deposit Insurance Corporation
- **Diane Ellis**, Director, Division of Insurance and Research, Federal Deposit Insurance Corporation, USA
- **Jan Nolte**, Senior Financial Sector Expert, IMF

The purpose of the roundtable session was to elicit regulators' perspective on the Research Conference topics and other issues impacting financial stability going forward.

The first presenter, Halim Alamsyah, spoke about financial stability from the perspective of a rapidly growing emerging market financial system – Indonesia. He used the experience of Indonesia in responding to financial crises to emphasise the importance of advanced planning and preparations and the critical role of early warning and supervisory intervention and coordination among safety-net authorities. He ended his presentation by drawing attention to the growing risk of regulatory fragmentation in Asia and other regions, and the need for a “crisis testability” framework to test the reforms already carried out.

Diane Ellis highlighted two papers from the Conference: the Spillover Effects of Forced Bank Recapitalisation and Government Guarantees (Arun Gupta) and the paper on Deposit Insurance Premiums and Arbitrage (Edward Kim and Marcello Rezende). Commenting on the first paper, she highlighted the issue of banks shifting assets into weaker banks and raising the risk exposure of the deposit insurance fund, an area in which more research was needed given the risks posed to deposit insurers. On the second paper, she indicated that deposit insurance premiums based on bank demand for reserves and on interbank lending in the federal funds

market was a concern and it highlighted the interconnectedness of markets.

Jan Nolte discussed the research topics from the IMF perspective. He shared the views of Halim Alamsyah on the importance of information sharing and coordination for resolutions in both domestic and international contexts. He emphasised the importance of having a full resolution toolkit and a certain amount of flexibility in applying the tools. For example, he said that deposit insurance funds should not only be designated for payouts (such as in the EU) but should also be available for purchase and assumption and other resolution options, if this minimised disruptions and helped reduce the cost of resolutions.

### Concluding Remarks

**Presenter:** Kumudini Hajra, Senior Policy and Research Advisor, International Association of Deposit Insurers

**Kumudini Hajra**, in her concluding remarks, highlighted the importance of the IADI research conference, which brings together academics and practitioners to discuss ongoing research work in the area of financial stability, bank resolution and deposit insurance.

Reflecting the theme of the conference, paper submissions covered themes such as (i) the importance of credible deposit insurance, (ii) the design of a deposit insurance system and the main implications for its functioning, and (iii) the impact on bank behaviour of crucial policy announcements. Some other papers focused on emerging issues like central bank digital currencies. She highlighted the importance of developing a high-quality database on deposit insurance, especially micro-level data for research purposes. She informed the audience about the recent research initiatives taken by IADI.

Closing her remarks, she thanked the IADI President, the BIS, speakers at the Conference, IADI Advisory Panel members, IADI Members, and others involved in the preparations for the Research Conference.

### 2021 IADI Research Conference

IADI intends to hold its sixth Biennial Research Conference in 2021. It will invite researchers, deposit insurers, bank resolu-

tion and supervisory practitioners, and private sector financial professionals to attend. Information regarding the 2021 conference, including a call for Papers, will be posted on the IADI website and in other appropriate forums well in advance of the conference.

The papers and materials for the 2019 conference can be found at <http://www.iadi.org>.

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## Annex IV – IADI Advisory Panel

Since 2008, the Association has had an Advisory Panel in place, consisting of experts on deposit insurance and financial stability issues, to provide advice and independent reviews of IADI research papers and proposed guidance. The Advisory Panel currently has 20 members.

### **Andrew Campbell**

Emeritus Professor of International Banking and Finance Law, Solicitor of the Supreme Court (Non-practising) and Chartered Banker  
*School of Law, University of Leeds, United Kingdom*

### **Louis Chen**

Dean and Professor of Law  
*Chung Hua University, Taipei City, Chinese Taipei*

### **Marc Dobler**

Deputy Division Chief, Financial Crisis Preparedness & Management  
*International Monetary Fund (IMF), USA*

### **David Hoelscher**

Independent Financial Sector Consultant  
*Former Special Adviser to the Director, Division of Insurance and Research, Federal Deposit Insurance Corporation (FDIC), USA*

### **Pongsak Hoontrakul**

Member of International Advisory Council  
*Schulich School of Business, York University, Toronto, Canada*

### **Eva Hüpkles**

Acting Head, Regulatory and Supervisory Policies  
*Financial Stability Board, Switzerland*

### **Carlos Isoard**

Economist  
*Former IADI Secretary General, Mexico*

### **Malgorzata Iwanicz-Drozdowska**

Deputy Chair  
*Polish Financial Supervision Authority, Poland*

### **George G. Kaufman**

John F. Smith, Jr. Professor of Finance and Economics  
*School of Business Administration, Loyola University, Chicago, USA*

### **Masahiro Kawai**

Specially Appointed Professor  
*Graduate School of Public Policy, University of Tokyo, Japan*

### **Myron Kwast**

Senior Fellow in Residence  
*FDIC Center for Financial Research, USA*

### **John Raymond LaBrosse**

International Advisor on Deposit Insurance  
*Patterson & LaBrosse Financial Consultants, Ottawa, Canada*

### **Rosa Maria Lastra**

Professor of International and Monetary Law  
*Centre for Commercial Law Studies, Queen Mary University, London, United Kingdom*

### **Manju Puri**

Professor  
*Fuqua School of Business, Duke University, USA*

### **Jean Roy**

Professor of Finance  
*École des Hautes Études Commerciales de Montréal (HEC), Montreal, Canada*

### **Dalvinder Singh**

Professor of Law  
*School of Law, University of Warwick, United Kingdom*

### **Sergey Smirnov**

Professor and Centre Director  
*Centre for Social Programme and Risk Analysis, National Research University Higher School of Economics, Moscow, Russian Federation*

### **Bent Vale**

Special Advisor, Financial Stability Department  
*Norges Bank (Central Bank of Norway)*

### **Gail Verley**

Independent consultant, deposit insurance and bank resolution  
*Former IADI Secretary General, USA*

### **Larry D. Wall**

Research Center Executive Director, Center for Financial Innovation and Stability  
*Research Department, Federal Reserve Bank of Atlanta, USA*



During the Financial Year 2018/19, the number of IADI Participants increased by seven (five Members and two Associates). The new Members are (in the order of joining the Association): the Deposit Protection Fund of Uganda (transition of Membership from the Bank of Uganda, which continued as an IADI Associate); the Deposit Guarantee Fund of Rwanda; the Deposit Protection Corporation of Pakistan; the Ghana Deposit Protection Corporation; Einlagensicherung AUSTRIA Ges.m.b.H. (DGS Austria); and the Saudi Arabian Monetary Authority – Depositors Protection Fund. The National Bank of Cambodia joined IADI as an Associate, in addition to the Bank of Uganda mentioned above.

In striving to achieve its vision, IADI continues to welcome all established deposit insurance systems, as well as those considering establishment or with an interest in deposit insurance, as IADI participants. For further details, please contact the IADI Secretariat.

### Deposit Protection Fund of Uganda



The Deposit Protection Fund of Uganda (DPFU) was incorporated in February 2016 by Act of Parliament (Part XII of the Financial Institutions (Amendment) Act No. 2 of 2016). The Scheme has a paybox mandate, and is government legislated and administered. It covers a total of 33 institutions comprising commercial banks, credit institutions, and micro-finance deposit-taking institutions. The coverage limit applicable is 3,000,000 Ugandan Shillings (around USD 823 as of May 2018) per depositor per institution, and the Fund aims to commence deposit reimbursement within 90 days of a bank's failure.

The DPFU had previously been part of the Bank of Uganda, and the application for IADI membership was triggered following the transition of the Fund to a newly created legal entity, separate from the central bank. The Fund was represented in its application by Ms Julia Clare Olima Oyet, Chief Executive Officer.

### Bank of Uganda (transition from Member to Associate)



As stated above, the Deposit Protection Fund of Uganda was previously part of the central bank (Bank of Uganda, IADI Member since January 2013) and is now a separate legal entity. Following the transition of the Bank of Uganda's membership to the DPFU, IADI appreciates the Bank's decision to continue as an IADI Associate. Established in 1966, by Act of Parliament, the Bank is wholly owned by the government but is not a government department. The Bank actively promotes a policy of financial inclusion and is a member of the Alliance for Financial Inclusion (AFI). The bank is also one of the original 17 regulatory institutions to make specific national commitments to financial inclusion under The Maya Declaration during the AFI Global Policy Forum held in Riviera Maya, Mexico in 2011.

In its Associate application, the Bank of Uganda was represented by Mr Charles Riky Owiny Okello, Director, Non-Bank Financial Institutions Department.

### Deposit Guarantee Fund of Rwanda



The Deposit Guarantee Fund (DGF) of Rwanda was incorporated in November 2016 by the Law determining the organisation and functioning of a deposit guarantee fund for banks and microfinance institutions (No 31/2015 of 05/06/2015). The Fund has a paybox mandate and is part of the National Bank of Rwanda.

The DIS covers 17 institutions comprising every bank and microfinance institution licensed by the National Bank of Rwanda. The applicable coverage limit is 500,000 Rwandan Francs (around USD 588 as of May 2018) per depositor per institution, and the Fund aims to commence deposit reimbursement within 60 days of a bank's failure. The DIS is funded ex ante, using a flat rate system; in addition, there is provision for emergency funding from the National Bank, should the fund be insufficient for the reimbursement of insured depositors.

The DGF of Rwanda's application for membership was formally signed by the Hon. John Rwangombwa, Governor of the National Bank of Rwanda, and submitted by Mr Olivier Ngenzi, Manager of the Deposit Guarantee Fund.

### National Bank of Cambodia (Associate)



The National Bank of Cambodia (NBC) was established in December 1954, pursuant to the Law on the Organisation and Conduct of the National Bank of Cambodia. The mission of the NBC as the monetary and supervisory authority is to determine and direct a monetary policy aimed at maintaining price stability, in order to facilitate economic development within the framework of the kingdom's economic and financial policy. The NBC performs this role in consultation with the Royal Government and in consideration of the kingdom's economic and financial policy framework. As the monetary authority, the NBC is the sole issuer of the Khmer riel, the national currency.

As the supervisory authority, the NBC has the authority to license, delicense, regulate and supervise banks and financial institutions in Cambodia. The NBC also conducts regular economic and monetary analysis, issues various publications, oversees the nation's payment systems, establishes the balance of payments, and participates in the management of external debt claims.

The Associate application was submitted on behalf of the NBC's Governor, H.E. Chea Chanto.

### Deposit Protection Corporation of Pakistan



The Deposit Protection Corporation (DPC) was established as a separate legal entity and a wholly owned subsidiary of the State Bank of Pakistan (SBP) under the Deposit Protection Corporation Act, 2016. The objective of the Corporation is to protect depositors and compensate them in the event of the failure of a member bank. The establishment of the DPC was one of the important objectives in



## Annex V – New Participant Profiles

the SBP's strategic plan 2016-20, as part of the strategic goal of "strengthening the financial system stability regime." The DPC commenced business in 1 June 2018.

The DPC's main functions include collecting premiums and contributions from member banks; acquiring, holding, managing and investing resources of the Corporation; receiving grants and borrowing moneys; accessing and verifying claims of depositors made against failed banks; making payments to the depositors; and recovering payments made on account of protected deposits from the assets of failed banks.

Membership of the DPC is compulsory for all banks, unless exempted or excluded by the DPC Board of Directors. A flat premium system is in place, with the eligible deposits serving as a basis for premium calculation. Premiums are payable quarterly. The maximum coverage limit has been set at PKR 250,000 (approx USD 1,788 as of mid-January 2019) per depositor per bank.

The DPC was represented in its application by Ms Lubna Farooq Malik, Managing Director.

### Ghana Deposit Protection Corporation



The Ghana Deposit Protection Corporation (GDPC) is an independent legal entity established by the Ghana Deposit Protection Act 2016 (Act 931), which was enacted on 11 October 2016, to protect the depositors from the failure of member banks and specialised deposit-taking institutions. Its activities are also regulated by the Ghana Deposit Protection (Amendment) Act 2018 (Act 968).

The GDPC's mission is to build and sustain confidence in the banking system by ensuring protection and making prompt payments to depositors. Its main functions include determining the level of insurance premiums and collecting them from the members of the scheme; setting the coverage limits; paying out to insured depositors; investing in securities approved by the Board; and borrowing money to ensure attainment of the objectives of the scheme.

It is mandatory for a bank or a specialised deposit-taking institution licensed by the Bank of Ghana to be a member of the scheme.

They must pay the GDPC an initial premium (0.1% of the required minimum paid-up capital) and an annual premium which is paid quarterly. The level of flat rate premium, to be determined by the Board, ranges from 0.3% to 1.5% of the total eligible deposits (Section 15 of the 2016 Act). The Act states that the Corporation shall not assess differential premiums until three years after the Act's entry into force (Section 16).

The Deposit Protection Fund is divided into Fund A (for banks) and Fund B (for specialised deposit-taking institutions), with separate accounts. The maximum coverage limit per depositor per bank is GHS 6,250 (approx USD 1,275 as of January 2019) and the maximum coverage limit per depositor per specialised deposit-taking institution is GHS 1,250 (approx USD 255).

In its application, the GDPC was represented by Mr Ignatius Kojo Martin Wilson, Officer in Charge.

### Einlagensicherung AUSTRIA Ges.m.b.H. (DGS Austria)



Einlagensicherung AUSTRIA Ges.m.b.H. (ESA or Deposit Guarantee Scheme Austria) assumed its roles and responsibilities on 1 January 2019, after more than one year of intensive preparation and coordination with the supervisory authorities, member institutions and the existing Austrian DGSs. The DGS AUSTRIA is the uniform statutory deposit guarantee scheme for all EU Capital Requirements Regulation credit institutions domiciled in Austria, excluding those banks that belong to the Institutional Protection Scheme of Erste Bank and Austrian savings banks, which are secured by S-Haftungs GmbH.

ESA is a privately administered and government legislated entity. ESA is not the outcome of a merger of the previous four DGSs, but a new company to which the funds of the four old DGSs were transferred on 1 January 2019. On that date, ESA took up its statutory duty as a uniform protection scheme for all Austrian banks (493 banks). The system is governed by the Austrian Deposit Guarantee Schemes and Investor Compensation Act

(Einlagensicherungs- und Anlegerentschädigungsgesetz – ESAEG).

For member banks, the maximum coverage limit is EUR 100,000 per depositor per bank, in line with the relevant EU legislation. In certain cases (for example, a deposit resulting from the sale of a private residential property), the coverage amount will be increased to EUR 500,000 per depositor and per bank. In both cases there is no deductible. Payouts are made within seven days following a bank failure (or after the depositor has provided new account details for the funds transfer).

DGS AUSTRIA's application for membership was submitted by Mr. Stefan Tacke, Managing Director.

### Saudi Arabian Monetary Authority – Depositors Protection Fund



The Saudi Arabian Monetary Authority (SAMA), the central bank of the Kingdom of Saudi Arabia, was established in 1952. Its mission is to maintain monetary and financial stability in the Kingdom and support balanced and sustainable economic growth by issuing and managing banknotes; conducting monetary and financial stability policies; regulating and supervising financial sector; managing foreign exchange reserves, etc.

The Depositors Protection Fund (DPF) is an administrative unit of SAMA reporting to the Deputy Governor for Supervision. It became operational on 1 January 2016, under the Depositors Protection Fund Rules issued on 14 April 2015. The management and oversight of DPF is provided by a governing committee appointed by the Governor of SAMA.

The DPF protects both household and corporate deposits up to SAR 200,000 (approx USD 53,300 as of mid-January 2019) per depositor per bank. DPF participation and the associated premium payment are mandatory for all banks that conduct banking business in Saudi Arabia, including the branches of foreign banks.

In its application for membership, SAMA-DPF was represented by Mr Fahad Alshathri, Deputy Governor for Supervision – Vice Chairman of Depositors Protection Fund Governance Committee.

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