



# **International Association of Deposit Insurers**

## **2019/2020 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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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 2020, 113 organisations are affiliated with IADI, including 90 Members, 9 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, is the current IADI President and Chair of the Executive Council. Roberto Tan, President and CEO of the Philippine Deposit Insurance Corporation, is the Treasurer of the Association. 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 Annual General Meeting (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 2020, 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 category of participant. With respect to the membership fees, IADI approved a new Differentiated Fee Model (DFM) at the 18th AGM held in October 2019, which took effect as of FY 2020/21, starting from 1 April 2020. In the new Fee Model, fees are calculated based on indicators of member jurisdictions, specifically Gross Domestic Product (GDP) and per capita GDP.

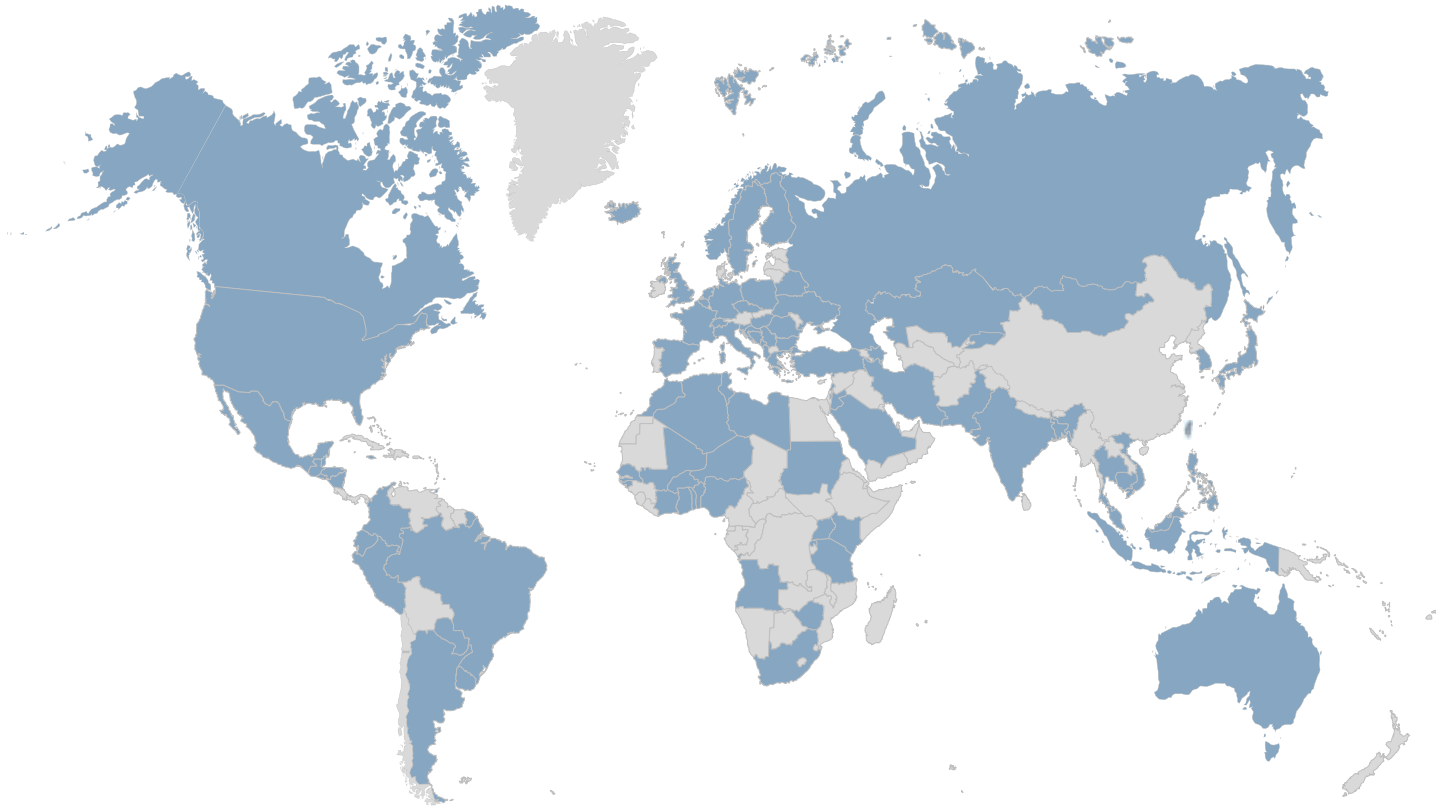
IADI receives support from the BIS, as well as contributions from individual Members, for staffing through secondments, contributing subject-matter experts to address issues related to deposit insurance and financial stability, and advancing IADI's database capabilities and functionality. Members also 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 (SPRA), Financial Management and Administration Specialist (FMAS), Senior Training and Technical Assistance Advisor (STTAA), Senior Research Analyst and Administrator (SRAA), three secondees and one part-time Administrative Assistant, the Secretariat manages the daily business and affairs of the Association. As of the end of March 2020, IADI was in the process of recruiting for a new SPRA and three new staff positions – Training Assistance Analyst (TAA), Technical Assistance and Capacity Building Analyst (TACBA) and a Core Principles and Compliance Assessment Advisor (CPCAA). The recruitment process for all these positions is expected to be completed in the second half of 2020. The Secretariat also supports IADI's agenda and the implementation of its mission, goals and strategic priorities.

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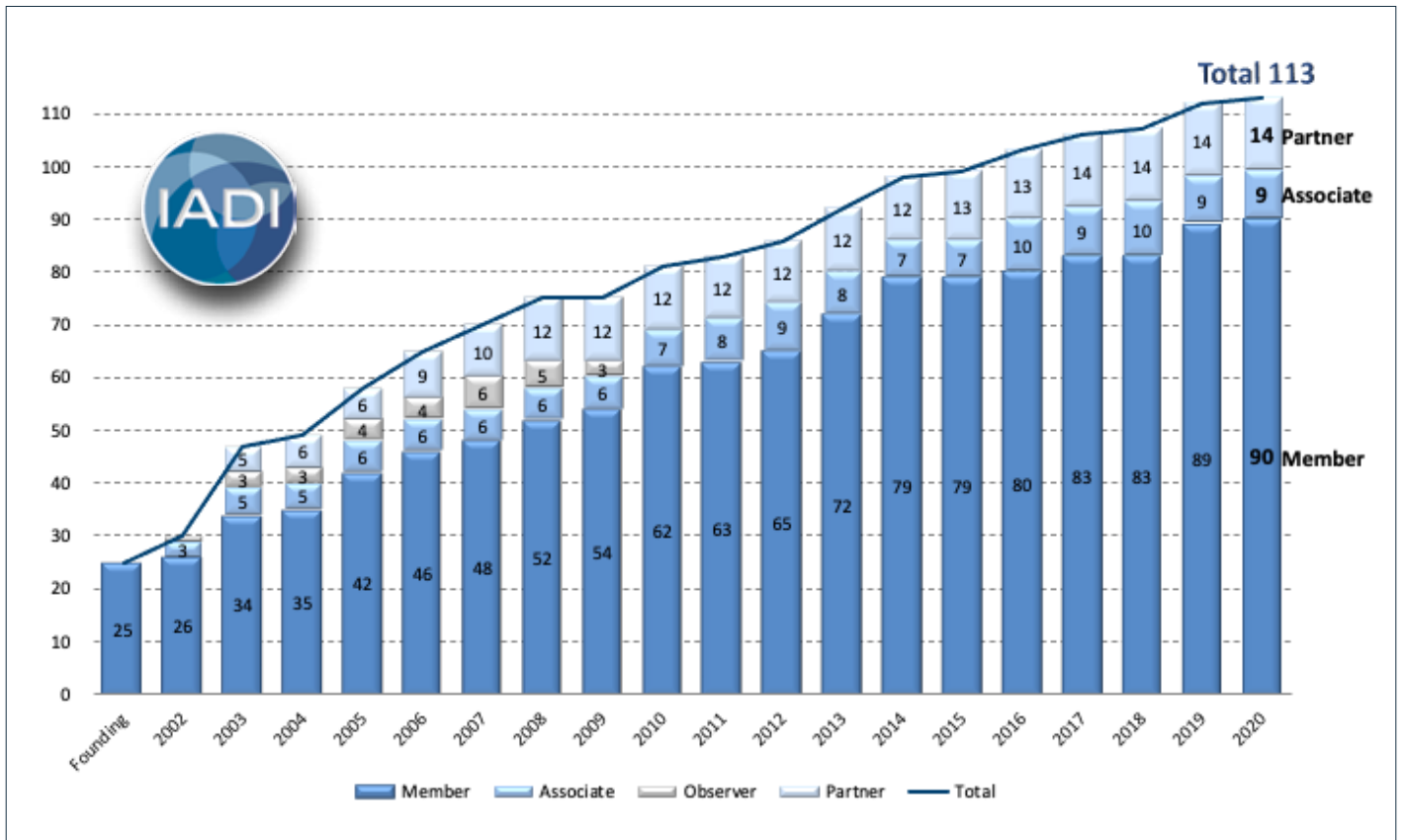
<sup>1</sup> The Basel Process refers to the BIS's role in hosting and supporting the work of international groups engaged in standard setting and the pursuit of financial stability, namely: the Basel Committee on Banking Supervision (BCBS), the Committee on the Global Financial System (CGFS), the Committee on Payments and Market Infrastructures (CPMI), the Markets Committee, the Central Bank Governance Forum, the Irving Fisher Committee on Central Bank Statistics (IFC), the Financial Stability Board (FSB), IADI, and the International Association of Insurance Supervisors (IAIS). The Financial Stability Institute (FSI) supports the implementation of global regulatory standards and sound supervisory practices by central banks and financial sector regulatory and supervisory authorities worldwide. 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



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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 (FSI), IMF, World Bank, etc.).
- Participate in joint IADI and FSI conferences and the FSI Connect e-learning tool.
- Access IADI's Members-only website, including comprehensive data on deposit insurers from IADI Annual Surveys for benchmarking and other purposes.
- Access IADI Members-only repository of knowledge materials from each IADI conference, workshop or seminar from 2013 onwards, with materials from over 75 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 ongoing, timely IADI research on emerging trends in deposit insurance and resolution of deposit-taking institutions.
- Receive 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 the IMF/World Bank Financial Sector Assessment Program (FSAP), technical assistance and FSB Peer Reviews.



## President's Message

The year 2019 was a milestone year for IADI.

The strategy for advancing IADI's training, technical assistance and research as well as associated necessary hiring and the new fee model to accomplish these activities were approved at the IADI 18th Annual General Meeting (AGM) in Istanbul, Turkey. Based on this achievement, IADI is ready to solidify its foundation and move one step forward to realise its vision to share deposit insurance expertise with the world.

Moreover, we have been facing the unprecedented challenge of Covid-19 from early-2020, affecting IADI and each jurisdiction's safety-net scheme including deposit insurance systems.

IADI has cancelled or postponed all face-to-face events and conferences including Executive Council (EXCO) meetings and regional committee events. Benefited by the technology provided by the BIS and the efforts of the IADI Secretariat as well as the patience of the participants joining the meetings early in the morning or late at night, the first series of virtual EXCO Meetings were successfully held in May, June and September 2020, although it is outside of the reporting period of this annual report.

The IADI Secretariat and Research Unit (RU) have worked rigorously on a number of initiatives in response to recent developments in the global economy relating to the Covid-19 pandemic.

In March 2020, RU distributed a survey to the membership on the impact of the Covid-19 pandemic on their financial sector and the measures taken by regulatory authorities and deposit insurers to address the crisis.

In tandem with the survey results, RU presented the Briefing Note titled "Ensuring Business Continuity and Effective Crisis Management Activities for Deposit Insurers" based on the IADI Guidance Paper published in May 2019, which dealt with this topic more comprehensively.

Although the Covid-19 crisis has inflicted a tremendous impact on the global economy and society, its end is yet to be seen. We have already been realising that the Covid-19 pandemic might be totally different from previous crises, including the one experienced more than 10 years ago.

From my past experience as a financial regulator, all previous financial crises were always new and something not previously experienced when they first came about. Be that as it may, I firmly believe that it is important for deposit insurers to keep planning and being prepared for the worst during normal times in order for each jurisdiction's financial safety-net including deposit insurers to be ready for financial crises regardless of the cause or degree of impact.

IADI, since its foundation back in 2002, has been working to realise its mission to contribute to the enhancement of deposit insurance effectiveness by promoting guidance and international cooperation.

In 2015, "IADI Strategic Goals: The Way Forward" was approved at the October 2015 IADI Annual Meeting in Kuala Lumpur, identifying three Strategic Goals:

- i) promoting deposit insurance system compliance with the Core Principles,
- ii) advancing deposit insurance research and policy development, and
- iii) providing Members with technical support to modernise and upgrade their systems.

These goals would be achieved through activities implemented over the course of five years plus extended one year and in 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, owing to an additional contribution from the BIS, IADI was able to hire a Senior Training and Technical Assistance Advisor (STTAA) and a Financial Management and Administration Specialist (FMAS).

Phase II is focusing primarily on strengthening research and technical assistance to Members.

One of the efforts achieved so far in this Phase was the "Proposed Strategy for Advancing Training, Technical Assistance and Research to Meet Phase II Strategic Objectives." With the additional hiring of IADI Secretariat staff, the proposed strategy includes the following activities:

- i) building up the capacity to monitor and report on Core Principles compliance and help Members identify gaps in their deposit insurance systems;
- ii) increasing the research capacity of the Secretariat further; and
- iii) delivering more training, technical assistance and capacity building to meet growing Member needs.

The proposed strategy was approved at the AGM in Istanbul. Also, the extension of the current Strategic Plan 2015–20 to 2021 was approved, to develop a new Strategic Plan for the 2022–26 period, and that work would begin at the start of calendar year 2021.

In accordance with these decisions, a Differentiated Fee Model (DFM) has been introduced from FY 2020/21, giving the Association further resources to be able to provide more substantial benefits to Members and facilitating implementation of many programmes and activities that have been proposed by the Council Committees and Technical Committees.

Taking this opportunity, I would like to express my appreciation to all members of the Working Group on New Funding Options (WGNFO) and Members who worked so hard for the past two years, in particular the former EXCO Vice Chair Giuseppe Boccuzzi, and each Regional Committee Chairperson who played a liaison role between the Regional Committee and the WGNFO.

The DFM is a straightforward and verifiable approach and fits the needs of many Members. However, it is recognised that it may not be optimal for some Members. Therefore, our work will continue through a review of the DFM to accommodate where possible any fee concerns by the membership.



The aforementioned work to develop a new Strategic Plan for the 2022–26 period was planned to be undertaken by a Strategic Planning Working Group (SPWG), along with the review of the current fee model in calendar year 2021.

At the EXCO Meeting held in Basel on 12 February 2020, there was a broad consensus to expedite this SPWG work as soon as possible, and at the virtual EXCO Meetings held on 29 May and 12 June 2020, EXCO approved the establishment of the SPWG. The mandate of the SPWG will be to conduct analysis and make recommendations in two specific areas:

#### Mandate A

- i) Strategic Goals, activities and deliverables for the next strategic planning cycle (2022–26), and
- ii) organisational capacity, internal processes, and human and financial resources needed to accomplish the new Strategic Plan.

#### Mandate B

- Review the current DFM in consideration of other criteria which could be utilised to differentiate Members into appropriate annual fee categories.

The SPWG is responsible for addressing both Mandates A and B, and also has a Subgroup reporting to it which is responsible for providing

possible annual fee options to the SPWG (focusing on Mandate B). Its work has been initiated under the leadership of EXCO Vice Chair Patrick Déry. I am looking forward to seeing the development and the outcome of the discussions of the SPWG.

My tenure as IADI President and Chair of the Executive Council will come to an end at the coming AGM meeting. It has truly been a precious experience for me to have served with so many dedicated leaders around the world. The term of Secretary General David Walker has been renewed for an additional two years. Also, we are expecting three additional IADI Secretariat staff and a new SPRA to join. Therefore, I am highly confident that Members will see continued and even more fulfilling activities from IADI. Let me take this opportunity to express my deep gratitude to the IADI Members, Associates and Partners, as well as the Secretariat staff, for their support.

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' continuous cooperation on this important work for the future.

#### **Katsunori Mikuniya**

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



## Letter from the Secretary General

Let me express my sincere appreciation to all IADI Members, Associates and Partners for your efforts, and support, in the furtherance of IADI's mission over the past year. The Association has continued to implement its Strategic Goals for improving the delivery of training, technical assistance and capacity building services to Members and advancing policy and research.

This year has also seen profound adjustments for many deposit insurers in dealing with the global Covid-19 pandemic. I believe that for most of us there has been no greater change that has impacted our workplaces as rapidly as the Covid-19 pandemic. IADI has been quick to adapt its services to the needs of Members, particularly in adjusting to a more virtual work environment. Moreover, IADI surveys on the impact of the pandemic on the membership have shown that:

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- i) The initial impacts of the pandemic on financial systems were severe but mitigated to a degree by intervention from central banks, governments, supervisors and deposit insurers.
- ii) Extensive health controls were introduced, and are still in place, in many jurisdictions and these have had an ongoing impact on deposit insurance system operations.
- iii) Most deposit insurers were quick to implement their business continuity plans and crisis management frameworks to ensure key functions and operations are maintained (eg premium collection and reimbursement systems).
- iv) Enhanced information sharing with other safety-net participants took precedence in the majority of systems surveyed.
- v) Greater efforts are being made to keep the public aware and informed about deposit insurance.
- vi) Numerous deposit insurers acted to temporarily suspend or reduce some requirements, delay previously planned stress testing, and reduce data collection to critical items.
- vii) Monitoring of member institutions has been heightened including updating and revising periodic risk assessments.
- viii) Unlike the financial crisis of 2008, most deposit insurers have not opted to increase deposit insurance coverage.

As we take stock of the current situation and look ahead, IADI will continue to leverage technology to deliver training and capacity building to our membership considering the various limitations on international travel and gatherings we continue to experience.

Meanwhile, it has been business as usual in other important areas where work on the Training and Technical Assistance Council Committee (TTAC), supported by the IADI Secretariat, has taken further steps towards establishing a Core Curriculum for workshops designed for different audiences and implementing an Expert Training Strategy. This Strategy is creating a structured programme for training IADI Members interested in developing an in-depth knowledge of the Core Principles, becoming capable of leading Self-Assessment Technical Assistance Program (SATAP) reviews, supporting Technical Assistance Workshops (TAWs), and participating in the IMF/World Bank reviews.

In other areas, IADI's Core Principles and Research Council Committee (CPRC) and the Secretariat's Research Unit (RU) worked together to publish papers on deposit insurance and financial inclusion and guidance on public policy objectives. Additionally, the CPRC and RU began the process to publish research on the evaluation of differential premium systems and guidance on risk management and internal control systems for deposit insurers; these papers are expected to be published in 2020. IADI has also been intensifying its emerging issues initiatives through its newly established Financial Technology Technical Committee.

A major accomplishment over the past year was the holding of the IADI 2019 Biennial Research Conference with the theme *"Towards Building a More Resilient Financial System – Challenges in Deposit Insurance and Bank Resolution"*. The conference was well attended and highly regarded by participants for the quality of the research and papers presented. Ms Kumudini Hajra, the Association's SPRA, led the planning and organisation of the Conference and was instrumental in its success.

In terms of Strategic Direction, following the approval of the IADI Business Plan and Budget for FY 2019/20–21, Phase II of the Strategic Goals implementation programme has been initiated. This included initiating the recruitment of additional staff dedicated to enhancing IADI's compliance assessment, training and technical assistance and capacity building resources.

IADI database development saw an important milestone achieved with the implementation of the IADI Survey and Data Management System (ISDMS) and its first use for the 2019 Annual Survey. The ISDMS will enable IADI, 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.

Outreach activities by the Association's Member Relations Council Committee (MRC) helped promote more effective deposit insurance systems, as IADI welcomed six new Members and one new Associate during the year.

This year saw the introduction of a Differentiated Fee Model (DFM), which provided increased revenue in support of the Strategic Goals. The DFM is a straightforward and verifiable approach fitting the needs of many Members. However, it has not been optimal for everyone. A number of Members assessed higher fees decided not to renew their membership and urged the Association to review the DFM methodology.

Given these issues, as well as the need to develop a new Strategic Plan, EXCO came to an agreement during the 61st EXCO Meeting held on 12 and 13 February 2020 to establish a Strategic Planning Working Group (SPWG) with the objective of developing a new IADI Strategic Plan for the FY 2021/22 to 2025/26 period and to review the DFM.

In addition to Member support, the contribution 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 further enhanced its contributions to IADI by providing additional funding to support IADI's training and technical assistance capacity and address our needs for additional administrative support. As a result, Ms Eugenia Alamillo, formerly with the Instituto para la Protec-

ción al Ahorro Bancario of Mexico, joined the Secretariat as the Senior Training and Technical Assistance Advisor.

The Association's Deputy Secretary General Kim Peeters White and her team, in addition to their many administrative and logistical duties, 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 and ARCC to develop an Enterprise Risk Management and Internal Control Framework and enhanced the level of detail contained in our financial reports.

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.

During the coming months we look forward to working on implementing the IADI Business Plan, moving forward in the development of a new Strategic Plan for the Association, and supporting the IADI community in dealing with the impacts of the Covid-19 pandemic.

**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.

## Vice Chair of the Executive Council

Patrick Déry, Superintendent, Solvency, of the Autorité des marchés financiers (AMF), Québec, Canada, was elected as Vice Chair of the Executive Council (EXCO) of IADI until the 2020 AGM, at its 61st EXCO Meeting in February 2020. Mr Patrick Déry has been Superintendent, Solvency, of the AMF since February 2013. Supported by a team of close to 100 people with diverse and specialised expertise, Mr Déry is responsible for the oversight and regulation of all financial institutions licensed by the AMF to carry on business in Québec, which come under the Resolution and Deposit Insurance mandate. During his career, he has held several high-level positions within the Québec civil service, including some 12 years at the Québec Ministry of Finance, where, among other contributions, he helped manage the impacts of the 2007–2008 financial crisis on major financial institutions operating in Québec.

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 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.

## 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, 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.

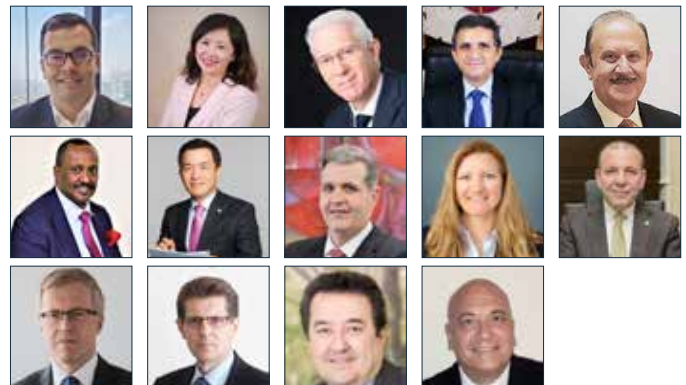
## Composition of the Executive Council

There were several changes in the Executive Council membership that became effective at the 18th AGM. The IADI Members elected the following 15 Designated Representatives to represent EXCO, each for a three-year term (unless noted otherwise): Daniel Lima (Fundo Garantidor de Créditos, Brazil), Patrick Déry (Autorité des marchés financiers, Québec, Canada), Yvonne Fan (Central Deposit Insurance Corporation, Chinese Taipei), Michel Cadelano (Fonds de Garantie des Dépôts et de Résolution, France), Giuseppe Boccuzzi (Interbank Deposit Protection Fund, Italy), Mu'taz Ibrahim Barbour (Jordan Deposit Insurance Corporation), Mohamud Ahmed Mohamud (Kenya Deposit

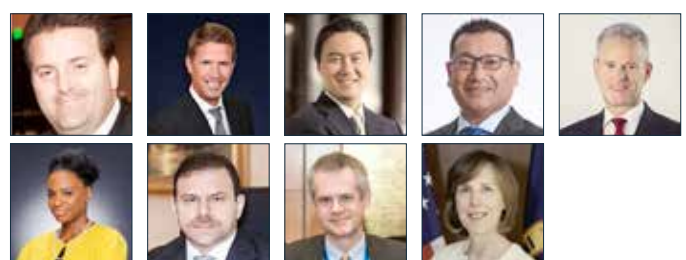
Insurance Corporation), Seongbak Wi (Korea Deposit Insurance Corporation), Gabriel Limón (Instituto para la Protección al Ahorro Bancario, Mexico), Sonja Lill Flø Myklebust (The Norwegian Banks' Guarantee Fund),



Zaher Hammouz (Palestine Deposit Insurance Corporation), Miroslaw Panek (Bank Guarantee Fund, Poland), Nikolay Evstratenko (Deposit Insurance Agency, Russian Federation), Mariano Herrera (Fondo de Garantía de Depósitos de Entidades de Crédito, Spain), and Daniel Dominioni (Corporación de Protección del Ahorro Bancario, Uruguay).



The remaining EXCO members following the 18th AGM were: Alejandro López (Seguro de Depósitos Sociedad Anónima, Argentina), Dean Cosman (Canada Deposit Insurance Corporation), Fauzi Ichsan (Indonesia Deposit Insurance Corporation), Rafiz Azuan Abdullah (Malaysia Deposit Insurance Corporation), Gregor Frey (esisuisse, Switzerland), Michelle Rolingson-Pierre (Deposit Insurance Corporation, Trinidad and Tobago), Muhiddin Güral (Savings Deposit Insurance Fund, Turkey), Alex Kuczynski (Financial Services Compensation Scheme, United Kingdom), and Diane Ellis (Federal Deposit Insurance Corporation, United States).



Note: between the EXCO elections at the 18th AGM and end-March 2020, the following Executive Council members departed from the Executive Council:

Dean Cosman (Canada Deposit Insurance Corporation), and

Mirosław Panek (Bank Guarantee Fund, Poland).

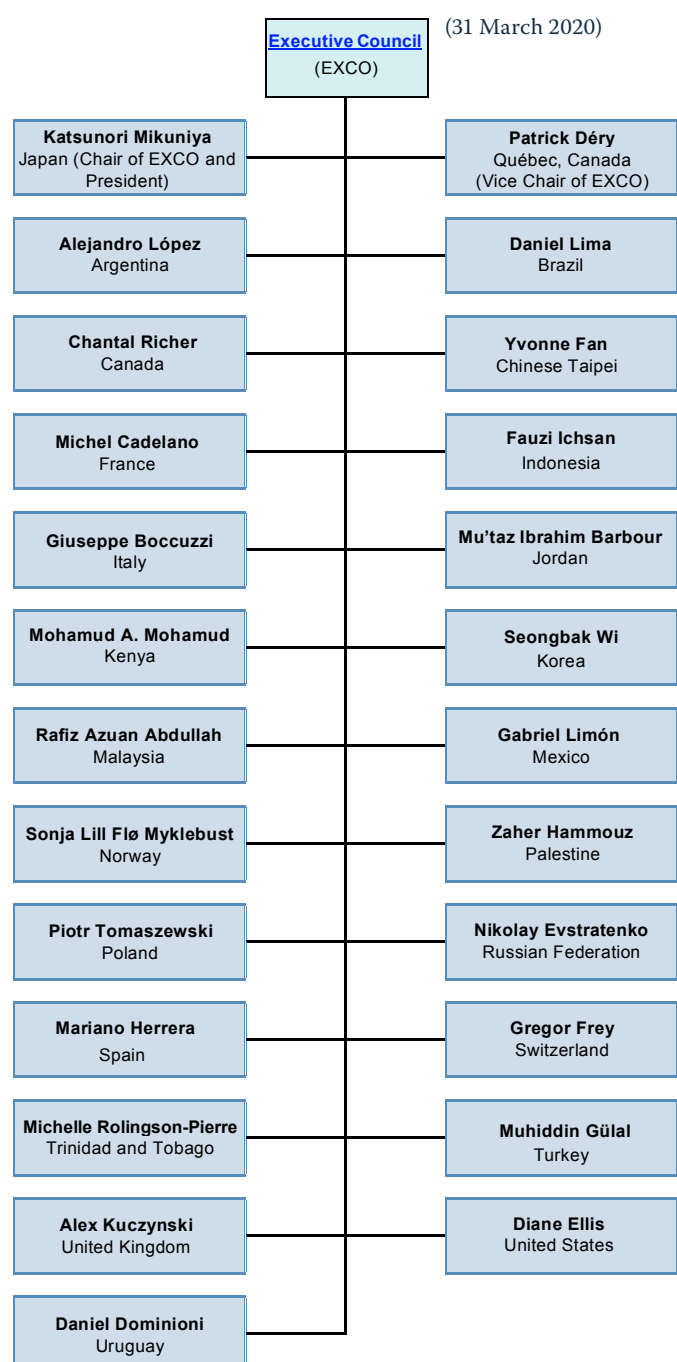
Following the departure of the above two Executive Council members, Chantal Richer (Canada Deposit Insurance Corporation) was appointed Designated Representative in January 2020, and Piotr Tomaszewski (Bank Guarantee Fund, Poland) in February 2020, respectively.

The Members also expressed their gratitude to the following EXCO members who concluded their service on the Executive Council during the past year: André Loes (Fundo Garantidor de Créditos, Brazil), William Su (Central Deposit Insurance Corporation, Chinese Taipei), Violeta Arifi-Krasniqi (Deposit Insurance Fund of Kosovo), Umaru Ibrahim (Nigeria Deposit Insurance Corporation), Zdzisław Sokal (Bank Guarantee Fund, Poland), and Hugo Libonatti (Corporación de Protección del Ahorro Bancario, Uruguay).

## 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. During the 18th AGM, it was decided to extend the term for an additional two years, until 30 September 2022.

The Secretary General is supported by the Deputy Secretary General, Kim Peeters White, who has served IADI since 2002, and has been 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 September 2019, Sangjun Lee and Eugenia Kuri Alamillo joined as the Financial Management and Administration Specialist and Senior Training and Technical Assistance Advisor, respectively. In addition, during FY 2019/20, the Secretary General was supported by the following secondees from their respective member organisations: Teruhisa Mitsuyu, Senior Policy Analyst, Deposit Insurance Corporation of Japan (from 15 July 2019); Ramadhian Moetomo, Senior Policy Analyst, Indonesia Deposit Insurance Corporation; Nikolay Remchukov, Senior Research Associate, Deposit Insurance Agency, Russian Federation (until 31 December 2019); Myeonghee Song, Senior Policy Analyst, Korea Deposit Insurance Corporation; and Takayuki Suzuki, Senior Policy Analyst, Deposit Insurance Corporation of Japan (until 31 July 2019).



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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 (eg 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 2015–20 were approved in 2015 by EXCO and the AGM:

- prooting 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.

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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 IMF, the World Bank and the FSB; encouraging Members to undertake self-assessments under the IADI Self-Assessment 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 (RU) 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 (CPRC) in furthering IADI's research and policy goals. The IADI Biennial Research Conference, planned and led by the RU, 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, which allowed the Association to hire a Financial Management and Administration Specialist (FMAS) and a Senior Training and Technical Assistance Advisor (STTAA), and further enhanced 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 initial activities during Phase I. The Working Group on New Funding Options (WGNFO), led by the IADI President and Chair of EXCO, was established in January 2018, and it completed its evaluation of Phase I in February 2019. The WGNFO found that the majority of the activities included in the Strategic Plan had been accomplished due to the efforts of the membership and the Secretariat. In addition, a number of Phase II activities were advanced, 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 for IADI. 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 committees.

To meet Phase II goals and provide more substantial benefits to Members, a strategy for advancing training, technical assistance and research was approved on 9 October 2019 at the 18th IADI AGM. Hiring three additional staff serves as a key element in order to further strengthen IADI's training and technical assistance, as well as to increase the research capacity of the Secretariat:

- Training Assistance Analyst (TAA)
- Technical Assistance and Capacity Building Analyst (TACBA); and
- Core Principles Compliance Assessment Advisor (CPCAA).

The establishment of these new positions at the Secretariat will facilitate implementation of many programmes and activities that have been proposed by EXCO and Council Committees. In addition, these new IADI experts will enhance the quality of the TAWs and serve on the evaluation team for SATAP reviews. They will enable IADI to develop and implement a core curriculum for deposit insurance training that will benefit all Members. The establishment of a structured, consistent, and rigorous training programme in the Core Principles will strengthen IADI's status as a standard setter.

In addition to the hiring needs, IADI's revenue base was strengthened further to provide these benefits, reduce reliance on the provision of services by Members and to meet the critical requirement of the BIS donation that the Association achieve a sustainable funding model going forward.

The increase in revenue required has been raised through a Differentiated Fee Model (DFM) with four tiers based on GDP as a proxy for the size of the deposit-taking sector and GDP per capita as a proxy for the capacity of the deposit insurer to pay. The new fees for Members range from CHF 18,500 to CHF 37,000 with a fee for Associates set at CHF 15,000. The DFM is to take effect from FY 2020/21.

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## 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 Prin-

ciples. Strengthening the Association's role in research and policy development is one key step towards meeting the Strategic Goals. The Secretariat RU, 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;
- 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 RU, 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. Policy briefs are guided by ongoing areas of Secretariat research and are further developed based on feedback received from IADI Members. The RU worked closely with the CPRC to develop and finalise the "Guidelines for the Development of IADI Research, Guidance and the Core Principles", which were published on the IADI website in April 2019.

The RU represents the Association in meetings and activities of other standard-setting bodies and international financial institutions, including the FSB's Resolution Steering Group (ReSG) and the Cross-Border Crisis Management Committee (CBCM). Participation ensures that the views of the Association and the deposit insurance community continue to be represented in other standard-setting fora. The RU represented IADI as a team member of the FSB Peer Review of South Africa, with the resulting report published in March 2020. The SPRA extended its collaboration with other international bodies, including the FSI 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. The latter is going through final review and is due to be published later in 2020.

In 2020 the RU introduced the IADI Chart Pack. The Chart Pack provides a series of charts summarising key indicators of global trends in deposit insurance. Topics include deposit insurer structure, coverage, funding, reimbursement, resolution, public awareness and financial inclusion. Future releases are expected to cover a variety of topics and regions, further utilising historical IADI Annual Survey data.

The RU worked on a number of initiatives in response to recent developments in the global economy relating to Covid-19. In March 2020, IADI distributed a survey to the membership to gather information on the impact of the Covid-19 pandemic on their financial sectors and the measures taken by regulatory authorities and deposit insurers to address the crisis. A summary of key results from the IADI Covid-19 survey as well as access to the full set of survey responses was distributed to the Members. A briefing note was also prepared titled "Ensuring Business Continuity and Effective Crisis Management Activities for Deposit Insurers".

With respect to collaboration with the Islamic Financial Services Board (IFSB), IADI is currently working on the development of joint IFSB-IADI Core Principles for Effective Islamic Deposit Insurance Systems (CPIDIS) and a Task Force on developing a Technical Note on Recovery and Resolution Planning for Institutions offering Islamic Financial Services. Interaction and participation with international financial institutions enable IADI's voice to become more prominent in the discussion among global partners on financial safety-net matters.

## IADI Survey Data Management System (ISDMS)

Under the leadership of the RU, IADI 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 enables IADI to develop a seamless end-to-end process for collecting, consolidating and managing information on deposit insurance systems worldwide. The system also provides an online platform for analysis and reporting via static and ad hoc reports generated from a structured back-end IADI database.

The project was initiated during the first quarter of FY 2018/19 and successfully completed in March 2020. All project milestones were met on time and to budget. Project deliverables included:

**A comprehensive tender Request for Quotation (RFQ) process**, guided by a Project Team, was conducted to canvas the industry for the best possible technical solution, meeting business requirements, and subject to budgetary constraints. The RFQ document seeking bids was sufficient, and provided clarity to prospective vendors.

**Formal approval** was obtained from EXCO to proceed with vendor engagement. In October 2018, an options document spelled out estimated financing options for each respective vendor for discussion and general questioning. The formal request for funding was presented in February 2019 to the Treasurer, MRC, ARCC and CPRC for endorsement, as well as to EXCO for final approval to proceed.

**Vendor successfully selected** (and contracted) to build a survey tool for IADI. They were also tasked with maintaining the associated IT infrastructure and providing ongoing technical support throughout the budgeted contract period of five years (renewable quarterly). The selected IT vendor, Sitrox AG, was considered suitable to deliver on all essential project requirements.

**Survey tool and production workflow** solutions were implemented consisting of a free open-source product (LimeSurvey) and a series of customisations. These customisations bridged the gap between business requirements met "out of the box" and additional IADI-specific needs. The customisation layer largely consisted of IADI branding and functionality to recall survey responses from previous Annual Survey submissions. Sitrox hosts the survey tool on a dedicated server that leverages an IT security protocol already established between the vendor and the BIS.

**Facilitation of the 2019 Annual Survey** via the new survey platform was a primary deliverable for the project. This included a full end-to-end system of workflows that spanned survey design, data collection, secure storage, validation of results, publishing, and all associated communication templates. The survey was successfully conducted as per expected timeframes. Results of the survey were published before the

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## Implementing IADI's Strategic Priorities

end of the calendar year, in line with prior Annual Survey data dissemination.

**Post-implementation** activities documented how survey administration workflows operate after transitioning to the new tool. A comprehensive user guide formalises the practical adaptation of the IADI Survey Protocol Guidelines which more formally govern process and procedure regarding the IADI Secretariat survey function. Migration of historical Annual Survey data onto the platform was also finalised.

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### Secretariat Training and Capacity Building Unit

As established in the IADI Strategic Goals, and in order to promote deposit insurance system compliance with the Core Principles, the Secretariat Training and Capacity Building Unit (TCBU) seeks to innovate in delivering training, capacity building and technical support in ways that provide value to all IADI Members.

IADI conducts numerous programmes for training and capacity building, including (i) training sessions for Members on topics chosen by, for example, Member surveys; (ii) SATAP reviews where IADI experts assist member jurisdictions in reviewing their self-assessments against the Core Principles; (iii) regional TAWs; and (iv) bilateral technical assistance facilitated by the IADI Capacity Building Programme. Additional activities will continue to be undertaken to enhance the benefits of membership and to assist Members to reform and strengthen their deposit insurance systems.

The TCBU, in collaboration with the Training and Technical Assistance Council Committee (TTAC), focused on the development of key elements of 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 the IMF/World Bank Financial Sector Assessment Program (FSAP) reviews. In particular, the TCBU worked on developing the Expert Training Working Group pilot test (the first live IADI training initiative to be launched fully on a web-based platform). These activities will aid in the development of various portions of what will become the IADI Core Curriculum, a priority project for the TCBU that outlines workshops designed for four different audiences: (i) High Level Core Principles Overview for decision-makers and senior management; (ii) Core Principles Practitioners Workshop for staff and practitioners less experienced with the Core Principles; (iii) Regional TAWs for an audience with varying levels of experience with the Core Principles; and (iv) Core Principles Experts Workshop for Members who have participated in the Core Principles Practitioners Workshop and are looking to become Core Principles Experts.

The Senior Training and Technical Assistance Advisor (STTAA) also collaborated closely with the FSI on enhancing and improving the Deposit Insurance section of FSI Connect, the BIS's web-based information resource and learning tool available exclusively to central banks, supervisory authorities, deposit insurers and eligible public sector authorities. An updated suite of tutorials on "Deposit Insurance Core Principles Assessment" is expected to be published in 2020, and three additional tutorials were reviewed and converted to ensure they remained available in the FSI Connect Library. This effort proved increasingly relevant given the suspension of all in-person training events as a result of the Covid-19 pandemic.

On behalf of the TCBU, the STTAA also collaborated on the "Strategy to Encourage More Members to Engage in Self-Assessments" and the group delivered written guidance that explains the overall self-assessment process, the diagnostic nature of the activity and the resources available to Members from IADI.

As the situation regarding Covid-19 continues to evolve, the TCBU is exploring new avenues to continue to deliver the Association's training programme, including developing additional guidance on virtual/remote training events, assisting the Regional Committees with their planned training activities under new formats, and collaborating with the FSI and other IADI Partners to bring new remote training opportunities to IADI Members.

The TCBU was established in late 2019 and only consisted of the STTAA during FY 2019/20. In order to accelerate the implementation of this work programme for Phase II, the STTAA will be joined by a Technical Assistance Analyst (TAA) and a Technical Assistance and Capacity Building Analyst (TACBA) in FY 2020/21.



## 2019 Fifth Biennial IADI Research Conference

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 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 mentioned that 63 research papers were received for the conference and from these, the 8 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 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 opening remarks stating that each jurisdiction’s mechanism to respond to financial crises has been developed 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 deposit insurance system 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 episodes.

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, in regard not only to individual banks but also to 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, 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 the global financial crisis 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.

Conference attendees heard 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 FSB, the FSI and the IMF 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 for organising the conference. The next IADI Biennial Research Conference is scheduled to be held in mid-2021. Further details of the event, including a “Save the Date”, will be distributed nearer the time.

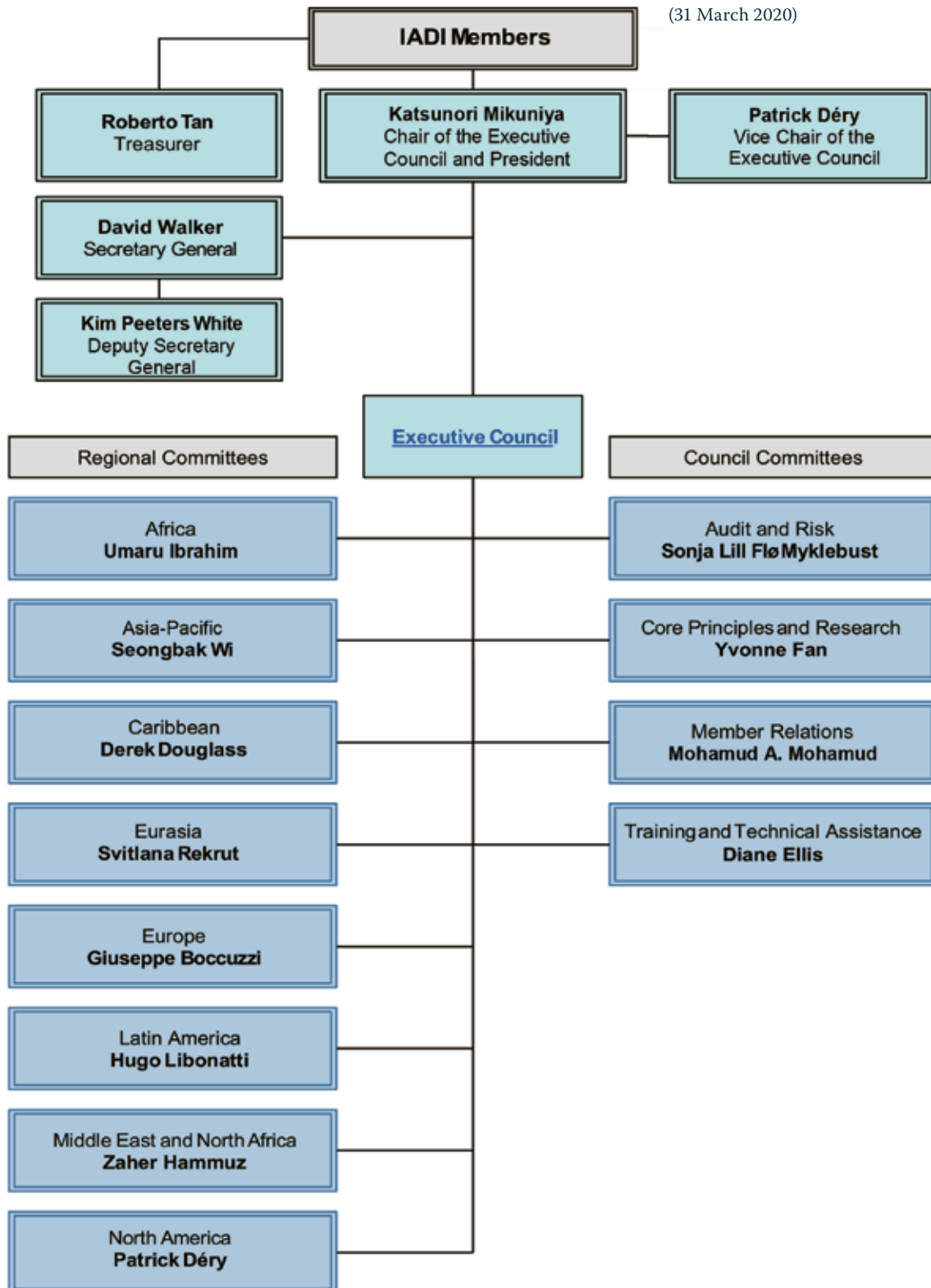
For the Proceedings from the 2019 IADI Biennial Research Conference, please refer to Annex II of this Annual Report, or visit [www.iadi.org](http://www.iadi.org).

[All conference material](#) including speaker biographies, full academic papers, and presentation slides are available to IADI Members via eBIS (login required).



# Council, Technical and Regional Committees

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 sections.



# Council and Technical Committee Reports

## Audit and Risk Council Committee



### 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 financial 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 the FY 2019/20. Further to the conclusion of the financial year, the Committee reviewed the Secretariat's Report on Statement of Activities and Financial Position, including the statements from the BIS Compliance and Risk Unit on any compliance or operational risk incidents related to the Association's Secretariat during the year.

#### Other activities

During the FY 2019/20, the ARCC reviewed the progress reports and the closing report for the IADI Survey Data Management System (ISDMS) project. The suggested budget for further enhancement of the ISDMS database was also reviewed.

The ARCC completed its review of the Investment Guidelines Report (including Investment Guidelines for FY 2020/21) and the Investment Policy. The Investment Guidelines were approved by EXCO.

During the year, the ARCC reviewed the IADI Risk Management and Internal Control Framework, a risk analysis performed by the Secretariat.

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

Michel Cadelano (Fonds de Garantie des Dépôts et de Résolution, France)

(Michel Cadelano was appointed ARCC Vice Chairperson in February 2020, replacing Dean Cosman (Canada Deposit Insurance Corporation).)

#### Members

Chantal Richer (Canada Deposit Insurance Corporation), Zaher Hammouz (Palestine Deposit Insurance Corporation), Gregor Frey (es-suisse, Switzerland), and Michelle Rolingson-Pierre (Deposit Insurance Corporation, Trinidad and Tobago)

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# Council and Technical Committee Reports

## Core Principles and Research Council Committee

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### Report of the Chairperson

**Yvonne Fan** – 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 to play a prominent role in policy and research in these areas, the CPRC, with the support of its Technical Committees and in collaboration with the Secretariat's Research Unit (RU), has been dedicated in furthering its objectives and IADI's Strategic Priorities.

In the reporting period, under the auspices of the CPRC, IADI published one Guidance Paper titled "Public Policy Objectives for Deposit Insurance Systems" in March 2020. It also published two Research Papers: one titled "Purchase and Assumption", published in November 2019; the other titled "Deposit Insurance and Financial Inclusion: Current Trends in Insuring Digital Stored Value Products", published in March 2020. Brief descriptions of these papers are provided in the following sections.

Additionally, in view of the fact that the application of financial technology (fintech) has been improving access to financial services and enhancing efficiency, as well as posing challenges to conventional banks, financial sector regulators and deposit insurers, the CPRC established the FinTech Technical Committee in February 2020, to study the implications of fintech developments on deposit insurance systems, traditional deposits, risk management, consumer protection, and financial stability.

The Islamic Deposit Insurance Technical Committee (IDITC) finished drafting the "Core Principles for Effective Islamic Deposit Insurance Systems (CPIDIS)", working jointly with the Islamic Financial Services Board (IFSB). The CPIDIS went through public consultations by IADI and IFSB. Comments received were incorporated and reviewed by IFSB's Shariah Board and IADI. The CPIDIS are expected to be issued by the end of 2020.

In consideration of the financial cooperatives playing an important role in the financial system of a large number of jurisdictions worldwide, the CPRC established a Technical Committee in June 2014 to conduct

research on resolution issues for financial cooperatives. A first research paper titled "Resolution Issues for Financial Cooperatives – Overview of Distinctive Features and Current Resolution Tools" was published on the [IADI website](#) in January 2018. A second paper, to be a guidance paper titled "Ways to Resolve a Financial Cooperative while Keeping the Cooperative Structure", is scheduled to be issued in 2021.

The Research Paper titled "Evaluation of Differential Premium Systems for Deposit Insurance", and the Guidance Paper titled "Risk Management and Internal Control System of Deposit Insurers" are expected to be published in 2020. The work of the Technical Committee on Deposit Insurance Coverage Level and Scope is underway.

### Chairperson

Yvonne Fan (Central Deposit Insurance Corporation, Chinese Taipei)

(Yvonne Fan was appointed CPRC Chairperson in November 2019, replacing William Su (Central Deposit Insurance Corporation).)

### Vice Chairperson

Nikolay Evstratenko (Deposit Insurance Agency, Russian Federation)

### Members

Daniel Lima (Fundo Garantidor de Créditos, Brazil), Patrick Déry (Autorité des marchés financiers, Québec, Canada), Michel Cadelano (Fonds de Garantie des Dépôts et de Résolution, France), Fauzi Ichsan (Indonesia Deposit Insurance Corporation), Giuseppe Bocuzzi (Interbank Deposit Protection Fund, Italy), Katsunori Mikuniya (Deposit Insurance Corporation of Japan), Mu'taz I. Barbour (Jordan Deposit Insurance Corporation), Rafiz Azuan Abdullah (Malaysia Deposit Insurance Corporation), Gabriel Limón (Instituto para la Protección al Ahorro Bancario, Mexico), Mirosław Panek /Piotr Tomaszewski (Bank Guarantee Fund, Poland), Mariano Herrera (Fondo de Garantía de Depósitos de Entidades de Crédito, Spain), Diane Ellis (Federal Deposit Insurance Corporation, United States), and Daniel Dominioni (Corporación de Protección del Ahorro Bancario, Uruguay).

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# Council and Technical Committee Reports

## Core Principles and Research Council Committee

### Technical Committees

- Islamic Deposit Insurance  
Chairperson: Ronald Rulindo, Indonesia Deposit Insurance Corporation
- Purchase and Assumption  
Chairperson: Yangig 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
- 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
- Financial Technology  
Chairperson: Diane Ellis, Federal Deposit Insurance Corporation, United States

### IADI Guidance Paper – Public Policy Objectives for Deposit Insurance Systems

The Guidance Paper titled “Public Policy Objectives for Deposit Insurance Systems” was published on the [IADI website](#) in March 2020. The paper was developed by a Technical Committee under the CPRC, chaired by Ms Yvonne Fan, Executive Vice President of the Central Deposit Insurance Corporation, Chinese Taipei and authored by Mr Kevin Chew, Deputy General Manager of Malaysia Deposit Insurance Corporation.

This paper provides an update on the public policy objectives (PPOs) of deposit insurance systems in different jurisdictions, taking into account recent developments and, where possible, illustrating the policy rationale behind changes in objectives. It also provides a set of supporting guidance points for the effective implementation of Core Principle 1 of IADI’s Core Principles for Effective Deposit Insurance Systems.

A deposit insurance system may not be effective if it does not have clear, relevant and well-defined objectives that point to the broad functions it serves within the safety-net framework. For this reason, having PPOs in place would provide purpose, context, focus and direction on how deposit insurers should discharge their duties. Publicly disclosed PPOs

would also enhance awareness of a deposit insurer’s role and reassure stakeholders about what they can broadly expect from the deposit insurance system.

It is critical for the structure and design features of a deposit insurance system to be carefully constructed, to ensure that they are consistent and fit with the mandates which flow from the PPOs. Some key gaps relate to the inadequacy of design features and powers which impede the fulfilment of mandates. Another issue is overlaps or discrepancies between the PPOs of the deposit insurance system and those of other safety-net players. Consideration should be given to the deposit insurer’s role vis-à-vis other players within the financial safety-net framework, to ensure the consistency and complementarities of PPOs across the safety-net. When setting, reviewing or modifying the PPOs, key stakeholders must be consulted.

Members of the Technical Committee:

Yvonne Fan – Chairperson (Central Deposit Insurance Corporation, Chinese Taipei), Kevin Chew – Author (Malaysia Deposit Insurance Corporation), Catherine Chou – Coordinator (Central Deposit Insurance Corporation, Chinese Taipei), Ma. Antonette B. Bolivar (Philippine Deposit Insurance Corporation), Maria Ester D. Hanopol (Philippine Deposit Insurance Corporation), Yudai Suzuki (Deposit Insurance Corporation of Japan), Alex Kuczynski (Financial Services Compensation Scheme, United Kingdom), and Jan Nolte (International Monetary Fund).

### IADI Research Paper – Purchase and Assumption

A Research Paper titled “Purchase and Assumption” was published on the [IADI website](#) in November 2019. The paper was developed by a Technical Committee under the CPRC, chaired by Mr Yangig Cho, Executive Director, Korea Deposit Insurance Corporation, South Korea.

This paper provides an overview of Purchase and Assumption (P&A) transactions around the world, including the challenges and opportunities of P&A as well as the present use of P&A among IADI Members. The paper also looks into the current practices and technical implications, providing a guide to the practical aspects of P&A transactions.

The increased focus on the use of the P&A method can be attributed to its advantages, which are: reduced resolution costs; less disruption to the local economy; greater convenience over a payout for depositors; flexibility in the choice of resolution options; prompt transfer of insured deposits; and continuation of depositor services. However, completing a P&A transaction also has its challenges, such as: difficulty in pricing assets and identifying potential buyers for the assets in a constrained time frame due to weak market conditions; a lack of interested buyers; the increased costs associated with the use of a bridge bank tool; and difficulties with least-cost estimations.

In order for a P&A to succeed, there are several factors that require consideration: proper due diligence to develop accurate asset value assessments; the availability of enough qualified bidders; and the solicitation of sufficiently high bids. Failure in any of these steps may require modification of the whole process and therefore can present uncertainty for resolution authorities and deposit insurers.

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# Council and Technical Committee Reports

## Core Principles and Research Council Committee

To minimise such uncertainties, the resolution authority must approach P&A processes with carefully designed strategies and vigorous marketing efforts. Furthermore, since a P&A is often accompanied with payments to the acquirer to make up the net asset shortfall, the resolution authority and deposit insurer should ensure that there is adequate funding available, and should have the necessary powers to efficiently recover funds from the receivership estate. Additional features needed to ensure the smooth functioning of the P&A processes include a strong legal framework, a pool of outside experts, developed financial markets and advancement of IT systems.

Members of the Technical Committee:

Yangig Cho – Chairperson (Korea Deposit Insurance Corporation), Margaret Chuang (Central Deposit Insurance Corporation, Chinese Taipei), Juan Carlos Quintero (Fondo de Garantías de Instituciones Financieras, Colombia), Fernán Ulate (Fondo de Garantías de Instituciones Financieras, Colombia), Yuichi Fujimura (Deposit Insurance Corporation of Japan), Akylzhan Baimagambetov (Kazakhstan Deposit Insurance Fund), Mohamud A. Mohamud (Kenya Deposit Insurance Corporation), Seungkon Oh (Korea Deposit Insurance Corporation), Nilo Aldrin M. Lucinario (Philippine Deposit Insurance Corporation), Josefina J. Velilla (Philippine Deposit Insurance Corporation), Joanna Smolarek (Bank Guarantee Fund, Poland), Noel Nunes (Deposit Insurance Corporation, Trinidad and Tobago), Guclu Sirin (Savings Deposit Insurance Fund, Turkey), Kumudini Hajra (IADI Senior Policy and Research Advisor), and David Hoelscher (IADI Advisory Panel).

### **IADI Research Paper – Deposit Insurance and Financial Inclusion: Current Trends in Insuring Digital Stored-Value Products**

A Research Paper titled “Deposit Insurance and Financial Inclusion: Current Trends in Insuring Digital Stored-Value Products” was published on the [IADI website](#) in March 2020. The paper was developed by a Technical Committee under the CPRC, chaired by Mr Juan Carlos López, Head of Communications and Corporate Affairs of the Fondo de Garantías de Instituciones Financieras, Colombia.

The paper provides a review of rapidly evolving digital stored-value products (DSPs), which have acted as a mechanism to foster financial inclusion and have raised the attention of deposit insurers, given their role in protecting small depositors. Although DSPs and deposits have similar characteristics from the consumer’s perspective, deposit insurers are examining the adoption and development of the DSPs carefully as deposit insurers could become involved in insuring DSPs under probable new scenarios that include non-bank providers outside the traditional financial system. Three approaches (ie direct approach, exclusion approach and pass-through approach) have been identified and adopted in regard to the protection of DSPs.

IADI raised a few issues in applying the Core Principles indicating that “deposit insurers should make efforts to stay abreast of financial inclusion initiatives and associated technological innovations occurring in their jurisdictions, particularly those affecting unsophisticated small-scale depositors.”

In light of this, the paper conducted a survey and observed that promoting financial inclusion does not explicitly fall within the mandates of deposit insurers. Also, an analysis of current adoption of an approach

to DSPs indicated that at least one-fifth of survey respondents have adopted a formal position on whether or not to cover DSPs.

Most respondents stated that no specific membership requirements apply to non-bank offerors of DSPs while banks have mandatory membership in the deposit insurance system. Another issue of whether deposit insurers are separating the funds to cover DSPs from those managed for member banks, no respondent confirmed the existence of a separate fund.

Members of the Technical Committee:

Juan Carlos López – Chairperson (Fondo de Garantías de Instituciones Financieras, Colombia), Yvonne Fan (Central Deposit Insurance Corporation, Chinese Taipei), Masami Yasuda (Deposit Insurance Corporation of Japan), Bota Akbayeva and Anuar Kuandykov (Kazakhstan Deposit Insurance Fund), Jonathan Aggrey Bett (Kenya Deposit Insurance Corporation), Taewook Chang and Min Kyung Kim (Korea Deposit Insurance Corporation), Iliana Salazar Escobar (Instituto para la Protección al Ahorro Bancario, Mexico), Jose G. Villaret Jr. (Philippine Deposit Insurance Corporation), Krzysztof Broda (Bank Guarantee Fund, Poland), Konstantin Kriventsov (Deposit Insurance Agency, Russian Federation), Karen Gibbons (Financial Services Compensation Scheme, United Kingdom), Alex Kuczynski (Financial Services Compensation Scheme, United Kingdom), and Juan Carlos Izaguirre (The Consultative Group to Assist the Poor, CGAP).

# Council and Technical Committee Reports

## Member Relations Council Committee



### 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, six new Members joined IADI from regions across the globe, namely Africa, Eurasia, Europe, North America, and the Middle East and North Africa.

The new Members are: Fondo de Garantía de Depósitos de Entidades de Crédito (Spain), Agency of Deposit Compensation (Belarus), Massachusetts Credit Union Share Insurance Corporation (United States), Fundo de Garantia de Depósitos (Angola), Bermuda Deposit Insurance Corporation, and Fonds de Garantie des Dépôts Bancaires (Tunisia).

The Association also welcomed one new Associate, the Central Bank of Belize.

On the other hand, three Members left the Association during the reporting period: Einlagensicherung AUSTRIA (ESA), the Jersey Bank Depositors Compensation Board, and the Deposit Guarantee and Investor Compensation Foundation PCC (EAS Liechtenstein).

The Association counts 90 Members, 9 Associates and 14 Partner organisations as participants as of 31 March 2020.

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.

#### Membership Benefits and Communications Initiatives

Against the backdrop of the growing recognition of the necessity to keep abreast of the needs of both new and longstanding Members with various mandates and powers, the MRC established the Task Force for Membership Benefits in May 2019, with the goal of assessing Members' level of satisfaction with the Association. The Task Force prepared a

survey to obtain feedback from existing Members on their satisfaction with, and expectations of, the Association. The survey was designed to include more on aspects of stakeholder engagement, rather than focusing on communications initiatives.

Due to the ongoing discussion on IADI's strategic planning at the Executive Council, the survey will be reviewed for possible further amendment and its issuance reprioritised.

#### IADI Business Plan and Budgets 2019–2022

As per the MRC's Terms of Reference, the MRC reviewed the IADI Business Plan and Budget 2019–2022. The Business Plan addresses the IADI Strategic Goals and provides further details and budgetary requirements for implementing activities in support of the Goals. With respect to the Business Plan 2019–2022, the original Plan was first drafted based on the former Annual Fee structure. Following the discussions of the Working Group on New Funding Options (WGNFO) and EXCO over summer 2019, the Revised Plan was prepared which took account of the proposed new Annual Fee structure (Differentiated Fee Model) described in the "Proposed Strategy for Advancing Training, Technical Assistance and Research to Meet Phase II Strategic Objectives". The Revised Business Plan was approved at the AGM in October 2019.

#### Chairperson

Mohamud A. Mohamud (Kenya Deposit Insurance Corporation)

#### Vice Chairperson

Muhiddin Güral (Savings Deposit Insurance Fund, Turkey)

#### Members

Alejandro López (Seguro de Depósitos Sociedad Anónima, Argentina), Giuseppe Boccuzzi (Interbank Deposit Protection Fund, Italy), Antoinette McKain (Jamaica Deposit Insurance Corporation), Mu'taz I. Barbour (Jordan Deposit Insurance Corporation), Seongbak Wi (Korea Deposit Insurance Corporation), Erkebai Murzabekov (Deposit Protection Agency, Kyrgyz Republic), Roberto Tan (Philippine Deposit Insurance Corporation), and Vusilizwe Vuma (Deposit Protection Corporation, Zimbabwe).

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# Council and Technical Committee Reports

## Training and Technical Assistance Council Committee



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### Report of the Chairperson

**Diane Ellis** – Federal Deposit Insurance Corporation, United States

The strategic objectives of the Training and Technical Assistance Council Committee (TTAC) are to:

- i) promote the Association's recognition worldwide as an international standard setter on deposit insurance issues;
- ii) oversee the development of high-quality training and conference programmes on effective deposit insurance systems and other issues relating to global financial stability;
- iii) promote and facilitate the sharing and exchange of expertise among Members, Partners and Associates, and the dissemination of information through training, development and educational programmes;
- iv) promote deposit insurance system compliance with the Core Principles (CPs) by providing Members with the technical tools to modernise and upgrade their deposit insurance systems; and
- v) identify any gaps between the Members' positions and the position of the CPs as the relevant standard and benchmark.

To accomplish these objectives, the Capacity Building Technical Committee (CBTC) supports the TTAC's work.

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

During the last year, the TTAC continued to oversee the establishment of general guidelines and technological tools for the preparation, development, and follow-up of knowledge events and workshops. After approving the Manual for Planning and Conducting Training and Technical Assistance Workshops (TAW Manual) in early 2019, the TTAC monitored a full cycle of TAWs planned using the guidelines set out in the Manual. After the conclusion of each TAW, a final report was drafted to summarise the event as well as to describe what went well and provide suggestions for future workshops. The CBTC and Secretariat compiled these reports into a complete Lessons Learned Report, approved by the TTAC. The Secretariat and the CBTC will continue to write this report annually, and use the findings to enhance the workshops and update the TAW Manual as necessary.

Additionally, the building of the IADI Members-only Repository, which houses event materials from IADI's "knowledge events" began in the previous fiscal year and was completed during the reporting period. The Repository will continue to be updated after the conclusion of each knowledge event.

#### **Increasing Knowledge and Compliance with the Core Principles**

As of 1 April 2019, the TTAC – together with the IADI Secretariat, Regional Committees, and the CBTC Chairperson – oversaw five regional TAWs, the IADI Annual Conference, and the Fifth Biennial Research Conference. Furthermore, two Self-Assessment and Technical Assistance Program (SATAP) reviews were completed in Ecuador and in Trinidad and Tobago.

The TTAC also approved the Strategy to Encourage More Members to Engage in Self-Assessments, developed by the CBTC. The Strategy includes plans for the CBTC to develop written guidance, a half-day workshop, and a short marketing presentation, each explaining the benefits of a self-assessment and summarising the self-assessment process. The TTAC anticipates the completion of all three deliverables by the end of 2020.

Additionally, the Council Committee approved a technical assistance survey developed by the former Technical Assistance Technical Committee (TATC), in coordination with the Secretariat. The survey allows Members to provide or request technical assistance and was sent to the membership in November 2019.

#### **Chairperson**

Diane Ellis (Federal Deposit Insurance Corporation, United States)

(Diane Ellis was appointed TTAC Chairperson in December 2019, replacing Alex Kuczynski.)

#### **Members**

Alejandro López (Seguro de Depósitos Sociedad Anónima, Argentina), Yvonne Fan (Central Deposit Insurance Corporation, Chinese Taipei), Luis Velasco (Corporación del Seguro de Depósitos, Fondo de Liquidez y Fondo de Seguros Privados, Ecuador), Seongbak Wi (Korea Deposit Insurance Corporation), Roberto Tan (Philippine Deposit Insurance Corporation), Nikolay Evstratenko (Deposit Insurance Agency, Russian Federation), Michelle Rolingson-Pierre (Deposit Insurance Corporation, Trinidad and Tobago), Julia Oyet (Deposit Protection Fund of Uganda), Karen Gibbons (Financial Services Compensation Scheme, United Kingdom), and Vusilizwe Vuma (Deposit Protection Corporation, Zimbabwe).



# Council and Technical Committee Reports

## Capacity Building Technical Committee



### Report of the Chairperson

**Tony Sinopole** – Federal Deposit Insurance Corporation, United States

The Capacity Building Technical Committee (CBTC) was formed in February 2020 by merging the former Training and Conference Technical Committee (TCTC) and the Technical Assistance Technical Committee (TATC). The CBTC is charged with supporting IADI Members and the Secretariat in the organisation and planning of the Annual IADI Conference, Biennial Research Conference, and all other conferences, forums, and workshops. The CBTC also jointly reviews SATAP requests with the Senior Training and Technical Assistance Advisor (STTAA).

Further, the CBTC is responsible for assisting the Secretariat in maintaining and expanding a roster of experts on the Core Principles. The experts support various IADI initiatives, such as the SATAP, bilateral technical assistance, the IMF/World Bank Financial Sector Assessment Program (FSAP), and other international organisations' requests.

#### Technical Assistance

##### **Workshops and Conferences**

The TCTC provided assistance to the Regional Committees in developing TAWs, which are designed to develop strategies for addressing gaps among Members in meeting the Core Principles. During the period, TAWs were hosted for the Europe, Asia-Pacific, North America, Latin America, Caribbean, and Africa Regional Committees. Additionally, the TCTC assisted with the planning of the Biennial Research Conference and the IADI 2019 Annual Conference.

##### **SATAPs**

During the period, two SATAP reviews were completed for Ecuador and for Trinidad and Tobago. Both reports have been finalised. Additionally, Zimbabwe officially requested a SATAP review in March; the review will begin in the next FY 2020/21.

##### **Technical Assistance requests**

The TATC developed a proposed addition to the IADI Annual Survey that allows Members to request or indicate their capacity to provide technical assistance to other Members. The survey was sent to the membership and 33 responses were received with some jurisdictions responding both as possible experts to provide some form of technical assistance and requesting technical assistance. Going forward, the Secretariat will coordinate the technical assistance requests.

#### Training Initiatives under Development

In February 2019, the TTAC approved the TCTC's proposed 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 the IMF/World Bank FSAP reviews. The programme includes four stages: (i) attend the Core Principles Practitioners Workshop; (ii) participate in the Expert Training Working Group (ETWG) 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 SATAP reviews under the direction of a more senior expert.

During the reporting period, the CBTC drafted terms of reference for the first two stages – the Core Principles Practitioners Workshop, and the ETWG. The CBTC anticipates launching a pilot test for the ETWG and for the Practitioners Workshop in the next FY 2020/21.

Additionally, the CBTC drafted, and the TTAC approved, terms of reference for the Strategy to Encourage More Members to Engage in Self-Assessments. The Strategy will have three components: (i) written guidance on completing a self-assessment; (ii) a half-day self-assessment workshop that can stand alone or be added to other IADI events; and (iii) a brief marketing presentation that can be delivered at IADI events, explaining the benefits of a self-assessment. The CBTC anticipates completing all three components in the next FY 2020/21.

#### **Chairperson**

Tony Sinopole (Federal Deposit Insurance Corporation, United States)

#### **Vice Chairperson**

Karen Gibbons (Financial Services Compensation Scheme, United Kingdom)

#### **Members**

D'Andrea Ramsey (Deposit Insurance Corporation of the Bahamas), Rishanthi Pattiarachchi (Canada Deposit Insurance Corporation), Margaret Chuang (Central Deposit Insurance Corporation, Chinese Taipei), Juan Carlos López (Fondo de Garantías de Instituciones Financieras, Colombia), Taewook Chang (Korea Deposit Insurance Corporation), Mohamed Mahraoui (Société Marocaine de Gestion des Fonds de Garantie des Dépôts Bancaires, Morocco), Carlos Colao (Fondo de Garantía de Depósitos de Entidades de Crédito, Spain), Lucas Metzger (esisuisse, Switzerland), Derek Douglass (Deposit Insurance Corporation, Trinidad and Tobago), Julia Oyet (Deposit Protection Fund of Uganda), Vilma Rosa Leon-York (United States Department of Treasury, Office of Technical Assistance), and Taurai Togarepi (Deposit Protection Corporation, Zimbabwe).

## Overview of IADI Training and Education Events in FY 2019/20



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

The Central Deposit Insurance Corporation hosted the Asia-Pacific Regional Committee (APRC) CEO Dialogue on 1 April 2019, in Taipei City, Chinese Taipei, looking at the theme of the global and the Asia-Pacific economic outlook and responses to challenges facing APRC deposit insurers. Approximately 40 participants attended the event. For the APRC, this was the first time it had held a CEO dialogue. Taking this opportunity, the Chairpersons, CEOs and high-level representatives of the APRC member organisations 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 efforts to promote financial stability in the Asia-Pacific region, and achieving a regional consensus.



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

The Albanian Deposit Insurance Agency (ADIA) hosted the Europe Regional Committee (ERC) annual Technical Assistance Workshop (TAW) in Tirana, Albania, on 4 and 5 April 2019. 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 Annual Meeting, 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 held up 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 heard 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 (SRB).

# Overview of IADI Training and Education Events in FY 2019/20

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.



## 2019 Fifth Biennial IADI Research Conference, Basel, Switzerland, 23–24 May 2019

IADI held 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 Conference was preceded by the 58th EXCO Meeting and the meetings of IADI Council, Technical and Regional Committees from 20 to 22 May.

*For the details on the 2019 Fifth Biennial IADI Research Conference, please refer to p.13*

*For the Proceedings from the 2019 Fifth Biennial IADI Research Conference, please refer to Annex II of this Annual Report.*

## 17th IADI APRC Annual Meeting, 2019 IADI APRC Regional Technical Assistance Workshop and International Conference, St. Petersburg, Russia, 25–28 June 2019

The Deposit Insurance Agency, Russian Federation (DIA Russia) hosted the 17th IADI APRC Annual Meeting, 2019 APRC TAW and the International Conference from 25 to 28 June 2019 in Saint Petersburg, Russia.

The focus of the TAW was on ensuring the deposit insurer’s compliance with Core Principles 2: Mandate and powers and 8: Coverage. Presentations and case studies were made by speakers from Chinese Taipei, the Czech Republic, IADI Secretariat, Indonesia, Kazakhstan, Kenya, Malaysia, Norway, and the United Kingdom. To promote productive interaction among expert presenters and participants, the workshop programme included breakout group discussions and reporting at the end of each session.

The theme of the International Conference was “Deposit Insurance and Bank Liquidation: Standards, Best Practices and Innovations”, and 124 participants from 37 jurisdictions attended the conference. The conference consisted of three sessions, namely “Deposit Insurance: How to Ensure 7-day Payout”, “Bank Liquidation by Deposit Insurers: Benefits and Challenges”, and “Recoveries from Assets of Failed Banks: How to Liquidate Such Assets?”, and a number of expert speakers and moderators from around the world gave their perspectives of the deposit insurance systems’ development and improvement, as well as global best practices and innovative solutions used in the course of liquidation proceedings.

## 12th EARC Annual Meeting and International Conference, Kyiv, Ukraine, 25–26 April 2019

The Deposit Guarantee Fund of Ukraine hosted the 12th Eurasia Regional Committee (EARC) Annual Meeting and International Conference in Kiev, Ukraine, on 25 and 26 April 2019. The theme of the conference was “IT Technologies for Crisis Management of Bank Resolution”, and over 60 participants from 15 jurisdictions attended the conference. The speakers included representatives from the National Bank and the Ministry of Finance of Ukraine, IADI, Kenya Deposit Insurance Corporation, international IT companies, and experts from the United States Department of the Treasury’s Office of Technical Assistance and the World Bank. Using open data and e-marketplaces for the sale of failed banks’ loans and increasing asset recovery was one of the topics discussed during the conference.



# Overview of IADI Training and Education Events in FY 2019/20

## Fourth Americas Deposit Insurance Forum and Regional Committee Meetings, Cartagena, Colombia, 24–26 July 2019

Fondo de Garantías de Instituciones Financieras (Fogafin) hosted the Fourth Americas Deposit Insurance Forum and Regional Committee Meetings from 24 to 26 July 2019 in Cartagena, Colombia. Three IADI regional committees, the Caribbean Regional Committee (CRC), the Regional Committee of North America (RCNA), and the Latin America Regional Committee (LARC) collaborated to organise the forum.

The forum aimed to promote good practices and discussions around two aspects that were identified as critical by the three Americas regional committees: relationships with other safety-net participants (Core Principle 4), with an emphasis on the relationship with financial supervisors; and sources and uses of funds (Core Principle 9), analysing the investment strategies, its rationale and way forward. Over 75 participants from 20 jurisdictions representing deposit insurers (including non-IADI member organisations), supervisors, regulators, international financial institutions, and think tanks, attended the event.

During the regional meetings, attendees had the opportunity to participate in a high-level exchange of views on the strategic planning processes and the research projects undertaken by deposit insurers in the Americas. These sessions provided a platform for the discussion of current developments and emerging trends in the region, and participants were able to learn from their peers' initiatives.



## Joint FSI-IADI Conference on Financial Stability and Deposit Insurance, Basel, Switzerland, 4–5 September 2019

The FSI and the IADI jointly held the ninth FSI-IADI Conference at the BIS in Basel, Switzerland on 4 and 5 September 2019. The objective of the conference was to discuss the latest developments, practices and experience on a range of issues related to crisis management, bank resolution and deposit insurance, with a forward-looking emphasis on crisis preparedness.

The ninth joint conference was titled “Crisis Management, Resolution and Deposit Insurance: What’s Next and How to Prepare” and the programme for this event focused on the following topics: resolvability of systemic banks; the meaning of resolvability for non-bank financial institutions; challenges for the resolution of smaller banks and banking markets; emerging risks and responses to changing risk landscapes; strategies for liquidity funding; and designing crisis simulation and table-top exercises to test crisis management arrangements.

Distinguished speakers and panellists from a variety of fields shared their views on these topics. Mark Branson, CEO of the Swiss Financial Market Supervisory Authority FINMA, and Sir Paul Tucker, Chair, Systemic Risk Council and Research Fellow, Harvard Kennedy School, delivered keynote speeches. The event was attended by over 170 officials from supervisory and resolution authorities, central banks and deposit insurers.

## ARC Annual Meeting and Annual Conference, Kampala, Uganda, 15–19 September 2019

The Deposit Protection Fund of Uganda (DPF) and the Bank of Uganda hosted the Africa Regional Committee (ARC) Annual Meeting and Conference titled “Why Deposit Insurance?” The event took place from 15 to 19 September 2019 in Kampala, Uganda.

The Conference was officiated by the Minister of Finance, Planning and Economic Development (MoFPED) of the Republic of Uganda. The Governor of the Central Bank gave the opening remarks on the role of deposit insurance in promoting financial sector stability. The event attracted participants from over 16 African countries, of which 6 jurisdictions do not have an explicit deposit insurance system in place. Speakers were sourced from the World Bank, Toronto Centre and IADI.

The main purpose of the Conference was to share regional and global experiences on how effective deposit insurance systems help to enhance public confidence in the financial sector and ultimately enhance financial stability. The topics discussed at the Conference included: (i) Overview of deposit insurance and IADI; (ii) Mandates of a deposit insurance scheme (Core Principle 2); (iii) Governance and operational independence of a deposit insurance entity (Core Principle 3); (iv) Case studies on the Paybox and Paybox Plus mandates; (v) Case studies on the Loss Minimiser and Risk Minimiser mandates; (vi) Round Table Discussion with deposit insurance systems that are in the process of being set up; (vii) Relationship between safety-net players in promoting financial stability; and (viii) Bank resolution and financial sector stability – Case study: Bank of Uganda. The ARC Annual Meeting was attended by delegates from Angola, Ghana, Kenya, Morocco, Nigeria, South Africa, Tanzania, Uganda, the West African Monetary Union Deposit Guarantee Fund, and Zimbabwe.



# Overview of IADI Training and Education Events in FY 2019/20

## The 1st IADI APRC Study Visit Program, Seoul, Korea, 18–19 September 2019

The Korea Deposit Insurance Corporation (KDIC) held the 1st IADI APRC Study Visit Program on 18 and 19 September 2019 in Seoul, Korea. Participants in the program had the chance to visit and get an insight into the financial safety-net players of Korea. Additionally, sessions were held to share the views of various parties – APRC members, academia, etc., – on financial safety-net schemes. In total, more than 50 participants from 14 jurisdictions attended the programme, and the participants comprised both high-level management and working-level officials. In addition to expanding the perspectives of the participants, the programme was committed to adding value by acting as a networking platform for the APRC members.



## 18th IADI Annual General Meeting, 60th EXCO Meeting and Annual Conference, Istanbul, Turkey, 7–11 October 2019

The Savings Deposit Insurance Fund of Turkey (SDIF) hosted the 18th IADI AGM, 60th IADI EXCO Meeting, and Annual Conference from 7 to 11 October 2019 in Istanbul, Turkey. Over 250 participants, representing 85 jurisdictions and 105 organisations attended the events.

The week began with three days of meetings for the IADI Technical Committees, Council Committees, Regional Committees, the Meeting of the President with non-EXCO members and the EXCO Meeting. The Annual Conference lasted one and a half days and was followed by the 18th IADI AGM and bis EXCO Meeting.

The Annual Conference, entitled “Realizing Reforms: What has Changed in Deposit Insurance Systems since the Crisis?” started on 10 October and continued through 11 October. Top policymakers, deposit insurers and academics participated in the Conference and presented, discussed, and provided insights on key issues affecting the global economy, financial stability, deposit insurance and bank resolution. There were five sessions focusing on: (1) the current global financial landscape; (2) deposit insurers’ role in early warning and intervention systems; (3) bank resolution processes; (4) cross-border issues in deposit insurance; and (5) fintech developments and their potential impacts on bank resolution and deposit insurance.

Welcoming remarks and opening remarks were delivered by the SDIF President and IADI President, respectively. The closing remarks were made by the IADI Secretary General and there were four keynote speakers. Keynote speaker Ms Jelena McWilliams, Chairman of the Federal Deposit Insurance Corporation (FDIC), United States, spoke about deposit insurance fund management and pricing, determining the optimal fund size and the appropriate target for the fund reserve ratio. The FDIC uses analytics such as historical values and loss rates to make

informed decisions. However, setting an appropriate target for the size of the insurance fund is ultimately a policy choice and a matter of judgement.

Keynote speaker Mr Juan Carlos Izaguirre, Senior Financial Sector Specialist, Consultative Group to Assist the Poor (CGAP), the World Bank, stressed in his speech e-money’s role in expanding financial inclusion in developing economies and e-money’s coverage under deposit insurance and emphasized that policymakers should balance financial inclusion with protection, stability, and integrity objectives, as e-money affects the very vulnerable customers.

Keynote speaker Mr Fabio Natalucci, Deputy Director, Monetary and Capital Markets Department, the IMF, delivered a presentation on global financial market developments. He discussed the issues of financial conditioning, drawing attention to financial vulnerability and risks that affect advanced and emerging economies.

Keynote speaker Mr Dominique Laboureix, Member of the Board and Director of Resolution Planning and Decisions, Single Resolution Board (SRB), stressed the increasing importance of the resolution authorities. He noted the need to establish a common deposit insurance scheme and to harmonise insolvency rules.

*For the Proceedings from the 2019 IADI Annual Conference, please refer to Annex III of this Annual Report.*



## ARC Technical Assistance Workshop, 18–22 November 2019, Accra, Ghana

The Ghana Deposit Protection Corporation (GDPC) and the Bank of Ghana (BOG) jointly hosted the 2019 ARC TAW from 18 to 22 November 2019, in Accra, Ghana. The theme of the Conference was “Deposit Protection – A Catalyst for Financial Stability”, and the event was attended by approximately 146 participants from 24 jurisdictions.

The main purpose of the Workshop was to allow for close interaction among experts working in different areas of regulation and financial stability to share regional and global experiences on how an effective deposit protection system is an important pillar of trust and confidence in the financial sector, thereby enhancing financial stability in the economy. Speakers were sourced from IADI Members and renowned deposit insurance systems within the Africa Region.

During the event, His Excellency, Alhaji Dr Mahamudu Bawumia, Vice President of the Republic of Ghana, delivered the keynote address and unveiled the logo of GDPC. Following this, Mr Ken Ofori-Atta, Hon Minister of Finance, Ghana and Dr Ernest Addison, Governor Bank of Ghana delivered the goodwill message and opening remarks, respectively.

## Overview of IADI Training and Education Events in FY 2019/20

As part of the five-day conference, participants heard presentations and shared their experiences spanning across issues such as the deposit insurer's role in contingency planning and crisis management, failure resolution systems and reimbursement systems and practices. Presenters from the FDIC, DFG Spain and the DIA Russia took delegates through case studies to offer insight into how various resolution tools have been employed in their jurisdictions and the issues and challenges with employing those resolution tools. Panellists from telecom service providers such as MTN, Vodafone and Airtel/Tigo as well as delegates from the deposit insurance system in Nigeria and Rwanda discussed the current issues with coverage and reimbursement of mobile money deposits. The topics discussed at the ARC Technical Assistance Workshop included: (i) effective crisis management mechanisms; (ii) role and functions of deposit insurance system; (iii) information sharing and coordination; (iii) financial safety-net players in contingency planning; (iv) role of a deposit insurance agency in failure resolution systems: policies, processes and tools; (v) overview of resolution regime for banks and specialised deposit-taking institutions in Ghana; (vi) reimbursement systems and practices; (vii) deposit insurance system coverage and reimbursement of mobile money; (viii) current issues with coverage and reimbursement of mobile money – proposed actions and activities to address gaps; (ix) case studies on issues and challenges – resolution; (x) using Single Customer View (SCV) in payout; (xi) other resolution tools; and (xii) the reimbursement of depositors (a Ghanaian payout agent's perspective).



### Sixth Malaysia Deposit Insurance Corporation Africa Open House, 20–21 November 2019, Kuala Lumpur, Malaysia

The Malaysia Deposit Insurance Corporation (PIDM) hosted its Sixth Open House for the Africa Region from 20 to 21 November 2019. A total of 11 delegates from 5 jurisdictions within the Africa region attended the event.

Topics covered included an overview of Malaysia's differential premium system, target fund framework, crisis preparedness and resolution planning, intervention and failure resolution framework, and enterprise risk management. The Islamic Financial Services Board (IFSB) was also invited to share some of its recent developments including its collaboration with the IADI on the Core Principles for Effective Islamic Deposit Insurance Systems. Both the delegates and PIDM staff expressed great satisfaction with the event as they were able to learn valuable lessons from the discussions that took place over the two days.





## Regional Outreach and Key Focus

IADI Regional Committees have been created for Africa, Asia-Pacific, the Caribbean, Eurasia, Europe, Latin America, the Middle East and 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. Furthermore, the Regional Committees are critical to a proac-

tive outreach programme, as they are 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 Capacity Building 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.

### Africa Regional Committee – ARC



#### Chairperson

Umaru Ibrahim –  
Nigeria Deposit Insurance Corporation

#### Vice Chairperson

Mohamud A. Mohamud – Kenya Deposit Insurance Corporation

#### Secretary General

Julia Oyet – Deposit Protection Fund of Uganda

#### Members

- Tarcísio Lobato – Fundo de Garantia de Depósitos, Angola
- Pearl Esua Mensah – Ghana Deposit Protection Corporation
- Olivier Ngenzie – Deposit Guarantee Fund of Rwanda
- TBC – Bank Deposit Security Fund of Sudan
- Richard Malisa – Deposit Insurance Board, Tanzania
- Habib Soumana – West African Monetary Union
- Vusilizwe Vuma – Deposit Protection Corporation, Zimbabwe

#### Associates

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

### Outreach and Focus

During the reporting period, the Africa Regional Committee (ARC) continued with its advocacy and outreach within the region to jurisdictions that are in the process or on the verge of establishing a deposit insurance system and those yet to join IADI through extension of invitations to attend ARC programmes. The committee also intensified its efforts towards capacity building activities on topical issues for regional members and encouraged members not to hesitate to solicit information and assistance from other sister deposit insurance organisations within the region. The ARC also encouraged regional members to sign a Memorandum of Understanding (MoU) within the region and with other deposit insurance organisations within the IADI community in order to enhance capacities, information sharing and operational efficiencies in the Africa region.

Similarly, the Committee reviewed and approved the proposal made by the Nigeria Deposit Insurance Corporation (NDIC) to establish an African Centre for Studies of Deposit Insurance Systems in Nigeria for use by all regional members. The Centre would play a pivotal role in building capacity among staff of all regional members, thereby contributing to the enhancement of operational efficiencies of deposit insurance organisations in the region.

Also during the period under review, ARC members continued with the adoption and implementation of public awareness and financial inclusion initiatives and strategies in their respective jurisdictions with a view to enhancing public confidence in their systems, contributing to financial system stability, protecting depositors and reducing the large number of financially excluded persons. Furthermore, within the reporting period, IADI welcomed its newest Members from the Africa region: Fundo de Garantia de Depósitos (FGD), Angola, and Fonds de Garantie des Dépôts Bancaires (Bank Deposit Guarantee Fund), Tunisia.

### ARC Annual General Meeting and Conference

The 2019 ARC Annual Meeting and Conference was hosted by the Deposit Protection Fund (DPF), Uganda and Bank of Uganda (Central Bank) in Kampala, Uganda from 15 to 19 September 2019. The theme of the Conference was: “Why Deposit Insurance?” The event was attended by participants from over 16 African countries, of which 6 jurisdictions do not have an explicit deposit insurance system in place. Mr Matia Kasaja, Hon. Minister of Finance, Planning and Economic Development (MoFPED) of the Republic of Uganda officiated the event, while Professor Emmanuel Tumusiime-Mutebile, Governor Bank of Uganda (Central Bank), delivered the opening remarks on the role of deposit insurance in promoting financial sector stability.



### ARC Technical Assistance Workshop

The Ghana Deposit Protection Corporation (GDPC) and the Bank of Ghana (BOG) jointly hosted the 2019 ARC Technical Assistance Workshop which was held in Accra, Ghana from 18 to 22 November 2019. The theme of the Conference was “Deposit Protection – A Catalyst for Financial Stability”. The event was attended by 146 participants from 24 jurisdictions and the purpose of the Workshop was to allow for close interaction among experts working in different areas of regulation and financial stability to share regional and global experiences on how an effective deposit protection system is an important pillar of trust and confidence in the financial sector, thereby enhancing financial stability in the economy.



# Regional Outreach and Key Focus

## Asia-Pacific Regional Committee – APRC



### Chairperson

Seongbak Wi –  
Korea Deposit Insurance Corporation

(Seongbak Wi was appointed APRC Chairperson in November 2019, replacing William Su (Central Deposit Insurance Corporation).)

### Vice Chairperson

Roberto B. Tan – Philippine Deposit Insurance Corporation

### Members

- Chris Gower – Australian Prudential Regulation Authority
- Vugar Abdullayev – Azerbaijan Deposit Insurance Fund
- Ahmed Jamal – Bangladesh Bank
- Hajah Shahdina Binti Dato Paduka Haji Omar – Brunei Darussalam Deposit Protection Corporation
- William Su – Central Deposit Insurance Corporation, Chinese Taipei
- Daryl Ho – Hong Kong Deposit Protection Board
- Pammi Vijay Kumar – Deposit Insurance and Credit Guarantee Corporation, India
- Fauzi Ichsan – Indonesia Deposit Insurance Corporation
- Katsunori Mikuniya – Deposit Insurance Corporation of Japan
- Akylzhan Baimagambetov – Kazakhstan Deposit Insurance Fund
- Rafiz Azuan Abdullah – Malaysia Deposit Insurance Corporation
- Bum-Erdene Khariyu – Deposit Insurance Corporation of Mongolia
- Lubna Farooq Malik – Deposit Protection Corporation, Pakistan
- Nikolay Evstratenko – Deposit Insurance Agency, Russian Federation
- Songpol Chevapanaraj – Deposit Protection Agency of Thailand
- Nguyen Quang Huy – Deposit Insurance of Vietnam
- Erkebai Murzabekov – Deposit Protection Agency of the Kyrgyz Republic

### Associates

- Em Kamnan – National Bank of Cambodia
- Benjamin E. Diokno – Bangko Sentral ng Pilipinas, Philippines

### Partners

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

## Outreach and Focus

The Asia-Pacific Regional Committee (APRC) has two Technical Committees, namely the Research Technical Committee (RTC) and the Training and Assistance Technical Committee (TATC). The APRC RTC is responsible for conducting research projects and the APRC TATC is responsible for providing training and technical assistance to APRC members. During the reporting period, the two Technical Committees' major activities and achievements were as follows:

- The APRC RTC published its first research paper on the APRC Membership Profile, which was posted on the IADI external website in May 2020. The APRC RTC also drafted an MoU template based on the best features of the MoUs provided by APRC members. The APRC RTC launched two new research projects on APRC cross-border cooperation and the fintech landscape across the Asia-Pacific region. The topic of the cross-border issue research paper was approved at the 17th APRC Annual Meeting held in St. Petersburg, Russia in June 2019. This paper is authored by the Philippine Deposit Insurance Corporation (PDIC) and Deposit Insurance of Vietnam (DIV) with a target to complete the paper by the end of 2020. During an APRC RTC meeting held on 9 October 2019, in Istanbul Turkey, the APRC RTC members agreed to launch a new research initiative covering the fintech landscape among APRC members. The research paper aims to provide an overview of the state of play of fintech across APRC member jurisdictions, with a focus on relevant areas for deposit insurers including coverage, payout, and resolution. The Deposit Protection Agency of Thailand, Indonesia Deposit Insurance Corporation (IDIC) and Malaysia Deposit Insurance Corporation (PIDM) are working on the paper with a target to complete it by 2021. On 9 June 2020, a webinar titled "Preparing Our Path to the New Normal" was jointly organised by KDIC and PIDM to discuss policy responses by deposit insurers to the pandemic crisis and priority areas going forward. The inaugural webinar is part of continuing efforts by the RTC to support deposit insurers in promoting financial stability and maintaining public confidence in deposit insurance systems across the Asia-Pacific region.
- The APRC TATC launched a new regional event, the APRC Study Visit, which was hosted by KDIC during 18–19 September 2019 in Seoul, Korea. Participants were able to visit and get an insight into the financial safety-net participants (KDIC, Bank of Korea, Financial Supervisory Service) of Korea. Approximately 60 participants from 14 jurisdictions attended the event, and the participants comprised both management (Chairperson, Deputy Governor, Board of Directors, etc.) and working-level staff. The APRC TATC also initiated technical assistance within the region. The APRC TATC circulated surveys to identify technical assistance requestors and suppliers. The APRC TATC matched the requestors and suppliers by the end of 2019. The APRC TATC is continuing to keep track of technical assistance progress. As of May 2020, all technical assistance initiatives were postponed due to the Covid-19 pandemic. The APRC TATC also initiated a shared repository project: annual reports, laws and regulations of members within the region were uploaded onto the APRC webpage. This project is handled by DIV.

The outreach policy was approved by the APRC at the 17th APRC Annual Meeting held in St. Petersburg, Russia in June 2019. The APRC Secretariat hosted a conference call in January 2020 which was attended by KDIC and PDIC, to discuss future action plans of the APRC Secretariat including outreach.

The third issue of the APRC Net was published in November 2019. The APRC Net reports on latest developments and emerging issues in deposit insurance relevant to the region. It serves as a channel for members to exchange insights and share experiences which could help strengthen and deepen collaboration and cooperation among APRC members. The fourth issue is planned to be published in August 2020.

### Events

During the reporting period, a training event and a conference were organised by the APRC and its members. The events were the 17th IADI APRC Annual Meeting and the International Conference hosted by DIA Russia on 25–28 June 2019 in St. Petersburg, Russia and the 1st APRC Study Visit hosted by KDIC on 18–19 September 2019 in Seoul, Korea.



# Regional Outreach and Key Focus

## Caribbean Regional Committee – CRC



### Chairperson

Derek Douglass –  
Deposit Insurance Corporation, Trinidad and  
Tobago

(Derek Douglass was appointed CRC Chairperson in May 2019, replacing Noel Nunes (Deposit Insurance Corporation, Trinidad and Tobago).)

### Members

- D'Andrea Ramsey – Deposit Insurance Corporation of the Bahamas
- Winston LeRoy Inniss – Barbados Deposit Insurance Corporation
- Sven Stevenson – De Nederlandsche Bank, Caribbean Netherlands
- Antoinette McKain – Jamaica Deposit Insurance Corporation

### Associates

- A. Joy Grant – Central Bank of Belize
- Jeremiah Frett – Ministry of Finance, Government of the British Virgin Islands

The Caribbean Regional Committee (CRC) continued to engage with the wider IADI membership through its participation on Council and Technical Committees of the Association. During the period, the CRC welcomed the Central Bank of Belize to the IADI as an Associate and reached out to potential new members, including Guyana, Haiti and the Eastern Caribbean Central Bank (ECCB).

The CRC also continued its contribution to the development of a model deposit insurance system based on the IADI Core Principles, under the authority of the Caribbean Community (CARICOM).

In early 2020, all CRC members activated their contingency plans in the face of the Covid-19 pandemic, which incorporated “work from home” processes with secure remote access to office systems. Many members took steps to heighten the risk monitoring of financial institutions and collaborate more closely with the regulators.

The following summarises some of the key activities of the different CRC jurisdictions during the period.

### Bahamas

The Deposit Insurance Corporation of the Bahamas (Bahamas DIC) consulted with the Central Bank of The Bahamas to advance substantive amendment proposals to the Protection of Depositors Act and its By-laws, aimed at strengthening the crisis preparedness and management framework. Amendments which have completed the public consultation phase include, inter alia, mandatory membership for credit unions under the deposit insurance scheme, flexibility in the percentage level of premiums assessed on member institutions, removal of automatic set-offs in payout, and a reduction in the timeframe for compensation of insured depositors.

Following the Financial Sector Assessment Program (FSAP) review conducted by the IMF in 2019, the Bahamas DIC enhanced its work on alternative sources for backup funding, and the assessment of the fund target size and target ratio.

### Barbados

During the reporting period, the Barbados Deposit Insurance Corporation (BDIC) continued its focus on:

- i) further establishing crisis management, resolution and recovery processes;
- ii) developing and implementing further plans to improve public awareness of the BDIC among depositors;
- iii) fostering greater interaction with policyholders, and encouraging them to assist the BDIC in educating the public on the role of the BDIC; and
- iv) establishing avenues for technical and other types of cooperation between the BDIC and other institutions.

### Caribbean Netherlands

Together with the crisis team and a local security company in the Caribbean Netherlands, De Nederlandsche Bank (DNB) conducted an extensive walk-through of the claim-handling process. Moreover, DNB collaborated with the Dutch Tax Authority and MCB to establish a multi-channel payout system (electronic transfer, cheques and cash). In June, DNB tested the payout of a reimbursement. In a meeting with the Governor of Bonaire, DNB discussed the broader perspective of crisis management of the local public authorities. It was agreed to organise a combined crisis management exercise in the near future.

### Jamaica

Several financial sector reforms continue to be a priority for Jamaica, some of which will result in the expansion of the Jamaica Deposit Insurance Corporation's (JDIC) mandate. These include initiatives to promulgate legislation to bring credit unions under the regulatory ambit of the Central Bank and provide for their membership in the JDIC, and to establish a special resolution regime for all financial institutions – Financial Institution Resolution Act, Bill (FIRB). Under the special resolution regime, the Central Bank will be the resolution authority and JDIC the resolution administrator.

### Trinidad and Tobago

The Deposit Insurance Corporation, Trinidad and Tobago (DICTT), in keeping with the Strategic Plan 2018–2023, conducted a Core Principles self-assessment in early 2019. This was followed by an IADI Self-Assessment Technical Assistance Program (SATAP) review conducted in August 2019. The self-assessment identified 42 action items, of which 22 have been completed to date. The final report of the SATAP Team was provided in November 2019.

In his Budget Statement, the Minister of Finance announced that the DICTT will be required to maintain a fund to meet any emerging liabilities of the credit union sector.

Teams from the IMF and World Bank began an FSAP review in Trinidad and Tobago with an initial scoping mission in June 2019. The full mission was conducted in two segments in November 2019 and January 2020. The results are expected in June 2020.

### **Belize**

As the newest Associate of the CRC (admitted in August 2019), Belize focused on its deposit insurance project, and the Deposit Insurance Bill was approved by Parliament and passed by the Senate in December 2019. Subsequently, in January 2020, the Deposit Insurance Act, 2020 was signed into law by the Governor General. The Central Bank of Belize is currently executing the next phase of the deposit insurance project, which is to establish the deposit insurance corporation and to appoint a board of directors in accordance with the requirements of the newly enacted legislation.

### **British Virgin Islands**

The British Virgin Islands engaged a consultant to draft the subsidiary legislation to the Virgin Islands DIC Act, with the intention of making the Deposit Insurance Corporation fully operational.

## Regional Outreach and Key Focus

### Eurasia Regional Committee – EARC



#### Chairperson

Svitlana Rekrut – Deposit Guarantee Fund, Ukraine

(Svitlana Rekrut was appointed EARC Chairperson in October 2019, replacing Kostyantyn Vorushylin (Deposit Guarantee Fund, Ukraine).)

#### Vice Chairperson

Muhiddin Güral – Savings Deposit Insurance Fund, Turkey

#### Members

- Tural Piriyeu – Azerbaijan Deposit Insurance Fund
- Valeriy Tsyalykpa – Agency of Deposit Compensation, Belarus
- Adil Utembayev – Kazakhstan Deposit Insurance Fund
- Erkebai Murzabekov – Deposit Protection Agency of the Kyrgyz Republic
- Dulguun Ganbyamba – Deposit Insurance Corporation of Mongolia
- Nikolay Evstratenko – Deposit Insurance Agency, Russian Federation

#### Observers

- Hermine Harutyunyan – Deposit Guarantee Fund of Armenia
- Abduvose Hakimov – Deposit Guarantee Fund of Tajikistan

In the FY 2019/20, the Eurasia Regional Committee (EARC) continued to work on pursuing its objectives, which include increasing IADI membership in the region, intensifying dialogue between the member institutions, and promoting capacity building and technical assistance related to deposit insurance in the region. During this period, the Agency of Deposit Compensation of the Republic of Belarus, which had previously been an EARC observer, became a full Member of IADI.

The EARC held its 12th Annual Meeting and International Conference in Kyiv, Ukraine, on 25–26 April 2019, hosted by the Deposit Guarantee Fund of Ukraine. The conference’s theme was “IT Technologies for Crisis Management of Bank Resolution”, and it was attended by over 60 participants from 15 jurisdictions. The speakers included experts from the United States Department of the Treasury’s Office of Technical Assistance, the World Bank, and financial safety-net participants from Ukraine.

The EARC meeting held in İstanbul, Turkey during the 2019 IADI Annual Conference and 18th AGM events in October 2019 was chaired by Svitlana Rekrut, who succeeded Kostyantyn Vorushylin as Managing Director of the Deposit Guarantee Fund, Ukraine and Chairperson of the EARC.

During the reporting period, EARC member organisations focused their activities on developing regulations and policies aimed at increasing the effectiveness of the payout and premium systems, optimising resolution and liquidation procedures, promoting public awareness, and financial inclusion. From March 2020, with Covid-19 rapidly spreading throughout the countries of the region, most of the EARC member institutions were working in a remote environment. A number of offline events, including the EARC AGM, were postponed.





# Regional Outreach and Key Focus

## Europe Regional Committee – ERC



### Chairperson

Giuseppe Boccuzzi – Interbank Deposit Protection Fund, Italy

### Vice Chairperson

Sonja Lill Flø Myklebust – Norwegian Banks' Guarantee Fund

### Members

- Genci Mamani – Albanian Deposit Insurance Agency
- Tural Piriyevev – Azerbaijan Deposit Insurance Fund
- Michèle Casteleyn – Guarantee fund for financial services, Belgium
- Matey Matev – Bulgarian Deposit Insurance Fund
- Marija Hrebac – State Agency for Deposit Insurance and Bank Resolution, Croatia
- Renáta Kadlecová – Financial Market Guarantee System, Czech Republic
- Tuija Taos – Finland Stability Authority, Finland
- Michel Cadelano – Fonds de Garantie des Dépôts et de Résolution, France
- Dirk Cupei – Deposit Protection Fund of the Association of German Banks, Germany
- Georgia Karageorgi – Hellenic Deposit and Investment Guarantee Fund, Greece
- Andras Kómár – National Deposit Insurance Fund of Hungary
- Shqipe Devaja – Deposit Insurance Fund of Kosovo
- Predrag Markovic – Deposit Protection Fund, Montenegro
- Sven Stevenson – De Nederlandsche Bank
- Piotr Tomaszewski – Bank Guarantee Fund, Poland
- Petre Tulin – Bank Deposit Guarantee Fund, Romania
- Nikolay Evstratenko – Deposit Insurance Agency, Russian Federation
- Vladimir Šarić – Deposit Insurance Agency of Serbia, Serbia
- Mariano Herrera – Fondo de Garantía de Depósitos de Entidades de Crédito, Spain
- Helena Persson – Swedish National Debt Office
- Gregor Frey – esisuisse, Switzerland
- Muhiddin Güllal – Savings Deposit Insurance Fund, Turkey
- Svitlana Rekrut – Deposit Guarantee Fund, Ukraine
- Karen Gibbons – Financial Services Compensation Scheme, United Kingdom

The Europe Regional Committee (ERC) continues to participate in all IADI activities and to increase its voice in the Association. The ERC works with its members to promote consensus building and information sharing of experience and issues. It conducts projects and actively engages in IADI committees and working groups.

### ERC membership

ERC membership has changed during the course of the year. The Einlagensicherung Austria/ DGS Austria (ESA), the Jersey Bank Depositors Compensation Board, and the Deposit Guarantee and Investor Compensation Foundation PCC (EAS Liechtenstein) withdrew their membership. The Guernsey Banking Deposit Protection Scheme and the Icelandic Depositors and Investors Guarantee Fund also expressed their intention to leave at the end of March 2020. De Nederlandsche Bank also proposed to terminate its membership at the end of FY 2020/21.

ERC Associate Member, the Auditing Association of German Banks, likewise expressed its intention to leave at the end of March 2020.

In December 2019, the ERC acquired a new member, the Azerbaijan Deposit Insurance Fund (ADIF).

### Events

In addition to the regular IADI events, the ERC met on three occasions:

- ERC Annual Meeting – 4–5 April 2019, Tirana, at the Bank of Albania.

Participants discussed the ERC role and activities in relation to the IADI Strategic Goals and outreach activities. A Technical Assistance Workshop on Contingency Planning, Crisis Management and Failure Resolution followed the ERC meeting. The Workshop focused on Core Principles 6 and 14. ERC Members and other participants exchanged information and experience on compliance with the IADI Core Principles.

- 42nd ERC Meeting – 28 June 2019, Rome, Italy: ERC members met on 28 June 2019 for a special ERC Meeting at the premises of the Interbank Deposit Protection Fund (FITD) in Rome.

ERC members worked to develop a regional position of recommendations on the internal restructures of IADI and the IADI Working Group on New Funding Options (WGNFO). Proposals were presented to the WGNFO during the WGNFO official meeting in July 2019.

- 43rd ERC Meeting – 6 December 2019, Rome, Italy: ERC members met on 6 December 2019 for the 43rd ERC Meeting at the premises of the FITD in Rome.

ERC Members drafted an Action Plan and Position Paper expressing ERC positions on future IADI strategic issues. The Position Paper, presented by the Chairman, contributed to IADI's internal discussions towards the achievement of the IADI Strategic Goals.

The ERC Annual Meeting and International Conference, scheduled for 2–4 April 2020 in Palermo, Sicily, was postponed due to the Covid-19 pandemic.



An International Conference, “Climate Change and Fintech: Uncharted Waters,” had been planned to discuss the implications of climate change for finance and deposit insurance systems. ERC will reorganise the event.

Despite the complications of the Covid-19 pandemic, the ERC and European deposit guarantee schemes successfully adapted to remote working.

ERC carried out an internal survey to assess members’ priorities and expectations and continued discussion on a prospective IADI common strategy moving forward.



# Regional Outreach and Key Focus

## Latin America Regional Committee – LARC



### Chairperson

Hugo Libonatti – Corporación de Protección del Ahorro Bancario, Uruguay

### Vice Chairperson

To be appointed

### Members

- Alejandro López – Seguro de Depósitos Sociedad Anónima, Argentina
- Daniel Lima – 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<sup>1</sup>
- Adriana McAllister – Fondo de Garantías de Entidades Cooperativas, Colombia
- Lorena Freire Guerrero – Corporación del Seguro de Depósitos, Fondo de Liquidez y Fondo de Seguros Privados, Ecuador
- Miguel Ramírez – Instituto de Garantía de Depósitos, El Salvador
- Oscar Roberto Monterroso Sazo – Banco de Guatemala, como Administrador del Fondo para la Protección del Ahorro
- César Ferdinando Carranza Euceda – Fondo de Seguro de Depósitos, Honduras
- Gabriel Limón – Instituto para la Protección al Ahorro Bancario, Mexico
- Rolando José Sevilla Boza – Fondo de Garantía de Depósitos de las Instituciones Financieras, Nicaragua
- Edgar Paredes Álvarez – Fondo de Garantía de Depósitos, Paraguay
- Michel Canta – Fondo de Seguro de Depósitos, Peru

## Outreach and Focus

The objectives of the Latin America Regional Committee (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 insurance 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 deposit insurance systems and with relevant international organisations.

During the reporting period, the Brazilian Deposit Insurer (FGC) and the Central Bank of Brazil signed an MoU in order to share information, on a regular basis, on supervisory activities. An enhancement of the FGC environment to fulfil its mandate is expected, considering that FGC is a privately governed DIS and therefore used to have some restrictions in accessing non-public information.

Additionally, Brazil's Central Government sent a bill, drawn up by the Central Bank, to the Congress to regulate financial firms on the use of public funds for bailouts during financial crises. If approved, the new regulation will create different mechanisms for that issue based on how large the financial firms are.

In August 2019, the deposit insurance system of Ecuador (COSEDE) underwent a SATAP review led by IADI representatives. All Core Principles were assessed and opportunities for enhancement were detected. In this context, various working plans are being developed by COSEDE following expert recommendations.

In October 2019, the FSI and Centro de Estudios Monetarios Latino Americanos (CEMLA) hosted a seminar in Mexico City, during which several regional jurisdictions discussed resolution plans, recovery plans and safety nets in open sessions.

Finally, the LARC created a working group (GTI) to identify current practices and strategies followed by Latin American jurisdictions for measuring public awareness. In a second stage, a new standard tool for evaluating public awareness will be proposed, which could be used for all the various Latin American jurisdictions, whenever quantitative assessments concerning public awareness have to be carried out. This working group is led by Fondo de Garantías de Instituciones Financieras (Fogafin) and supported by a broad number of regional jurisdictions.

### Annual Meetings

Three IADI Regional Committees, namely the LARC, CRC and RCNA, came together to hold their Fourth Americas Deposit Insurance Forum and all Regional Committee Meetings in Cartagena, Colombia, between 24–26 July 2019, hosted by Fondo de Garantías de Instituciones Financieras (Fogafin).

<sup>1</sup> in charge until new Director's appointment.

The forum aimed to promote best practices and discussions around two aspects that were identified as critical by the Americas regional committees (LARC, CRC, and RCNA): relationships with other safety-net participants, with an emphasis on the relationship with financial supervisors (Core Principle 4); and the sources and uses of funds, analysing the investment strategies, rationale and way forward (Core Principle 9). The event was attended by approximately 75 participants from 20 jurisdictions, including representatives from non-IADI member organisations.

During the regional meetings, attendees had the opportunity to participate in a high-level exchange of views on the strategic planning processes and the research projects undertaken by deposit insurers in the Americas. These sessions provided a platform for the discussion of current developments and emerging trends in the region, and participants were able to learn from their peers' initiatives.



# Regional Outreach and Key Focus

## Middle East and North Africa Regional Committee – MENA



### Chairperson

Zaher Hammuz – Palestine Deposit Insurance Corporation

### Vice Chairperson

Mohamed Mahraoui – Moroccan Deposit Insurance Corporation

### Secretary

Rania Barghouthi – Palestine Deposit Insurance Corporation

### Members

Sebhi Mofteh – Bank Deposit Guarantee Fund, Algeria

Mohammad Talebi – Iran Deposit Guarantee Fund

Mu'taz I. Barbour – Jordan Deposit Insurance Corporation

Khater Abi Habib – Institut National de Garantie des Depots, Lebanon

Mohamed Mostafa Elamari – Depositor's Insurance Fund, Libya

Lhassane Benhalima – Moroccan Deposit Insurance Corporation

Fahad Alshathri – Saudi Arabian Monetary Authority-Depositors Protection Fund

Abdel Gadir Salih – Bank Deposit Security Fund of Sudan

Muhiddin Güral – Savings Deposit Insurance Fund, Turkey

Jaafar Khatteche – Fonds de Garantie des Dépôts Bancaires, Tunisia

### Associate

Hiba Zahoui – Bank Al Maghrib, Morocco

### Partner

Wissam H. Fattouh – Union of Arab Banks, Lebanon

### Objectives

The Committee's objectives, outlined in the Middle East and North Africa Regional Committee (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; and 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 February 2020, IADI welcomed a new Member from the MENA region, the Fonds de Garantie des Dépôts Bancaires (Banking Deposits Guarantee Fund of Tunisia).

Qatar Central Bank and the Bank of Algeria ended their participation as IADI Associates as of the end of March 2019.

In February 2020, IADI Secretary General David Walker visited Abu Dhabi to meet with the General Manager of the Arab Monetary Fund who wished to join IADI as a Partner.

### 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 programmes. Each year, the MENA Regional Committee holds its Annual Meeting alongside the IADI AGM and Conference or thematic workshops.

### Memoranda of Understanding (MoU)

The Savings Deposit Insurance Fund of Turkey (SDIF) signed an MoU with the Deposit Insurance Corporation of Japan (DICJ) and the Albanian Deposit Insurance Agency (ADIA), and renewed the MoU with the Indonesia Deposit Insurance Corporation (IDIC) to strengthen bilateral relations between the institutions during the IADI AGM in Istanbul in October 2019.

The Palestine Deposit Insurance Corporation (PDIC) signed a new MoU with the Palestine Monetary Authority in order to exchange information and coordinate any supervisory actions toward a member bank.

The Moroccan Deposit Insurance Corporation signed an MoU with the Fonds de Garantie des Dépôts et de Résolution of the West African Region.



### Events

- The SDIF hosted the 18th IADI AGM and 2019 IADI Annual Conference as well as related events on 7–11 October 2019 in Istanbul, Turkey. Over 250 participants representing 85 jurisdictions and 105 organisations attended the events.
- Representing the MENA committee of the IADI, the Vice Chairperson Mr Mohamed Mahraoui participated in the Financial Stability Task Force event that took place in Abu Dhabi on 4–5 September 2019.
- The Vice Chairperson Mr Mohamed Mahraoui participated in the Joint Working Group IADI/IFSB which met in Astana, Kazakhstan in July 2019 to finalise the project on the CPIDIS.

### Promoting Dialogue and Cooperation among MENA Members

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



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## Regional Outreach and Key Focus

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### Regional Committee of North America – RCNA



#### **Chairperson**

Patrick Déry – Autorité des marchés financiers, Québec, Canada

(Patrick Déry was appointed RCNA Chairperson in January 2020, replacing Dean Cosman (Canada Deposit Insurance Corporation))

#### **Vice Chairperson**

Chantal Richer – Canada Deposit Insurance Corporation

(Chantal Richer was appointed RCNA Vice Chairperson in January 2020 replacing Patrick Déry (Autorité des marchés financiers, Québec, Canada))

#### **Secretary**

Lam Jutras – Autorité des marchés financiers, Québec, Canada

(Lam Jutras was appointed RCNA Secretary in March 2020, replacing Rishanthi Pattiarachchi (Canada Deposit Insurance Corporation))

#### **Members**

Alan Richardson – Bermuda Deposit Insurance Corporation, Bermuda

Stanley Chang – Credit Union Deposit Insurance Corporation of British Columbia, Canada

Vicente Vargas – Instituto para la Protección al Ahorro Bancario, Mexico

Diane Ellis – Federal Deposit Insurance Corporation, United States

Mike Hanson – Massachusetts Credit Union Share Insurance Corporation, Massachusetts, United States

Sharing the knowledge and experience of the Regional Committee of North America (RCNA) member jurisdictions as well as strengthening the 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 FY 2019/20 to share new developments of member organisations and jurisdictions, and to discuss issues arising at IADI-related meetings. The Committee held a few additional teleconference meetings to share experiences in managing Covid-19 and to discuss the IADI Strategic Plan Working Group.

In the fourth quarter of FY 2019/20, Mr Patrick Déry, Superintendent, Solvency, of the Autorité des marchés financiers (AMF), Québec, Canada, was officially appointed by RCNA members to serve as Chair of the RCNA for a three-year term. Ms Chantal Richer of the Canada Deposit Insurance Corporation (CDIC) was appointed to serve as Vice Chair, and Ms Lam Jutras of the AMF was appointed to serve as Secretary.

During the fiscal year, the RCNA undertook its second research project, "Contingency Plan Testing in North America", to discuss the region's best practices and provide case studies on the topic. Following approval of the draft survey and research proposal, the survey was circulated to RCNA members in February 2020. CDIC, which is steering the project for the RCNA, has analysed the survey results, completed a literature review and is drafting the first version of the research paper. The first draft is expected to be shared with RCNA members in the first quarter of FY 2020/21.

The RCNA collaborated with the LARC and the CRC to organise the Fourth Americas Deposit Insurance Forum that took place in July 2019 in Cartagena, Colombia. The Fondo de Garantías de Instituciones Financieras (Fogafin) hosted the event which focused on relationships with other safety-net participants (Core Principle 4), and on the sources and uses of funds (Core Principle 9). The Fifth Americas Deposit Insurance Forum that was scheduled in April 2020 in Trinidad and Tobago was cancelled due to the Covid-19 pandemic.

**International Association of  
Deposit Insurers**  
Basel

Report of the statutory auditors to the  
General Meeting

on the financial statements 2019/2020



## Report of the statutory auditors on the limited statutory examination to the General Meeting of International Association of Deposit Insurers Basel

As statutory auditors, we have examined the financial statements of International Association of Deposit Insurers, which comprise the statement of financial position, statement of activities, statements of cash flows, statement of changes in equity and notes, for the year ended 31 March 2020. The limited statutory examination of the prior year financial statements was performed by another auditor.

These financial statements are the responsibility of the Board. 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 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 association personnel and analytical procedures as well as detailed tests of association documents as considered appropriate in the circumstances. However, the testing of the 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 association's articles of incorporation.

PricewaterhouseCoopers AG



Marcel Aeberhard  
Audit expert  
Auditor in charge



Reto Tognina  
Audit expert

Zürich, 4 December 2020

Enclosure:

- Financial statements (statement of financial position, statement of activities, statements of cash flows, statement of changes in equity and notes)

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# Report from the Auditors and Audited Financial Statements

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

### Statement of Financial Position

As at 31.03.2020

(in Swiss Francs)

		31 March 2020	31 March 2019
<b>ASSETS</b>			
Cash	5	4,277,903	4,107,189
Prepaid expenses and accrued income	6a	26,678	43,473
Short-term receivables	6b	48,692	12,276
		<u>4,353,273</u>	<u>4,162,937</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Short-term liabilities	7	414,687	250,517
Accrued expenses and Deferred income	8	17,650	113,455
Provision for ISDMS project	13	156,520	316,000
		<u>588,857</u>	<u>679,972</u>
<b>Equity</b>			
Capital - Paid up Initial Fund contributions	9	994,441	926,101
Balance brought forward	10	2,556,864	2,487,495
Net result for year	10	213,110	69,369
		<u>3,764,416</u>	<u>3,482,965</u>
		<u>4,353,273</u>	<u>4,162,937</u>

# Report from the Auditors and Audited Financial Statements

## INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS ("IADI") Statement of Activities For the year ending 31.03.2020 (in Swiss Francs)

		For the year ended 31 March 2020	For the year ended 31 March 2019
<b><u>Operating income</u></b>			
Members Fees	1	1,719,792	1,603,601
BIS Contribution	3	800,000	800,000
<b>Total operating income</b>		<b>2,519,792</b>	<b>2,403,601</b>
<b><u>Operating Expenses</u></b>			
Salaries	12	(1,703,776)	(1,410,678)
Conferences, Seminars and Meetings		(195,484)	(138,352)
Training Initiatives		(70,707)	(114,748)
Travel	12	(105,249)	(151,179)
Administration		(9,825)	(7,971)
Audit		(5,614)	(13,823)
IT and Communications		(655)	(3,673)
Membership & Outreach support		(62,231)	(25,362)
Publications and Research		(14,847)	(15,863)
IADI Database		(64,826)	(57,442)
Provision for ISDMS project	13		(316,000)
Allowance for doubtful debts		(52,950)	(66,054)
<b>Total operating expenses</b>		<b>(2,286,163)</b>	<b>(2,321,145)</b>
<b>Operating result</b>		<b>233,629</b>	<b>82,456</b>
Financial Income		-	-
Other Income	11	-	-
Financial Expense	11	(20,519)	(13,087)
<b>Net result for the year</b>		<b>213,110</b>	<b>69,369</b>

# Report from the Auditors and Audited Financial Statements

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

### Statement of cash flows

For the year ending 31.03.2020

(in Swiss Francs)

	For the year ended 31/03/2020	For the year ended 31/03/2019
Cash flow from / (used in) operating activities		
Net result for the year	213,110	69,369
Net change in operating assets and liabilities		
Accrued expenses and deferred income	(95,805)	(28,988)
Short-term receivables	(36,416)	(12,276)
Prepaid expenses and accrued income	16,795	(36,314)
Short-term liabilities	164,170	(100,071)
Provision for ISDMS Project	(159,480)	316,000
Net Cash flow from / (used in) operating activities	<u>102,374</u>	<u>207,720</u>
Cash flow from / (used in) investing and other activities		
Cash flow from / (used in) financing activities		
Capital contributions from new members	68,340	28,475
Net Cash flow from / (used in) financing activities	<u>68,340</u>	<u>28,475</u>
Net Increase / (decrease) in cash	170,714	236,195
Cash at beginning of year	4,107,189	3,870,994
Cash at end of year	<u>4,277,903</u>	<u>4,107,189</u>

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# Report from the Auditors and Audited Financial Statements

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

### Statement of changes in equity

For the year ending 31.03.2020

(in Swiss Francs)

		Capital	Retained earnings	Total
Balance as at 1 April 2019	10	926,101	2,556,864	3,482,965
Net income for the year			213,110	213,110
Capital - Paid up Initial Fund contributions	9	68,340		68,340
<b>Balance as at the 31 March 2020</b>		<b>994,441</b>	<b>2,769,975</b>	<b>3,764,416</b>

# Report from the Auditors and Audited Financial Statements

## International Association of Deposit Insurers

### Notes to the Financial Statements

Year Ended 31 March 2020

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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.

At the 18th IADI Annual General Meeting on 11 October 2019, the Members approved a new Differentiated Fee Model (DFM), which takes effect as of FY 2020/21, starting from 1 April 2020. In the Model, fees are based on indicators of the Members size of their deposit-taking sector (Gross Domestic Product – GDP) and the relative income of jurisdictions (per capita GDP). The aforementioned two indicators are divided into four categories, in which Member Fees range from CHF 18,500 to CHF 37,000. Flat fees are applied to the Associate and Observer categories, namely CHF 15,000 and CHF 8,825 respectively.

**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,

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# Report from the Auditors and Audited Financial Statements

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 Corporation of Japan (DICJ), acts as President of the Association. The Treasurer is Mr Roberto B. Tan, Chief Executive Officer of the Philippine Deposit Insurance Corporation.

## 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 financial statements have been prepared under the historical cost convention, except for provisions for future liabilities. Provisions for future liabilities are estimated annually and recognized in the financial statements at these estimated nominal values. 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). 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.

# Report from the Auditors and Audited Financial Statements

## 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.

## 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

	Exchange rates at 31 March 2020	31 March 2020 CHF Value	Exchange rates at 31 March 2019	31 March 2019 CHF Value
CHF Current Accounts		4,277,824		4,107,121
EUR Current Accounts	EUR / CHF: 1.05578294	79	EUR / CHF: 1.11934446	68
		4,277,903		4,107,189

## 6a. PREPAID EXPENSES AND ACCRUED INCOME

	31 March 2020 CHF Value	31 March 2019 CHF Value
Insurance	-	7,682
Licenses	26,250	27,972
Travel costs	428	7,819
	<b>26,678</b>	<b>43,473</b>

# Report from the Auditors and Audited Financial Statements

## 6b. SHORT-TERM RECEIVABLES

	<b>31 March 2020</b>	<b>31 March 2019</b>
	CHF Value	CHF Value
Membership and Associate fees total outstanding	160,333	144,831
Less: Allowance for doubtful accounts	(159,025)	(132,555)
Other receivables	47,384	-
	<b>48,692</b>	<b>12,276</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 2020.

## 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 2020. 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 2020</b>	<b>31 March 2019</b>
	CHF Value	CHF Value
Audit	4,900	9,663
Salaries	270,294	79,372
Conferences, seminars and meetings	32,435	1,800
Travel	2,077	51,467
Administration, IT & communications, and Publications & research	23,577	20,202
Training Initiative Support	49,357	53,200
Regional Outreach Funding	32,047	15,000
Database	-	17,612
Negative interest	-	2,201
	<b>414,687</b>	<b>250,517</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 2019/20.

	<b>31 March 2020</b>	<b>31 March 2019</b>
	CHF Value	CHF Value
Members	17,650	-
Prepayments for secondees	-	113,455
	<b>17,650</b>	<b>113,455</b>

## 9. CAPITAL: INITIAL FUND CONTRIBUTIONS

The Association's capital consists of:

	<b>31 March 2020</b>	<b>31 March 2019</b>
	CHF Value	CHF Value
Initial Fund Contributions	1,040,001	971,661
Less: Unpaid Initial Fund Contributions	(45,560)	(45,560)
Paid up Initial Fund Contributions	<b>994,441</b>	<b>926,101</b>
Number of Members	<b>93</b>	<b>87</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. RETAINED EARNINGS

The table below analyses the movement in the Association's Retained earnings:

	Retained earnings
Balance at 31 March 2019	2,556,864
Net result for the year	213,110
Balance at 31 March 2020	<b>2,769,975</b>

# Report from the Auditors and Audited Financial Statements

## 11. FINANCIAL EXPENSE & OTHER INCOME

	<b>31 March 2020</b>	<b>31 March 2019</b>
	CHF Value	CHF Value
Financial expense		
Interest expense	20,511	12,769
Exchange difference	7	318
Other Income	-	-
	<b>20,519</b>	<b>13,087</b>

## 12. STAFF COSTS

	<b>31 March 2020</b>	<b>31 March 2019</b>
	CHF Value	CHF Value
Salaries	1,703,776	1,410,678
Travel costs	105,249	151,179
	<b>1,809,025</b>	<b>1,561,857</b>

During the financial year two new positions have joined the Association. On an annual average the Association has no more than 50 full time positions.

## 13. 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.

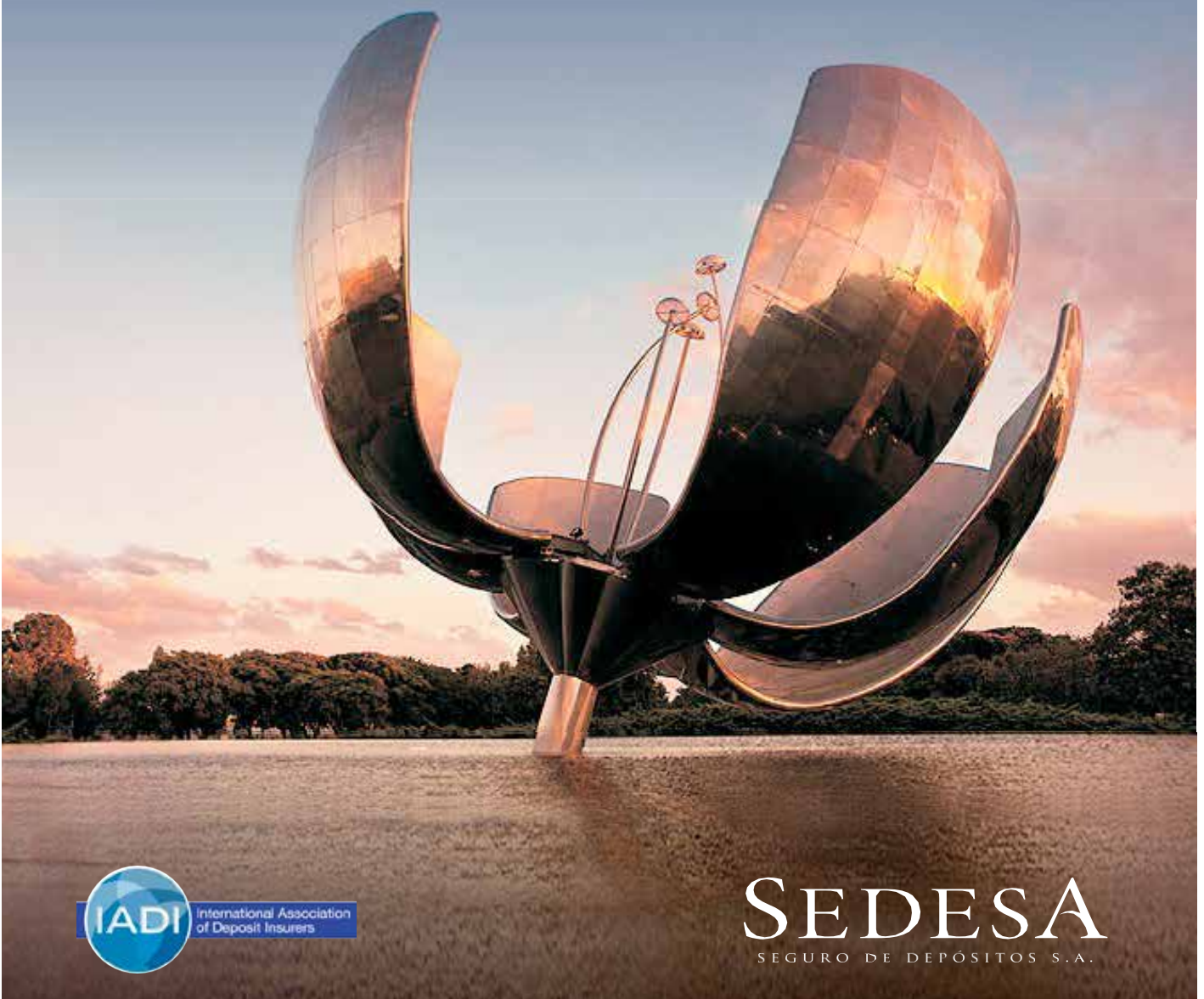
## 14. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

There were no significant events between the Balance Sheet and the approval of these financial statements by the IADI Executive Council on 29 May 2020 which could impact the book value of assets and liabilities or which should be disclosed in these Financial Statements.

2021 IADI Annual Conference & AGM  
Buenos Aires, Argentina

SAVE THE DATE

OCTOBER 2021



SEDESA  
SEGURO DE DEPÓSITOS S.A.

## Annex I – Participants as of 31 March 2020

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

#### Agency of Deposit Compensation (Belarus)

Valery Tsialipka  
*Director General*

#### 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 and 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  
*Director General*

#### Bank Deposit Security Fund of Sudan

N/A

#### Bank Guarantee Fund (Poland)

Piotr Tomaszewski  
*President of the Management Board*

#### Barbados Deposit Insurance Corporation

Winston LeRoy Inniss  
*Chairman*

#### Bermuda Deposit Insurance Corporation

Stephen Todd JP  
*Chairman of the Board*

#### Brunei Darussalam Deposit Protection Corporation

Hajah Shahdina Binti Dato Paduka Haji Omar  
*Chief Executive Officer*

#### Bulgarian Deposit Insurance Fund

Matey Matev  
*Chairman of the Management Board*

#### Canada Deposit Insurance Corporation

Chantal Richer  
*Chief Operating Officer*

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

Yvonne Fan  
*Executive Vice President*

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

Daniel Dominioni  
*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 Fund (Ukraine)

Svitlana Rekrut  
*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)

Pammi Vijaya Kumar  
*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

Arijeta Neziraj Elshani  
*Managing Director*

#### Deposit Insurance of Vietnam

Nguyen Quang Huy  
*Chairman*

#### Deposit Protection Agency (Thailand)

Songpol Chevapanyaroj  
*President*

## Annex I – Participants as of 31 March 2020

<b>Deposit Protection Agency of the Kyrgyz Republic</b> Erkebai Murzabekov <i>Executive Director</i>	<b>Fondo de Garantía de Depósitos de las Instituciones Financieras (Nicaragua)</b> Rolando José Sevilla Boza <i>President</i>	<b>Guernsey Banking Deposit Compensation Scheme</b> Richard L. Denton <i>Chair</i>
<b>Deposit Protection Corporation (Zimbabwe)</b> Vusilizwe Vuma <i>Chief Executive Officer</i>	<b>Fondo de Garantías de Entidades Cooperativas (Colombia)</b> María Elena Grueso Rodríguez <i>Managing Director</i>	<b>Hong Kong Deposit Protection Board</b> Daryl Ho <i>Chief Executive Officer</i>
<b>Deposit Protection Corporation Pakistan</b> Lubna Farooq Malik <i>Managing Director</i>	<b>Fondo de Garantías de Instituciones Financieras (Colombia)</b> N/A	<b>Icelandic Depositors' and Investors' Guarantee Fund</b> Brynjar Kristjánsson <i>Managing Director</i>
<b>Deposit Protection Fund (Montenegro)</b> Predrag Marković <i>Director</i>	<b>Fondo de Seguro de Depósitos (Peru)</b> Carlos Carrión Marotta <i>President</i>	<b>Indonesia Deposit Insurance Corporation</b> Fauzi Ichsan <i>Senior Advisor</i>
<b>Deposit Protection Fund of Uganda</b> Julia Clare Olima Oyet <i>Chief Executive Officer</i>	<b>Fondo de Seguro de Depósitos (Honduras)</b> César Ferdinando Carranza Euceda <i>Executive President</i>	<b>Institut National de Garantie des Dépôts (Lebanon)</b> Khater Abi Habib <i>Chairman and General Manager</i>
<b>Depositor's Insurance Fund (Libya)</b> Mohamed Elamari <i>General Manager</i>	<b>Fonds de Garantie des Dépôts Bancaires (Tunisia)</b> Jaafar Khatteche <i>Chief Executive Officer</i>	<b>Instituto de Garantía de Depósitos (El Salvador)</b> Miguel Humberto Ramírez Monterrosa <i>Chairman</i>
<b>esisuisse (Switzerland)</b> Gregor Frey <i>Chief Executive Officer</i>	<b>Fonds de Garantie des Dépôts dans l'Union Monétaire Ouest Africaine (FGD-UMOA)</b> Habib Soumana <i>General Manager</i>	<b>Instituto para la Protección al Ahorro Bancario (Mexico)</b> Gabriel Limón <i>Executive Secretary</i>
<b>Federal Deposit Insurance Corporation (USA)</b> Diane Ellis <i>Director, Division of Insurance and Research</i>	<b>Fonds de Garantie des Dépôts et de Résolution (France)</b> Michel Cadelano <i>Vice-Chairman</i>	<b>Interbank Deposit Protection Fund (Italy)</b> Giuseppe Boccuzzi <i>General Director</i>
<b>Financial Market Guarantee System (Czech Republic)</b> Renáta Kadlecová <i>Chairperson of the Management Board and Managing Director</i>	<b>Fundo de Garantia de Depósitos (Angola)</b> Beatriz Santos <i>Chairman</i>	<b>Iran Deposit Guarantee Fund</b> Abolfazl Akrami <i>Chief Executive Officer</i>
<b>Financial Services Compensation Scheme (United Kingdom)</b> Alex Kuczynski <i>Chief Corporate Affairs Officer</i>	<b>Fundo Garantidor de Créditos (Brazil)</b> Daniel Lima <i>Chief Executive Officer</i>	<b>Jamaica Deposit Insurance Corporation</b> Antoinette McKain <i>Chief Executive Officer</i>
<b>Fonds de Garantie des Dépôts Bancaires / Bank Deposit Guarantee Fund (Algeria)</b> Sebhi Meftah <i>General Manager</i>	<b>Fundo Garantidor do Cooperativismo de Crédito (Brazil)</b> Lúcio César de Faria <i>Executive Director</i> Cláudio Luis Medeiros Weber <i>Director of Monitoring and Supervision</i>	<b>Jordan Deposit Insurance Corporation</b> Mu'taz I. Barbour <i>Director General</i>
<b>Fondo de Garantía de Depósitos – Banco Central del Paraguay</b> Diego Duarte Schussmuller <i>Board Member</i>	<b>Ghana Deposit Protection Corporation (GDPC)</b> Pearl Esua-Mensah <i>Chief Executive Officer</i>	<b>Kazakhstan Deposit Insurance Fund</b> N/A
<b>Fondo de Garantía de Depósitos de Entidades de Crédito (Spain)</b> Mariano Herrera <i>General Manager</i>	<b>Guarantee fund for financial services (Belgium)</b> Michèle Casteleyn <i>Head</i>	<b>Kenya Deposit Insurance Corporation</b> Mohamud A. Mohamud <i>Chief Executive Officer</i>
		<b>Korea Deposit Insurance Corporation</b> Seongbak Wi <i>Chairman and President</i>
		<b>Malaysia Deposit Insurance Corporation</b> Rafiz Azuan Abdullah <i>Chief Executive Officer</i>

## Annex I – Participants as of 31 March 2020

### **Massachusetts Credit Union Share Insurance Corporation (USA)**

Michael Hanson  
*President and Chief Executive Officer*

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

András Kómar  
*Managing Director*

### **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**

Salman Alobaid  
*Secretary of the Depositors Protection Fund*  
*Vice Chairman of Depositors Protection Fund*  
*Governance Committee*

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

Muhiddin Güllal  
*Chairman and President*

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

Alejandro López  
*Chief Executive Officer*

### **Singapore Deposit Insurance Corporation**

Low Kwok Mun  
*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*

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## 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 Mauritius**

Yandraduth Googoolye  
*Governor*

### **Bank of Uganda**

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

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

IADI hosted its fifth Biennial Research Conference on 23 and 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 8 papers chosen from 63 submissions received in response to a Call for Papers. Each paper was presented by the author and had 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 FSB, and the 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 mentioned 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 crises 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 developed 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 deposit insur-

ance system 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. However, 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 that 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, in regard not only to individual banks but also to 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 the 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 (eg to infer differences experienced by domestic/foreign and/or mutual/commercial banks). Further consideration could be 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 investigated 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 and reducing assets or asset growth. The 1989

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

announcement of the United States Cross-Guarantee Authority was used to test the hypothesis. This announcement saw corporations making decisions about the capitalisation of weak subsidiaries that 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 global systemically important banks (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 stated that 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.

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### Paper 3: Deposit insurance premiums and arbitrage

**Chair:** Diane Ellis, Director, Division of Insurance and Research, Federal Deposit Insurance Corporation (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 estimated 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 FDIC's schedule of assessing premiums. The empirical strategy examines how excess reserves and 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 thought that 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.

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### 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 examined 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.

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### 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, Canada Deposit Insurance Corporation (CDIC)**
- **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, Italy and Nigeria 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



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framework. Riccardo De Lisa described changes in the Italian deposit insurance system 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 for 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.

Panellists 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 it 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 in 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.

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### 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 Dolkowitz, University of Bonn; Johanne Evrard, ECB; Laura Parisi, ECB; Andre F. Silva, Fed-

eral 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 target fund size of EDIS is sufficient to cover losses, on account of larger loss absorber 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, 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 resilience may appear different on a stand-alone basis. According to the paper, the probability of losses was very low and had continued to decrease 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 deposit guarantee schemes within the scope of EDIS undertake measures other than just payout.

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### 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 Montreal and IADI Advisory Panel Member

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

In his paper, Jean Roy proposed 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 a 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

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consider this as an alternative way to obtain 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. Hoenig, former President and Chair of the Executive Council, IADI, and former Vice-Chairman, FDIC, USA,** shared his views on the future of banking. He stated that there are signs of recovery from the great recession in the US and parts of Asia and Europe. G-SIBs have also shown improvements in their balance sheets. Financial institutions are better capitalised and those best capitalised have seen the most success.

Hoenig 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. Pushback against standards is evident in the areas of underwriting of highly leveraged loans and derivatives trading.

He supported the idea that regulations that create endless process and establish ever more difficult barriers to entry, work to encourage further consolidation, concentration and less choice, and 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.

### 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 University of Tübingen; Michael Krimminger, 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 Bank Recovery and Resolution Directive'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 examined the relationship between shadow banking and financial stability, and explored 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 biggest 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 behaviour

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and 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, FDIC, USA
- Jan Nolte, Senior Financial Sector Expert, IMF

The purpose of the roundtable session was to elicit regulators' perspectives 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 advance 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.

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### Concluding remarks

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

**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.

In closing, 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.

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### 2021 IADI Research Conference

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

# Annex III – Proceedings from the 18th IADI Annual Conference, Istanbul, Turkey (10–11 October 2019)

## Welcome and introduction

Chairman and President of the Savings Deposit Insurance Fund (SDIF) of Turkey, Mr Muhiddin Güral, welcomed participants to the 2019 IADI Annual Conference. He stated that SDIF always appreciates the importance of sharing experience and expertise to promote financial stability and create effective financial systems. SDIF has made extensive efforts to cooperate with other jurisdictions to improve capabilities in deposit insurance and bank resolution. Mr Güral was delighted to see the variety of backgrounds, continents and institutions represented by the participants at the conference. As one of IADI's founding members, SDIF has been continuously contributing to the Association through several initiatives, including by hosting this AGM and Annual Conference.

Mr Güral stated that following the global financial crisis, financial and regulatory systems worldwide have undergone constant and significant change. Within the new financial landscape, the role of the deposit insurance system, too, has changed, and the importance of the deposit insurance system in maintaining financial stability has been recognised once more. Deposit insurance systems should be more involved in early detection and timely intervention, together with other financial safety-net players. Further, Mr Güral added, the most significant changes were evident in bank resolution management and crisis management frameworks. This led to new standards being developed by international standard setters, namely the FSB and BIS. Jurisdictions are making efforts to adapt to these newly established standards as today's crises are not independent but highly interconnected between countries and regions.

In recent years, rapid developments in financial technology have also gained more attention from the deposit insurance system and other financial safety-net players in order to mitigate the potential risk from these technologies and maintain financial stability. SDIF, as one of the oldest deposit insurance systems in the world (established in 1983), has experienced only one bank failure since the financial crisis (since 2001). It is equipped with several tools for bank failure (in both stable and unstable times), and also holds USD 8.1 billion in reserves (or approximately

8% of insured deposits). In light of the newly introduced deposit insurance standards, SDIF has made efforts to align itself with those capabilities. Drafts of new standards are currently being finalised by the local parliament. Chairman Güral closed his speech by thanking and wishing the best for the participants of the conference.

## Opening address

In his opening remarks, IADI President and Chair of the Executive Council, Katsunori Mikuniya, welcomed all participants to the IADI Annual Conference. He expressed special gratitude to Chairman Muhiddin Güral and SDIF staff for hosting the event and for their heartfelt hospitality. On the theme of the conference, he stated that, looking back, each jurisdiction experienced various financial difficulties in the past. Through these experiences, financial safety-nets (including deposit insurance systems) had been developed and strengthened, reflecting each jurisdiction's idiosyncratic factors and global agreement. A good combination of steady bank lending and appropriate distribution of risk by securitisation were identified and adopted by the industry. President Mikuniya described a few of Japan's numerous efforts to recover from the crisis and restore public confidence. For example, the Japan Financial Service Agency strictly inspects non-performing loans.

President Mikuniya also emphasised that the global financial crisis reaffirmed the importance of financial stability and the role of deposit insurers, stating that deposit insurance systems would minimise the likelihood of the emergence of future crises, mitigate the impact of financial difficulties, and help the economy recover resiliently.

Regarding IADI, he shared that, after several improvements and advancements, the Association is now on its way forward and making an effort to solidify its activity and foundation. He believed that IADI's achievements are the outcome of collaboration and mutual support among its Members to enhance its activities. He closed his remarks by saying that he believed the discussions in this conference will be fruitful for further enhancement of the Association.

## Keynote address-1

Keynote speaker Jelena McWilliams, Chairman of the Federal Deposit Insurance Corporation (FDIC), United States, spoke about deposit insurance fund management and pricing. One of the most fundamental questions deposit insurers face is how large the deposit insurance fund should be, in other words, how do deposit insurers determine the optimal fund size and the appropriate target for the fund reserve ratio? She discussed different types of analysis that can inform decisions on the target for the fund reserve ratio, referring to history and to efforts made by FDIC economists to analyse how the FDIC's fund had performed over time. Chairman McWilliams also highlighted work currently underway at the FDIC regarding the factors that determine loss rates. She concluded her speech by emphasising the limits of analytics and stated that the most analysis can do is to clarify the choices available in statistical terms, identifying the level of confidence that a fund of a given size will be sufficient for its obligations. Ultimately, setting an appropriate target for the size of the insurance fund is a policy choice and a matter of judgement.

## Keynote address-2

Mr Juan Carlos Izaguirre, Senior Financial Sector Specialist, Consultative Group to Assist the Poor (CGAP), the World Bank, stressed in his keynote speech that e-money's role in expanding financial inclusion in developing economies calls for reflection on whether and how it should be covered by a country's deposit insurance system. He emphasised that policymakers should balance financial inclusion with protection, stability, and integrity objectives when deciding on a deposit insurance approach to e-money. Mr Izaguirre ended his presentation by noting that it is important for IADI and deposit insurers to continue exploring the best way to protect e-money funds, as failures in the system would affect the very vulnerable customers we care the most about.

## Panel session-1: Current Global Financial Landscape

**Moderator:** Oğuz Aslaner, Deputy Executive Director, Central Bank of Republic of Turkey

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**Speaker:** Kerem Alkin, Istanbul Medipol University and Secretary General of Turkish Exporters Assembly

Mr Alkin started his presentation by mentioning that the deregulation and mitigation of state intervention processes affected almost all areas of the financial markets from 1980 to 2008. He added that the global financial crisis of 2007–2008 revealed that regulation and supervision of the financial sector were not strong enough to prevent a crisis or mitigate the impact on financial stability. As a response to the global crisis, shortcomings of Basel II had been improved/eliminated and new Basel III standards introduced to enhance banks' resilience and ensure stronger supervision. In this regard, Mr Alkin reiterated that the higher requirements for the amount and quality of capital had been adopted. Turkey followed suit with new Basel rules and updated relevant regulations accordingly. Finally, he concluded that as a result of these amendments, the Turkish banking sector has a strong capital structure and capital adequacy ratios are high.

**Speaker:** Peter Routledge, President and CEO of Canada Deposit Insurance Corporation

Mr Routledge delivered a presentation on the global outlook as well as Canada's economic outlook. He provided the following three guiding principles deposit insurers should use to navigate future crises. First, deposit insurers must minimise the risk of acting too late in a crisis scenario. Second, deposit insurers must defend the hierarchy of claims to act as a pillar of certainty for depositors. Third, shaping the narrative is essential to countering the rise of fake news on social media that undermines financial stability. He summarised that deposit insurance systems should develop and maintain comprehensive public awareness campaigns.

**Speaker:** Nikola Tarashev, Head of Financial Systems and Regulation, BIS

Mr Tarashev highlighted that deposit insurers have an important role to play in safeguarding the tremendous achievements of the post-crisis regulatory reforms. These reforms have enhanced the system's resilience by forcing banks to: increase their loss-absorbing resources, consider risks they used to ignore, and price more conservatively the use of balance-sheet space. That said, the

persistently low profitability of many banks undermines their capacity to generate loss-absorbing resources on a sustainable basis and has stoked investors' scepticism about the viability of banks' business models. Deposit insurers could help maintain investors' trust in the banking system by contributing – inter alia – to sound and transparent resolution regimes.

### Panel session-2: What has changed since the Crisis: Deposit Insurers' Role in Early Warning and Intervention Systems?

**Moderator:** Takamasa Hisada, Deputy Governor, Deposit Insurance Corporation of Japan

**Speaker:** Mirosław Panek, President, Bank Guarantee Fund, Poland

Mr Panek began by noting that the Polish banking system did not suffer seriously from the 2008 global financial crisis and has maintained its profitability. Poland, as an EU member, has implemented all new European banking regulations and strengthened its safety net, with the Bank Guarantee Fund (BFG) becoming one of four members of the Financial Stability Committee (FSC). The Polish deposit guarantee scheme was created in 1995 and, despite consecutive increases of the deposit insurance coverage and some bank insolvencies, it maintains a reserve ratio level well above the European average.

Mr Panek further highlighted that the BFG's early warning system allows for early identification of risk-generating banks. In addition to analyses of officially delivered data, the BFG also uses some non-standard methods. For these reasons, very good cooperation and information sharing with other FSC members is crucial for ensuring the effectiveness of the approach applied by the BFG.

**Speaker:** Elif Kösoğlu, Group Coordinator, SDIF, Turkey

Ms Kösoğlu started by sharing the fact that following the global financial crisis, the scope of crisis management broadened to include not only an emergency response but also prevention and mitigation of the impacts of a crisis. A more holistic approach to risk assessment has been adopted. Effective early warning systems have played a critical role in this system. She added that the current focus is placed more on systemic risk and therefore

a system-wide approach has been adopted. In Turkey, the Supervisory Authority (BRSA) is responsible for early intervention measures. Coordinated work by Turkish financial safety-net members has been carried out to strengthen system-wide early warning indicator arrangements. Close cooperation and information sharing mechanisms have been put in place in the Turkish financial safety-net framework. Turkish authorities averted recent turmoil in Turkish financial markets by joint efforts of financial safety-net players. Recently, SDIF increased the deposit insurance limit from TL 100,000 to TL 150,000 (around USD 26,000); it also increased risk-based premium rates by 4 basis points to further strengthen its deposit insurance fund ratio. She concluded that SDIF continues its efforts to further align its deposit insurance and bank resolution framework with international financial standards.

**Speaker:** Seongbak Wi, Chairman, Korea Deposit Insurance Corporation

Chairman of the Korea Deposit Insurance Corporation (KDIC), Mr Seongbak Wi spoke on "How the KDIC's Role Was Strengthened to Enable Early Detection and Timely Intervention". He discussed how the global financial crisis led to a slowdown in Korea's real estate market, which delivered a severe blow to savings banks that had dangerously expanded credit exposure to project financing (PF) loans for real estate development projects. In the end, a large number of savings banks failed in 2011. To remedy the problem that caused the crisis, the KDIC was given more powers to increase supervision of insured institutions and to request corrective measures. Furthermore, the KDIC pushed for greater access to information in an effort to improve its ability to recognise risks early. Based on the information collected, the KDIC now analyses failure risks of individual institutions using its own risk assessment model, a risk forecasting model, among others. Lastly, Mr Wi declared that the KDIC had also adopted a differential premium system in 2014 so as to increase incentives for insured institutions to voluntarily reduce risk.

### Keynote address-3

Mr Fabio Natalucci, Deputy Director, Monetary and Capital Markets Department, the IMF, delivered a presentation on develop-

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ments in global financial markets. Responsible for the IMF's Global Financial Stability Report, he discussed the issues of financial conditioning, drawing attention to financial vulnerability and risk that affect advanced and emerging economies. He covered some recent issues including the trade tensions among major economies, and concluded his speech by mentioning the future outlook for the global financial markets.

### Panel session-3: What has changed since the Crisis: Bank Resolution Processes?

**Moderator:** Dean A. Cosman, Executive Vice President and Chief Risk Officer, Canada Deposit Insurance Corporation

**Speaker:** Diane Ellis, Director, FDIC, USA

Diane Ellis, Director, FDIC, spoke about resolving a failed insured depository institution (IDI) and how the FDIC's responsibilities have expanded since the 2008 crisis. The FDIC has a long history of resolving failed IDIs. This experience has led the FDIC to develop numerous resolution tools, including purchase & assumption, establishment of a bridge bank and payout. During the crisis, however, the US faced the problem that no special resolution regime existed for the large, complex financial institutions that were not themselves IDIs. In response, a new law – the Dodd-Frank Wall Street Reform and Consumer Protection Act – was passed and gave the FDIC backstop authority to resolve such an institution when its resolution under the bankruptcy process would pose significant risks to financial stability in the US. Director Ellis highlighted the significant authorities under this law, chief among which is the ability to require certain institutions to prepare resolution plans, known as living wills, which demonstrate how a firm could be resolved in a rapid and orderly manner under the bankruptcy process. These plans provide the FDIC with information about a firm's operations and have resulted in significant changes within firms, including legal entity rationalisation, the development of triggers to monitor firm condition, and the ability to ensure continuity of critical services. Director Ellis also described efforts the FDIC has undertaken to enable it to step in to resolve a large, complex financial institution, should it be called upon to do so. Among these are the development

of the single point of entry strategy, bilateral and multilateral exercises, and building cross-border relationships among regulators.

**Speaker:** Halim Alamsyah, Chairman, Indonesia Deposit Insurance Corporation

Chairman Alamsyah started by mentioning that the global financial crisis has taught us that an effective bank resolution process and stronger coordination between financial safety-net members are essential. Learning from the global financial crisis, Indonesia requires stronger institutional arrangements for the prevention and resolution of financial system crises. Chairman Alamsyah emphasised that the three areas which need to be strengthened post the global financial crisis are: (i) integrative supervision and regulation of financial institutions and financial markets; (ii) coordination among financial safety-net members (namely Bank Indonesia, Financial Services Authority (OJK), Indonesia Deposit Insurance Corporation (IDIC), and the Ministry of Finance, for the case of Indonesia); and (iii) a resolution authority with broader options of resolution tools. A new law, The Prevention and Resolution of Financial System Crisis (PRFSC/PPKSK) Law of 2016, was passed in April 2016 to strengthen coordination between financial safety-net members in Indonesia. The PPKSK Law gives some new powers to the IDIC – they are early intervention, bank resolution methods (P&A and bridge bank), the Banking Restructuring Program, and new funding alternatives for the IDIC. The IDIC is starting to prepare the resolution plan for banks to complement the Bank Recovery Plan implemented by the Indonesian Financial Services Authority, as well as a credible Banking Restructuring Program. Nevertheless, he concluded, there are still some challenges ahead for the IDIC in the area of crisis preparedness, cross-border resolution, liquidity needs for banks in resolution, and institutional arrangements.

### Keynote address-4

The keynote speaker for the second day of the Conference was Mr Dominique Laboueix, Member of the Board – Director of Resolution Planning and Decisions, the Single Resolution Board (SRB). Mr Laboueix stressed the increasingly important role of resolution authorities. He explained the

European approach on the orderly management of bank failures through the SRB. He discussed what has been done to date, what the situation is at present, and where to go in the future. He noted the need to establish a common deposit insurance scheme and to harmonise insolvency rules. He concluded by reiterating that it was necessary to keep building the framework since the more resolvable banks become, the more remote crises will be. The more we reinforce our preparedness, the more the banks are ready, which lessens the likelihood of a crisis.

### Panel session-4: What has changed since the Crisis: Cross Border Issues in Deposit Insurance?

**Moderator:** Mohamud A. Mohamud, CEO, Kenya Deposit Insurance Corporation

**Speaker:** Alex Kuczynski, Chief Corporate Affairs Officer, Financial Services Compensation Scheme, UK

Mr Kuczynski presented the UK's experience with cross-border payouts for depositors. He described the approach under the previous EU Directive, the experience in the financial crisis of 2008, and the current arrangements. The previous EU Directive allowed for the "topping up" of incoming branches to the levels of coverage of a host state scheme – which had been taken up into the Financial Services Compensation Scheme (FSCS), UK. However, in the crisis of 2008, the agreed process for a coordinated payout did not occur so that the FSCS as the host state scheme had to meet the payout in full. The revised Directive imposed an obligation on the host state scheme to make the payout for incoming branches. Finally, Mr Kuczynski looked ahead to the possible arrangements following a UK exit from the EU – such as the removal of the home/host state coverage in place at present, and the alternative for cross-border cooperation.

**Speaker:** Mariano Herrera, General Manager, Fondo de Garantía de Depósitos de Entidades de Crédito, Spain

Mr Herrera delivered a summary on how the European Union has strengthened its regulation in the field of deposit insurance as a consequence of the passing of the Deposit Guarantee Scheme Directive (DGSD) and the Bank Recovery and Resolution Directive (BRRD) in 2014. In the field of cross-border

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issues, important advances have been achieved, especially regarding the obligation to collaborate between European deposit insurance agencies in a cross-border payout. Additionally, there is an obligation to transfer contributions between European deposit insurance agencies in the case that a credit institution ceases to be member of a European deposit insurance agency and joins another deposit insurance agency or transfers part of its activities to another Member State. Nevertheless, Mr Herrera noted that there is still room for improvement due to the problems raised by the application of DGSD and BRRD. He noted that it is important to highlight the work that the European Banking Authority (EBA) is undertaking in the review of the DGSD. Finally, he mentioned that the conclusions of that review, regarding the cross-border aspects, were recently conveyed in an EBA Opinion dated 8 August 2019 and addressed to the European Commission.

**Speaker:** Antoinette McKain, CEO, Jamaica Deposit Insurance Corporation

Ms McKain began her presentation by explaining that, since the Caribbean region is characterised by a preponderance of cross-border banking and financial groups, national authorities must pursue, in a harmonised way, enhanced legal and regulatory frameworks in alignment with international standards to allow for effective crisis management and resolution. Recommended actions include: strengthening regulatory, supervisory and resolution frameworks to facilitate enhanced information sharing and coordination among financial safety-net partners domestically and regionally; institutionalising a governance framework for financial stability across borders; developing data systems for measuring and monitoring regional financial risk exposures of institutions; establishing protocols at the regional level for coordinated resolution planning; and developing explicit rules for the safeguarding and potential use of deposit insurance funds in resolution.

### Panel session-5: Fintech developments and their Potential Impacts on Bank Resolution and Deposit Insurance?

**Moderator:** Nikolay Evstratenko, Director, Deposit Insurance Agency, Russian Federation

**Speaker:** Daryl Ho, CEO, Hong Kong Deposit Protection Board

Mr Ho stated that in an effort to further enhance payout speed, the Hong Kong Deposit Protection Board (HKDPB) has embarked on a project to implement electronic channels of compensation payment, including the Faster Payment System (FPS) launched by the Hong Kong Monetary Authority in 2018, to supplement traditional paper cheque payments. FPS is a payment platform that enables customers to make cross-institution fund transfers round the clock easily, by entering the mobile phone number or email address of the recipient. Funds are then made available to the recipient almost instantaneously. He continued that given the high penetration of FPS amongst the general public in Hong Kong (the number of FPS registrations had reached 3.5 million as at 30 September 2019), the use of FPS for compensation payment is expected to be able to further reduce the payout timeline by around two days from the current seven-day target. Thus, he concluded that the HKDPB is currently aiming to launch electronic payment channels in 2021.

**Speaker:** Mohammed Mustapha Lawal, Assistant Director, Nigeria Deposit Insurance Corporation

Mr Lawal emphasised the importance of innovation and technology, which have the potential to change how banks satisfy the needs of their customers by introducing new financial products and services, increasing access to affordable financial services, improving the regulatory and oversight process for banks, and contributing to safety and soundness. Technology, he continued, is transforming not only how consumers access financial services, but the business of banking itself. Much financial technology has been developed outside the traditional banking system, driven by venture capital start-ups and emerging companies. He added that a number of banks have begun to embrace technology, and this has required a fundamental rethinking of how they interact with the technology industry. With the potential for so much change, it is incumbent upon regulators, supervisors, and deposit insurers to understand how emerging technology can improve their approaches to supervision. Regulators, supervisors, and deposit insurers, he reiterated, should particularly be

interested in being part of the bridge between technology companies and the banking sector to create an environment where innovation can thrive. Finally, he concluded that steps should be taken to increase coordination and cooperation with technology firms, fellow regulators, and the institutions we oversee.

**Speaker:** Muhammet Mustafa Cerit, Vice Chairman, Banking Regulation and Supervision Agency, Turkey

Mr Cerit began by saying that, as a supervisory authority of Turkey, the Banking Regulation and Supervision Agency (BRSA) closely monitors fintech developments, evaluates their impact on financial services and updates relevant regulations to reflect changes in new technologies used by financial institutions. Following the global trend, he continued, the number of fintech firms has been increasing in Turkey and the majority of these firms are specialised in payment systems. As the supervisory authority, BRSA is well aware of the opportunities and risks associated with rapid developments in new technologies and cooperates with other Turkish financial safety-net members to develop a national strategy and roadmap for building a healthy and sound fintech ecosystem in Turkey. Mr Cerit concluded that the BRSA follows international regulations closely, especially the efforts of the FSB and BCBS, and enhances collaboration with other regulatory bodies in the area of fintech developments.

### Summary and closing remarks

In his closing remarks, Mr David Walker, IADI Secretary General, stressed that much has been accomplished in terms of enhancing early warning and intervention tools, resolution regimes (particularly regarding more loss absorbency and new tools such as bail-in), and cross-border information and coordination. However, he also emphasised that financial systems continue to evolve and we face emerging new risks and challenges. The reform process since the crisis still has unfinished business in areas such as ensuring adequate funding and liquidity available to support resolution. Finally, he summarised that fintech and its implications for financial stability and deposit insurance – both positive and negative – is an issue we are facing and trying to harness for our mutual benefit.

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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 (as of 31 March 2020).

### **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**

Professor in Institute of Intellectual Property  
*National Taipei University of Technology*  
Professor in Faculty of Law  
*National Taipei University, 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 Hüpkens**

Head of 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**<sup>1</sup>

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

### **Masahiro Kawai**

Specially Appointed Professor  
*Graduate School of Public Policy, University of Tokyo*  
Representative Director and Director-General  
*Economic Research Institute for Northeast Asia, 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**

Sir John Lubbock Chair in Banking Law  
*School of Law, 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), Montréal, Canada*

### **Dalvinder Singh**

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

### **Sergey Smirnov**

Deputy Director  
*Centre of Development Institute, State 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*

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<sup>1</sup> The Association was saddened to learn of the passing of Professor George G. Kaufman on 25 June 2020 at the age of 87 at his home in Chicago.



During the 2019/20 financial year, the number of IADI Participants increased by seven (six Members and one Associate). The new Members are (in the order of joining the Association): the Fondo de Garantía de Depósitos de Entidades de Crédito of Spain; the Agency of Deposit Compensation of Belarus; the Massachusetts Credit Union Share Insurance Corporation of the USA; the Fundo de Garantia de Depósitos of Angola; the Bermuda Deposit Insurance Corporation; and the Fonds de Garantie des Dépôts Bancaires of Tunisia. The Central Bank of Belize joined IADI as an Associate.

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.

### Fondo de Garantía de Depósitos de Entidades de Crédito (FGD Spain)



The Fondo de Garantía de Depósitos de Entidades de Crédito (FGD) was set up by virtue of the Royal Decree Law 16/2011, of 14 October. The FGD has its own legal personality and full capacity to fulfil its functions. The Spanish deposit guarantee scheme is also regulated by the Royal Decree 2606/1996, of 20 December, on deposit guarantee funds of credit institutions.

The objective of the FGD, which has been in operation since December 2012, is to guarantee deposits and securities held by credit institutions, up to the limit of EUR 100,000. Besides offering these two different but compatible guarantees, it can also carry out any actions it considers necessary to reinforce the solvency and functioning of credit institutions. Additionally, the FGD provides extra coverage for a period of three months in exceptional and independent cases, such as deposits from real estate transactions of a residential and private nature; deposits derived from payments received by the

depositor on a one-off basis and linked to marriage, divorce, retirement, dismissal, disability or death; and deposits that are based on the payment of insurance benefits or compensation for damages that are the result of a crime or judicial error.

Membership in the FGD is mandatory for all Spanish credit institutions. The FGD is managed by a Management Committee composed of 11 members, of which 5 are appointed by the associations representing the interests of the DGS member credit institutions.

### Agency of Deposit Compensation (Belarus)



The Agency of Deposit Compensation was established on 21 November 2008 as a public institution and a non-profit organisation, which carries out its activities independently, accountable to the Council of Ministers and the National Bank. The strategic purpose of the Agency is to reimburse depositors, to accumulate funds received from banks in the form of mandatory fees to replenish the Agency's reserve fund, and to manage the Agency's reserve fund. The agency performs its functions on the basis of the Law of the Republic of Belarus No. 369-3 July 2008 "On the Guaranteed Reimbursement of Funds of Individual Persons in Deposits" and the Presidential Decree No. 22 from 4 November 2008 "On Guaranteed Security of Funds Placed by Individuals into Bank Accounts and/or Bank Deposits".

The system protects deposits of natural persons, and the level of coverage is unlimited. Reimbursement is made in the currency of the deposit. Foreign currency deposits may also be reimbursed in the Belarus Rouble equivalent, applying the exchange rate of the National Bank on the date of the banking licence revocation. A depositor is entitled to claim reimbursement for deposits placed in his/her current (payment) accounts, charity accounts, demand deposits, time deposits, deposits in escrow, or funds due under deposit certificates issued by the bank.

The Agency also administers the register of its member banks, checks the accuracy and timeliness of the quarterly premium contributions into the Agency's reserve fund and runs the register of depositors in cases when deposits have to be compensated. At the decision of the National Bank, the Agency also acts as interim bank authority and undertakes crisis management of a failing bank in a bankruptcy procedure as ruled by the High Economic Court.

### Massachusetts Credit Union Share Insurance Corporation (USA)



The Massachusetts Credit Union Share Insurance Corporation (MSIC) was established in 1961, under the Share Insurance Bill of Massachusetts. MSIC began as an industry-sponsored cooperative insurer, owned by its members. When created, MSIC was the first company in the country to offer deposit insurance to credit unions. In 1986, MSIC filed legislation to allow federal credit unions to join the fund. MSIC played a critical role in Massachusetts during the banking crisis of the late eighties and early nineties. It provided several Massachusetts-based credit unions with financial assistance, allowing them to continue to operate independently rather than being merged or liquidated.

To meet this crisis, MSIC invested USD 6 million in its member credit unions. In addition, MSIC provided the necessary staff at critical times throughout the crisis and paid members/depositors of Massachusetts credit unions over USD 49 million. During the banking crisis, Massachusetts credit unions converted to federal insurance, and MSIC converted to being solely an excess deposit insurer. As an excess insurer, MSIC now insures deposits in 81 credit unions (62 state chartered and 19 federally chartered) across Massachusetts.

Excess Share and Deposit Insurance from MSIC provides credit unions with an extra layer of deposit insurance coverage. Balances above the federal National Credit Union Administration's (NCUA) limit, currently

## Annex V – New Participant Profiles

USD 250,000, carry additional deposit insurance through MSIC. The MSIC's Board of Directors comprises 15 directors, elected by and from the credit unions insured. These credit unions are, in effect, the owners of MSIC.

### Fundo de Garantia de Depósitos (FGD Angola)



The Fundo de Garantia de Depósitos (FGD) was launched by the National Bank of Angola in June 2019. The FGD has an initial allocation of 13.8 billion kwanzas and is created under the Presidential Decree no. 195/18 of 22 August 2018. The initial target fund ratio was set at 0.23% of total eligible deposits. All banking financial institutions that are authorised to take deposits and are subject to the supervision of the National Bank of Angola must participate in the FGD and shall inform their depositors when their deposits are excluded from the guarantee.

The main purpose of the FGD is to guarantee the repayment of deposits, irrespective of their type, registered by natural and legal resident and non-resident persons, in national or foreign currency, made up of commercial banks authorised to collect deposits in the country, up to an individual limit of 12.5 million kwanzas. This covers an estimated 85% of the depositors in the national banking system.

In addition, the FGD may intervene in the implementation of resolution measures when requested by the National Bank. However, such intervention may not exceed the value of the deposits that would be recoverable by the FGD in case of the bank failure.

### Central Bank of Belize (Associate)



The Central Bank of Belize was established under the Central Bank of Belize Act in 1982. The Bank is guided in all its actions by the objective of fostering monetary stability that promotes the growth of the economy of Belize. In pursuit of this objective, the Bank

performs, inter alia, the following functions: provides economic advice to the Government of Belize; provides banking services to commercial banks, the Government of Belize and public-sector organisations; issues monetary notes and coins in Belize; supervises and regulates the financial system; and facilitates securities market transactions.

The deposit insurance system in Belize is expected to start up in 2020.

### Bermuda Deposit Insurance Corporation



The Bermuda Deposit Insurance Corporation (BDIC) was established in 2011 by an Act of Parliament and became operational in August 2016. In addition to the Deposit Insurance Act (2011), the BDIC's activities are regulated by the Deposit Insurance Rules (2016) and the Deposit Insurance Amendment Rules (2019). The DIS membership is mandatory and there are four member banks at present. The maximum coverage limit is USD 25,000, and the system is funded ex ante with a flat rate for premiums. A Code of Practice is currently being developed to articulate BDIC's involvement in the process of handling a systemic crisis.

### Fonds de Garantie des Dépôts Bancaires (FGD Tunisia)



The Fonds de Garantie des Dépôts Bancaires (FGD) was established in 2018 by the Tunisian Banking Law N° 2016-48. In addition to the Banking Law, the FGD's intervention, operating rules, reimbursement conditions, etc, are regulated by the government decree N° 2017-268. Its capital is worth 5 million dinars held equally by the Central Bank of Tunisia and the Ministry of Finance. The DIS membership is mandatory and there are 29 member banks at present. The maximum coverage limit is USD 22,000, and the system is funded ex ante with a flat rate for premiums.

## IADI Secretariat

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