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Public Policy Objectives for Deposit Insurance Systems

Guidance Paper

Core Principles and Research Council Committee
International Association of Deposit Insurers

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I. EXECUTIVE SUMMARY

The objective of this guidance paper is to provide an update on the Public Policy Objectives (PPOs) of the deposit insurance system in different jurisdictions, using the results of a survey conducted by IADI of members' experiences in selecting, implementing and evaluating their PPOs.

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.

Situational analysis. The selection of PPOs is a complex but essential process. To help formulate their PPOs, policymakers/deposit insurers may undertake a situational analysis. The survey results showed that more than half (59%) the survey respondents stated that they did carry out a situational analysis when setting the PPOs.

Setting and reviewing the PPOs – Parties involved. Various parties are involved in setting and reviewing the PPOs. While the responsibility lies with one agency for the majority of respondents, 11 organisations require the involvement of multiple agencies. For deposit insurance systems which require only one party to set and review the PPOs, 15 of them reported that this function lies within the ambit of their board of directors, while 9 respondents said that it is the responsibility of parliament/congress. For another 8 respondents, this duty is delegated to the Department of Finance/Commerce.

Setting and reviewing the PPOs – Stakeholders consulted. Consultation with the government, supervisors and stakeholders is also crucial to ensure that the PPOs are understood and aligned. Of the respondents who answered this question, 57.5% noted that they did consult with their stakeholders. Stakeholders most consulted by the deposit insurers include the central bank and the Ministry/Department of Finance, followed by the banking industry and the financial supervisory authority.

Approval of PPOs. Approval of the PPOs should follow a formal process to avoid sole decision by the deposit insurance agency. The parliament and the board of directors of the deposit insurer are the approving authorities for the majority of survey respondents.

Formal specification and disclosure. Regarding the level of disclosure, the IADI Survey on PPOs reported that 90% of survey respondents did explicitly specify and disclose their PPOs.

Review and disclosure of operations against the PPO. While it is considered good practice for a deposit insurer to undertake periodic reviews to assess the fulfilment of its PPOs and mandate, half the respondents stated that they do not carry out a formal process for a periodic review of the extent to which the deposit insurer is meeting its PPOs. Only 11 respondents conducted both internal and external reviews.

Primary principles and other PPOs. The two primary or essential principles of wider financial importance for deposit insurance systems are to protect depositors and to contribute to financial system stability. Many jurisdictions have come to view contributing to financial system stability as a key policy objective. All respondents reported that they contribute to financial stability by minimising the incentives for depositors to engage in runs on troubled banks. All respondents reported that their PPOs are aligned with the two primary PPOs.

Gaps/overlaps between the PPOs of the deposit insurer and those of the other safety-net players. While 73.5% of respondents stated that there are no gaps or overlaps, the remaining 26.5% reported some gaps or overlaps relating to resolution powers as well as supervisory powers. However, this may not directly be a PPO issue but may involve an inappropriate distribution of powers and responsibilities within the financial safety-net.

Integration between PPOs, design features and powers of deposit insurance systems. About 22% highlighted that the design features and powers of their systems are insufficient to fulfil their PPOs/mandates. The impediments are insufficient powers, followed by the lack of operational independence, and design features which are inadequate. Specifically, the most common gap reported is the inability to access depositor information in advance of a bank failure.

Changing the PPOs. About one-third of respondents indicated that they have changed their PPOs with some jurisdictions adding "contributing to financial stability" to their PPOs.

Future PPOs. Results from the IADI Survey on PPOs showed that PPOs do not change frequently. However, some deposit insurers are considering enhancing mandates or powers.

II. INTRODUCTION

The mission of the International Association of Deposit Insurers (IADI) is to contribute to the enhancement of deposit insurance effectiveness by promoting guidance and international cooperation. Its vision is to share its deposit insurance expertise with the world. As part of its work, IADI undertakes research projects to provide guidance on deposit insurance matters.

An effective deposit insurance system contributes to financial stability by complementing other financial safety-net players in promoting public confidence. In this respect, IADI has issued guidance for the adoption of the IADI Core Principles for Effective Deposit Insurance Systems (Core Principles). Revised in November 2014, the Core Principles, which are key international standards, laid down a set of general guidance for developing effective deposit insurance systems. Principle 1 includes the setting of public policy objectives (PPOs) for the deposit insurance system. The Core Principles prescribed two primary PPOs for deposit insurers, which are to protect depositors and to contribute to the stability of the financial system.

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. The PPOs must also be deliverable. Otherwise, a loss of credibility may result, which can potentially lead to failure. It is also sensible to avoid having too many PPOs. This ensures a better focus and avoids conflict.

For this reason, careful specification of the PPOs, which refer to the goals or objectives the deposit insurance system is expected to achieve, is usually the first important step in adopting a system – and should also apply when overhauling an existing one. This is critical and fundamental for all types of deposit insurance systems, and their roles in the financial safety-net.

Deposit insurers have a crucial role to play, and having PPOs in place would provide purpose, context, focus and direction on how they should discharge their duties. Publicly disclosed PPOs would also enhance awareness of the deposit insurer's role and reassure stakeholders about what they can broadly expect from the deposit insurance system.

PPOs provide a frame of reference in setting the mandate and operations of a deposit insurer. Ultimately, there must be consistency between the PPOs, the mandate, and the structure and design of a deposit insurance system. Otherwise, gaps may arise, which could impede the fulfilment of objectives.

In general, the PPOs define the broad goals or objectives of the deposit insurance system, while the mandate defines the roles and responsibilities of a deposit insurer, and identifies the design features, as well as the powers and authorities necessary to carry out its mandate in its endeavour to achieve its PPOs. In other words, the PPOs are broad overall statements of outcome, intent or end results, which are fixed or designed to be long-term or permanent, while the mandate is a set of more specific and measurable instructions to realise the overall objectives.

Given the importance of PPOs, the Technical Committee for Public Policy Objectives (the Technical Committee) was set up in October 2015. The IADI Research and Guidance Committee (RGC, the predecessor of the Core Principles and Research Council Committee) approved the research plan in July 2016 and commissioned the Technical Committee to develop a guidance paper on PPOs for the following reasons:

i. In light of fundamental changes in the operations of some deposit insurance systems, especially since the recent global financial crisis, it is timely for IADI to revisit and explore existing and new PPO-related issues;

ii. The previous paper on PPOs, drafted by the Financial Stability Forum's Sub-Group on Public Policy Objectives, was published in 2000. It is, therefore, necessary for IADI to review and, where possible, update the information in this paper and explore other new and related issues.

The objective of this guidance paper is to provide an update on the PPOs of the deposit insurance system in different jurisdictions, taking into account recent developments and, where possible, to illustrate the policy thinking behind the changes in objectives. It will also discuss the Essential Criteria in Core Principle 1 in greater detail.

The paper develops a set of supporting guidance points for the effective implementation of Principle 1. It also attempts to highlight some possible future PPOs.

In addition, the Technical Committee has identified nine supplementary guidance points for setting clear, sound and consistent PPOs.

This guidance paper highlights the key findings of the IADI Survey on PPOs, conducted among member institutions. Section II provides an introduction. Section III lists the nine IADI supporting guidance points. Section IV describes the methodology and demographics of the survey sample. Section V, the main section of this paper, looks specifically at the results of the IADI survey. In that section, issues highlighted include the setting, reviewing and approval process for PPOs; the formal specification, disclosure and review of PPOs; primary and other PPOs; the integration between the PPOs; design features and powers; and changes and future trends in PPOs. Section VI concludes.

III. SUPPORTING GUIDANCE

Principle 1 of the Core Principles prescribes that the two primary PPOs for deposit insurance systems are to protect depositors and to contribute to financial stability. A deposit insurance system may have other PPOs, but they should not undermine or conflict with these two principal objectives.

The following essential criteria for assessing whether a deposit insurer is appropriately addressing this Principle are noted in the Core Principles.

Principle 1 – Public Policy Objectives

The principal public policy objectives for deposit insurance systems are to protect depositors and contribute to financial stability. These objectives should be formally specified and publicly disclosed. The design of the deposit insurance system should reflect the system's public policy objectives.

Essential criteria:

1. The public policy objectives of the deposit insurance system are clearly and formally specified and made public, for example through legislation or documents supporting legislation.

2. The design of the deposit insurance system is consistent with the system's public policy objectives.

3. There is a review of the extent to which a deposit insurance system meets its public policy objectives. This involves both an internal review conducted on a regular basis by the governing body and an external review conducted periodically by an external body (e.g. the body to which the deposit insurer is accountable or an independent entity with no conflicts of interest, such as an auditor general). Any review must take into consideration the views of key stakeholders.

4. If additional public policy objectives are incorporated, they do not conflict with the two principal objectives of protecting depositors and contributing to the stability of the financial system.

The main conclusions of this guidance paper, summarised in the following nine supporting guidance points, are consistent with the essential criteria outlined in the Core Principles and are aimed at providing broad policy guidance. By setting only the minimum requirement, these guidance points are supportive of the principle of proportionality. In any case, their application is voluntary and deposit insurers are free to put in place their own PPO development process and review framework based on jurisdiction, circumstance and legal framework.

1. PPOs should address the specific needs and conditions of a jurisdiction. A situational analysis may be required to address: the state of the economy; the legal and supervisory framework; the structure and strength of the financial system; the quality of accounting, regulatory and auditing standards; and the deposit insurance disclosure regime. These conditions would guide policymakers/deposit insurers in setting the PPOs.

2. PPOs should be stated explicitly through legislation or documents supporting the legislation. PPOs should be publicly available at all times. In cases where the law is old, the publication of the PPOs in Annual Reports would be an acceptable form of disclosure.

3. When setting, reviewing or modifying the PPOs, key stakeholders must be consulted.

4. PPOs should be clear, relevant and deliverable. It is also sensible to avoid having too many

PPOs, to ensure a better focus and avoid conflicts, whether actual or perceived.

5. Deposit insurers may have additional PPOs, but conflicts may arise. Therefore, deposit insurers should carefully evaluate each additional objective in light of the two primary PPOs to ensure that it does not undermine or conflict with them.

6. To ensure accountability, a deposit insurer should periodically review and publicly disclose its performance in the achievement of its PPOs.

7. The structure and design features of the deposit insurance system should be carefully constructed to ensure that they are consistent and fit with the PPOs. Financial and administrative resources and legal and legislative powers must also be adequate for the deposit insurance system to fulfil its PPOs. An analysis can be carried out to identify any trade-off between different PPOs as well as against the mandate and powers.

8. Consideration should be given to the deposit insurer's role vis-à-vis the other players within the financial safety-net framework, to ensure the clarity, consistency and complementarity of PPOs.

9. Although not likely to change frequently, a jurisdiction's PPOs may, over time, need to be adjusted to account for changing regulatory/economic circumstances. Such a review may be required as a result of long-term changes in economic, financial and social conditions. When appropriate, deposit insurers or the relevant authorities may alter the PPOs, mandate or design features of the deposit insurance system, to ensure that they are well aligned.

IV.RESEARCH METHODOLOGY AND DEMOGRAPHICS

As there is little literature available on this subject, the methodology employed to assist the Technical Committee in developing the guidance paper was based on the results of a survey conducted by IADI of members' experiences in selecting, implementing and evaluating their PPOs.

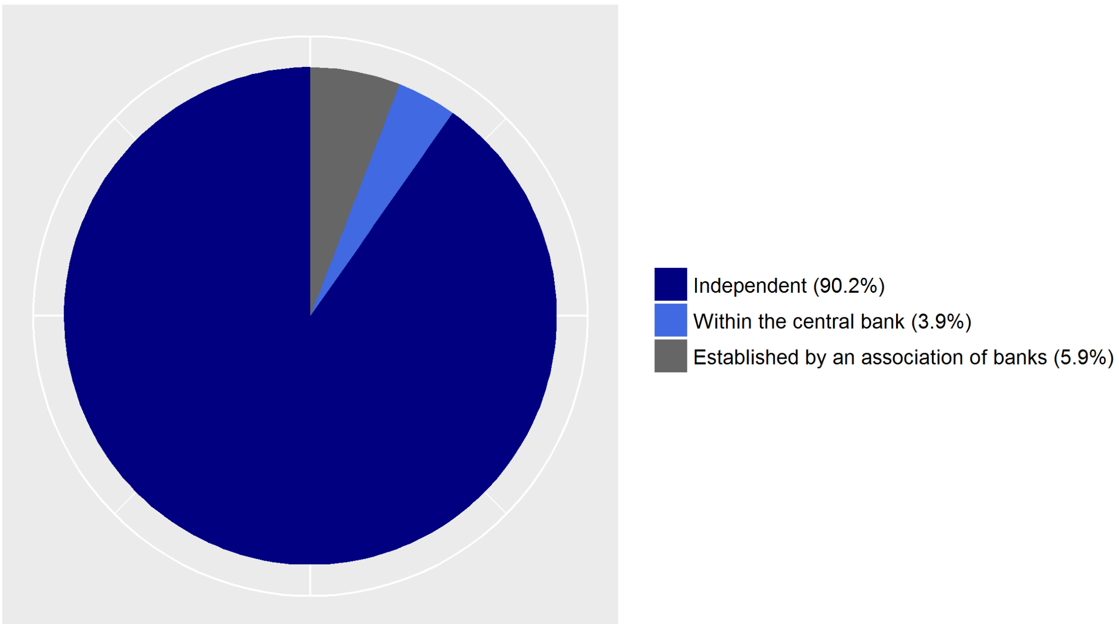
The survey was designed to gather data and information related to the following issues:

a) the PPOs adopted by different jurisdictions;
b) the extent of alignment between existing mandates/powers and the PPOs, and any potential gaps;
c) the level of public disclosure of PPOs;
d) the frequency of a review of operations against the PPOs; and
e) the future trends of PPOs.

A total of 52 explicit deposit insurers responded to the survey.[1]

Participating organisations: The organisations/jurisdictions which responded to the survey are from Albania, Argentina, the Bahamas, Bosnia and Herzegovina, Brazil, Bulgaria, Canada, Chinese Taipei, Colombia, Croatia, the Czech Republic, France, Greece, Germany, Honduras, Hong Kong, Hungary, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, the Kyrgyz Republic, Libya, Malaysia, Mexico, Mongolia, Montenegro, Nicaragua, Nigeria, Norway, Palestine, Peru, the Philippines, Poland, Romania, Russia, Serbia, Singapore, Slovenia, South Korea, Sweden, Switzerland, Thailand, Turkey, the UK, Ukraine, Uruguay, the US, Vietnam and Zimbabwe.

Figure 1: Legal Structure



Source: IADI Annual Survey

Governance structure: Slightly more than 90% of respondents are independent (operational or

[1] The survey period ran from 8 March 2017 until 7 April 2017.

institutional). Only 3.9% and 5.9% of respondents are set up by the central bank and the Association of Banks, respectively.

Geographical location: Europe and Asia have 19 and 10 respondents, respectively, while Latin America has 7 respondents. The Middle East & North Africa and Eurasia have 4 each. The African and Caribbean regions have 3 and 2 respondents, respectively, while North America has 3 respondents.

Mandate: Payboxes (9 respondents) and paybox-plus (23 respondents) account for just over 60% of respondents. Meanwhile, 12 are loss minimisers and the remaining 8 are risk minimisers.

V. THE IADI SURVEY ON PPOs – KEY FINDINGS

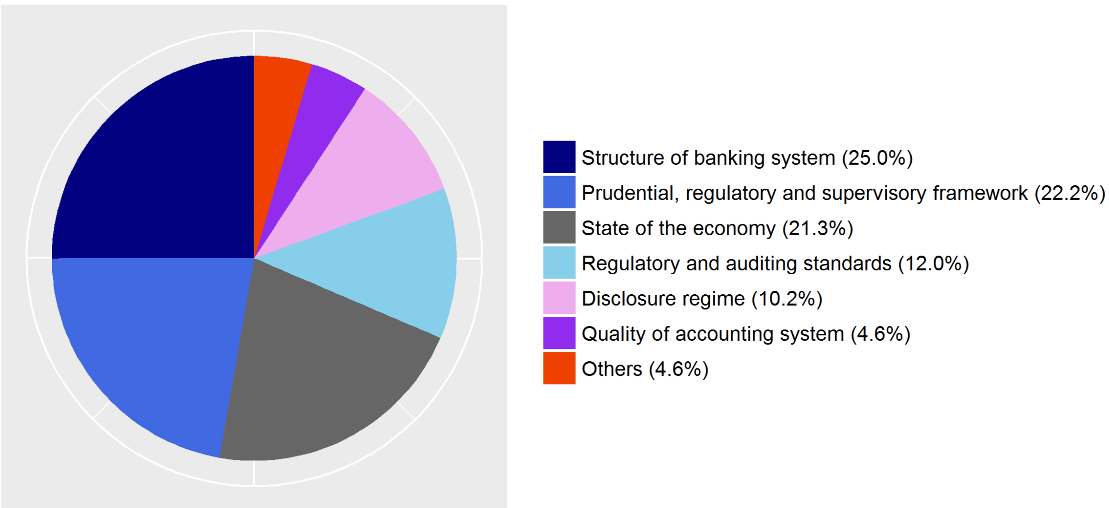
A. SETTING, REVIEWING AND APPROVING THE PPOs

The selection of PPOs is a complex but essential process. To help formulate their PPOs, policymakers/deposit insurers may undertake a situational analysis.

1. Situational Analysis

A situational analysis is required when setting up a new deposit insurance system. However, it may also be applicable when developing or modifying the PPOs to ensure alignment with a system's powers and design features. Such an analysis should take into consideration certain preconditions such as: the state of the economy; the legal and supervisory framework; the structure of the banking system; the quality of accounting, regulatory and auditing standards; and the deposit insurance disclosure regime. All of these preconditions must be met to enable a deposit insurance system to function effectively. However, if an existing deposit insurance system is established without meeting all preconditions, the design features must take into consideration what is missing.

Figure 2: Situational analysis – factors taken into account



Source: IADI Survey on Public Policy Objectives

The survey results showed that more than half (59%) the survey respondents stated that they did carry out a situational analysis[2] when setting the PPOs, while a quarter (25%) reported otherwise.

Common factors taken into consideration when conducting a situational analysis include the structure of the banking system (25%), the prudential, regulatory and supervisory framework (22.2%), and the state of the economy (21.3%). These three factors are deemed the most important when undertaking a situational analysis.

[2] For further discussion, please see Financial Stability Forum, Guidance for Developing Effective Deposit Insurance Systems (September 2001).

2. Setting and Reviewing the PPOs - Parties Involved

Various parties are involved in setting and reviewing the PPOs. While the responsibility lies with one agency for the majority of respondents, 11 organisations require the involvement of multiple agencies.

In Japan, for example, the PPOs are stipulated under Article 1 of the Deposit Insurance Act (the Act) which has been amended several times since it was passed in 1971 (see Annex). The amendment process is as follows:

a) First, the Financial Services Agency (FSA) and Ministry of Finance (MOF), which are the oversight authorities for the Deposit Insurance Corporation of Japan (DICJ Japan), will draft a bill on the revised PPOs.

b) During the drafting process, the FSA and the MOF will cooperate with relevant agencies such as the DICJ as needed. The FSA and MOF closely communicate with other relevant agencies to confirm the necessity of the amendment and the practical issues relating to its implementation. After drafting the amendment bill, the FSA and the MOF coordinate with relevant government agencies and submit the bill to the National Diet (both the House of Representatives and the House of Councillors) for deliberation and approval following a cabinet meeting.

For the Central Deposit Insurance Corporation of Chinese Taipei (CDIC Chinese Taipei), the review process is as follows:

a) The PPOs of the CDIC Chinese Taipei are set out in Article 1 of the Deposit Insurance Act (see Annex). If the CDIC Chinese Taipei wants to amend the objectives in the Act, it must first submit the proposed amendments and report to the Board for approval.

b) Once amendments are approved by the Board, they will have to be approved by the CDIC Chinese Taipei's oversight authority, the Financial Supervisory Commission (FSC), which will then submit the amended act to the Legislative Yuan (the Parliament) for deliberation and approval.

Table 1: Setting and Reviewing the PPOs - Parties Involved

Jurisdiction	Parties responsible for setting/reviewing PPOs
CDIC (Chinese Taipei)	Board of directors of the deposit insurer Financial Supervisory Commission Parliament (Legislative Yuan)
DICJ (Japan)	Deposit Insurance Corporation of Japan Financial Supervisory Authority (Financial Services Agency) Ministry of Finance Parliament (Diet)
BDIF (Bulgaria)	BDIF Management Board Central Bank Ministry of Finance Parliament
HKDPB (Hong Kong)	Board of directors of the deposit insurer (including representatives of the Monetary Authority, and the Secretary for Financial Services and the Treasury) Legislative Council

Jurisdiction	Parties responsible for setting/reviewing PPOs
FGDR (France)	The Supervisory Board of directors of the deposit insurer The Financial Supervisory Authorities The Department of Finance (Minister of Economy and Finance) who finally approves
esisuisse (Switzerland)	Board of directors of the deposit insurer (for minor changes) Financial Market Supervisory Authority (approves minor changes) Ministry of Finance (initiates legislative changes) Parliament (approves legislative changes) Swiss citizens aged 18 or over (vote to pass legislative changes)

Source: IADI Survey on Public Policy Objectives

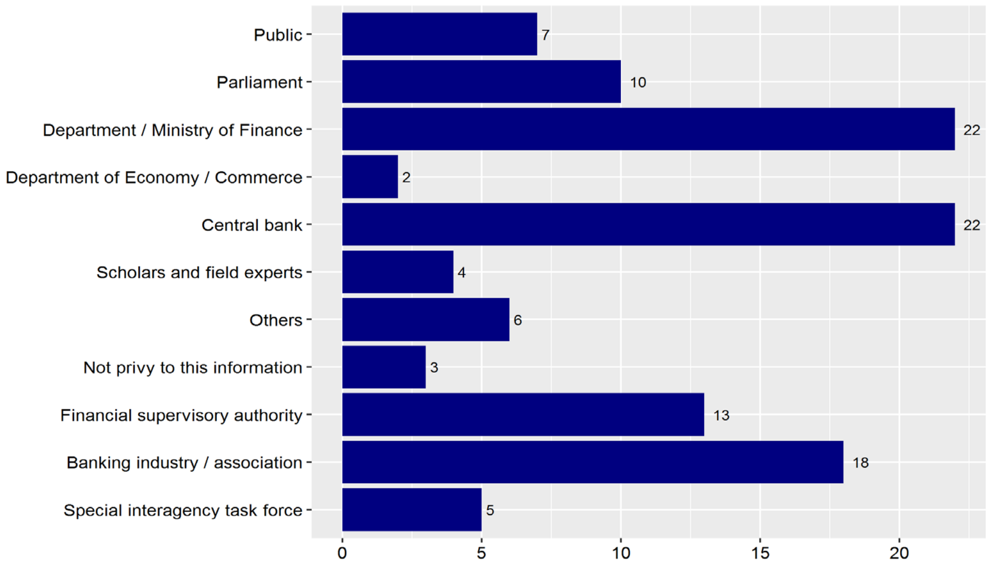
In Canada, the review process is led by the Department of Finance. CDIC (Canada) and other stakeholders such as the central bank, the supervisor of financial institutions, the banking industry, and other interested parties also have the opportunity to review and engage in the process.

For deposit insurance systems which require only one party to set and review the PPOs, 15 of them reported that this function lies within the ambit of their board of directors, while 9 respondents said that it is the responsibility of the parliament/congress. For another 8 respondents, this duty is delegated to the Department of Finance/Commerce.

3. Setting and Reviewing the PPOs – Stakeholders Consulted

Consultation with the government, supervisors and stakeholders is also crucial to ensure that the PPOs are understood and aligned, particularly if the development and review of the PPOs are undertaken by the deposit insurer. Of the respondents who answered this question, 57.5% noted that they did consult with their stakeholders, while another 25% reported otherwise. Concerning the stakeholders most consulted by the deposit insurers, the central bank and the Department/Ministry of Finance came out top, followed by the banking industry and the financial supervisory authority.

Figure 3: Stakeholders consulted for setting and reviewing PPOs



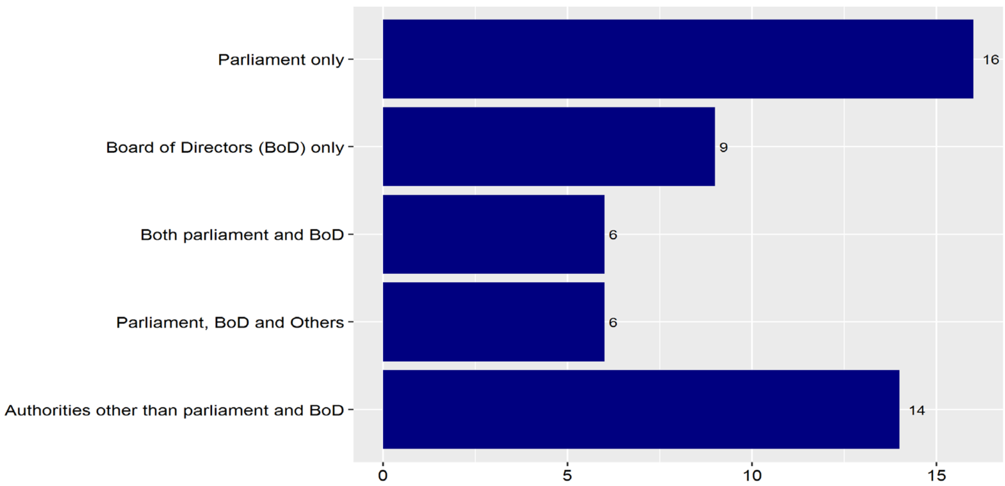
Source: IADI Survey on Public Policy Objectives

The JDIC (Jamaica) consults with several agencies, including the Ministry of Finance and other members of the financial safety-net (the Financial Services Commission and the central bank). Consultations are also held with the banking industry and the public, particularly if legislative amendments are required.

The Deposit Insurance Corporation of Mongolia (DICOM Mongolia) consults the Financial Regulatory Commission, while the Philippine Deposit Insurance Corporation (PDIC Philippines) consults the central bank, the Department of Finance, the banking industry/bank association, lawmakers, scholars and field experts, and the Securities Exchange Commission. The Savings Deposit Insurance Fund of Turkey (SDIF Turkey) consults the banking industry as well as the Financial Stability Committee, which consists of the Banking Regulation Supervision Agency, the Central Bank, the Treasury, the Capital Markets Board and the SDIF.

4. Approval of PPOs

Figure 4: Agencies responsible for approving PPOs



Source: IADI Survey on Public Policy Objectives

As regards the approval of PPOs, the parliament and the board of directors of the deposit insurer are the approving authorities for the majority of survey respondents. There are 14 jurisdictions whose PPOs are approved by authorities other than the board of directors and the Parliament, such as the central bank, the Ministry of Finance or the Financial Supervisory Authority.

To summarise, a situational analysis may be applicable when developing or modifying the PPOs. Consultation with the relevant authorities is required when setting and reviewing the PPOs, while the approval of the PPOs should follow a formal process to avoid sole decision by the deposit insurance agency.

B. FORMAL SPECIFICATION, DISCLOSURE AND REVIEW

1. Formal Specification and Disclosure

The Core Principles prescribe that the overall PPOs should be explicitly and formally specified and made public through legislation or documents supporting the legislation. The use of regulations or by-laws is permitted, especially in cases where the deposit insurance is a private system. This is important because the definition of PPOs in legislation can minimise outside pressure on the deposit insurer when it is carrying out its duties. It can also serve to avoid misunderstandings related to unrealistic expectations about its functions, and ensure that the PPOs cannot be changed on an ad hoc basis.

The Core Principles also prescribe that the use of a decree is acceptable if it has the force of law. In cases where the law is old, or it is not a legal custom to include PPOs in the law, the policy objectives may not be clearly explained. In this case, the publication of the PPOs in Annual Reports, for instance, would be an acceptable form of disclosure. In any event, the deposit insurer should state its PPOs publicly.

Implicit PPOs, by their nature, can be harder to identify since they must be inferred from the way activities are undertaken, administered or reported. In such a situation, further explanation is required through supporting legislation, agreed statements, codes of practice, or even annual reports.

However they are set out, the PPOs should be defined and made available to the public at all times. Publicly disclosed PPOs foster transparency. Stakeholders are thus better informed and can form expectations about the broad role of the deposit insurance system.

The Committee also reviewed the results gathered from assessments conducted via the IADI Self-Assessment Technical Assistance Program (SATAP) and the IMF and World Bank's Financial Sector Assessment Program (FSAP). From 2010 to 2017, 24 jurisdictions underwent one of these two assessments. Results showed that, for the assessment on CP 1, 13 out of the 24 jurisdictions were rated as either Materially Non-compliant (MNC) or Largely Compliant (LC). The significant gaps identified were either that the PPOs were not specified in law or that the PPOs were not specific enough. Moreover, for some jurisdictions, there is no formal process in place to regularly review the extent to which their operations meet their PPOs.

However, only 4 out of the 13 jurisdictions are left with either MNC or LC rating after 9 jurisdictions had their PPOs specified in a law or by-law following an FSAP or SATAP, according to the IADI Survey on PPOs.

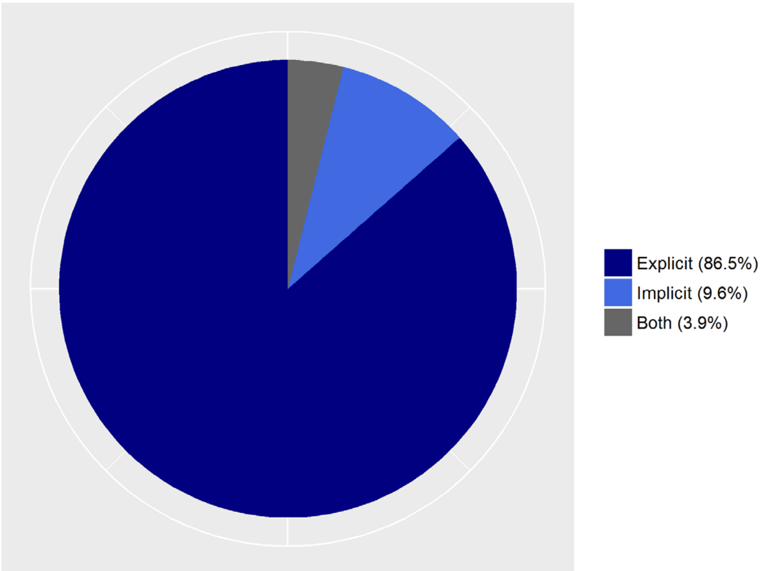
Regarding the level of disclosure, the IADI Survey on PPOs reported that 90% of survey respondents did have their PPOs specified and disclosed explicitly (i.e. through legislation). For example, the PPOs of the Deposit Insurance Agency of Bosnia and Herzegovina (DIA Bosnia and Herzegovina), the Bulgarian Deposit Insurance Fund (BDIF), the Deposit Insurance Agency of Serbia (DIA Serbia), the

Bank Deposit Guarantee Fund, Romania (FGDB, Romania), the Deposit Insurance Agency of Russia (DIA Russia), the Bank Guarantee Fund of Poland (BFG Poland), the Deposit Insurance Corporation of the Bahamas (DIC Bahamas), the Depositor's Insurance Fund of Libya (DIF Libya), the Philippine Deposit Insurance Corporation (Philippines), and the Federal Deposit Insurance Corporation (FDIC US) are explicitly specified in legislation. For the National Deposit Insurance Fund of Hungary (NDIF Hungary), the principal PPOs are defined in legislation while the others are set out in internal documents submitted to its board.

The Financial Services Compensation Scheme (FSCS UK) does not have specific stand-alone deposit insurance legislation but is subject to the EU Deposit Guarantee Schemes Directive, and the policy objectives are set in UK legislation for the financial safety-net and regulators (such as depositor, policyholder and consumer protection, and market confidence). The objectives are translated into rules governing the FSCS which are set by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

For the JDIC (Jamaica), while the PPO of protecting depositors is explicitly defined in legislation, the other PPO of contributing to financial stability is implicit, although it is included in all its policy documents. As a member of the financial system safety-net, the JDIC plays an essential role in maintaining financial system confidence and stability.

Figure 5: Disclosure of PPOs



Source: IADI Survey on Public Policy Objectives

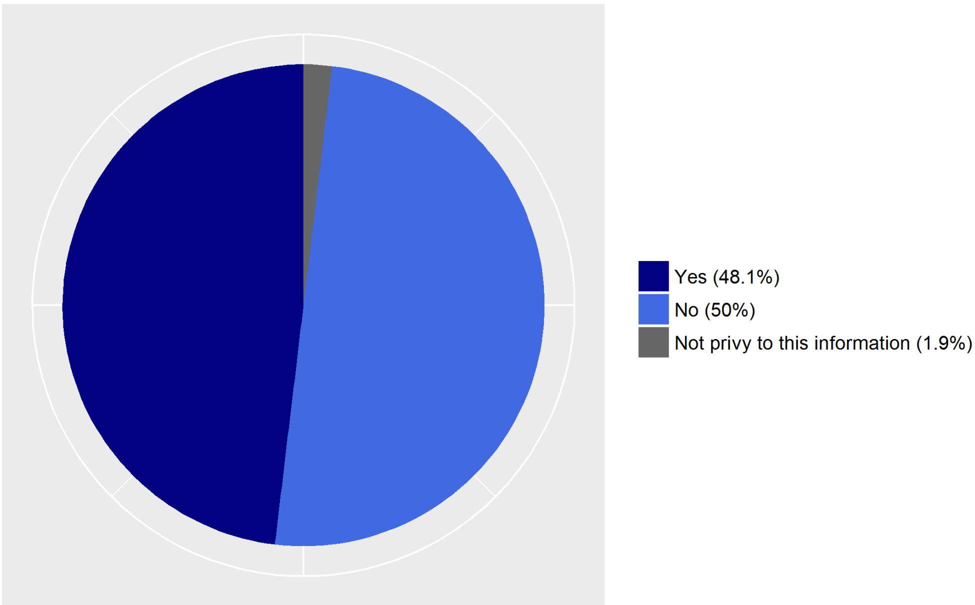
2. Review and Disclosure of Operations against the PPO

Deposit insurers are accountable to a higher authority and other stakeholders on how well they discharge their duties and deliver their mandate. It is considered good practice for a deposit insurer to undertake periodic reviews to assess the fulfilment of its PPOs and mandate. The reviews should be made public and consider the views and experience of key stakeholders, such as financial consumer groups, member institutions, and other financial safety-net agencies. Reporting its progress in delivering the PPOs ensures that the deposit insurer operates in a transparent, responsible and accountable manner. It also allows the public to assess how well a deposit insurer is fulfilling its responsibilities.

The Core Principles prescribe two types of review. The first is an internal review, which can be conducted by the governing body of the deposit insurer or its management. The second type of review is external, to be performed by an independent third party, such as an auditor general, government accountability office or an external auditor. It may also be a statutory review mandated by parliament or other competent authority. In addition to re-examining PPOs themselves, these reviews are aimed at assessing the performance of the deposit insurer in meeting its PPOs.

On the question of whether there is a formal process for a periodic review of the extent to which the deposit insurer is meeting its PPOs, half the respondents stated that they do not carry out such a review.

Figure 6: Is there a formal process for periodic review?



Source: IADI Survey on Public Policy Objectives

Of the 25 deposit insurers which reported that they did conduct a formal periodic review, 14 organisations (incl. Jordan, France, Philippines, Turkey) said that the review was conducted internally, while another 11 respondents (incl. Canada, Japan, Malaysia, Colombia, South Korea, Nigeria, Singapore and the US) conducted both internal and external reviews.

As regards the internal review of mandate and powers, the performance of the Hong Kong Deposit Protection Board (HKDPB Hong Kong) is reviewed annually against the relevant business plan at its board meeting. For the Bank Deposit Guarantee Fund of Romania (FGDB Romania), periodic reports on the attainment of its objectives are issued by members of the Fund's Executive Board. In Kenya, the Kenya Deposit Insurance Corporation (KDIC Kenya) undertakes biannual reviews under the State Corporations Act to establish the extent of its fulfilment of the PPOs.

For its internal review, the Board of the SDIC (Singapore) engaged an independent auditor, while the conduct of an external review is determined by the Monetary Authority of Singapore.

As for the CDIC (Canada), the CDIC board of directors oversees the management and its fulfilment of the CDIC's PPOs. The board gives its opinion on an ongoing basis on matters vital to fulfilling the CDIC's PPOs, including the size and adequacy of its deposit insurance fund, levels of public awareness, and active management of high-risk member institutions. The board also receives reports from the CDIC's chief internal auditor, on the basis of which it may provide recommendations for improvements to internal controls management. Concerning an external review, the CDIC is accountable to the Parliament of Canada through the Minister of Finance. The Minister of Finance tables an annual corporate plan and annual report in Parliament on the CDIC's behalf. Its financial statements are subject to a yearly audit by the Auditor General of Canada. The CDIC is also subject to a special examination of its operations every 10 years, as per the Financial Administration Act. In addition, the deposit insurance system is reviewed indirectly through the legislative review of the Canadian financial sector that takes place every 5 years.

For the Malaysia Deposit Insurance Corporation (PIDM Malaysia), since its mandate is aligned to and flows from the PPOs, an assessment against the mandate would thus be a review of the extent to which its operations meet its PPOs. Moreover, should part of the mandate be found to be no longer consistent with the PPOs or not reflective of or relevant to the PIDM's role in the financial system, the mandate and the PPOs will be reviewed in tandem. The PIDM issues a rolling three-year corporate plan in addition to its annual report. The annual report provides extensive information about the performance of the PIDM against its stated PPOs, corporate initiatives as well as in-depth details of its financial performance during the reporting period. Similar to the CDIC (Canada), the PIDM is accountable to the parliament through the Minister of Finance. The Minister of Finance tables the PIDM's annual report in parliament. Its financial statements and operations are audited by the National Audit Department of Malaysia.

The DICJ (Japan) has two formal review mechanisms.

First, the DICJ has put in place an operation management process. This includes the following:

a) setting medium-term operational goals and conducting operations according to policies drawn up annually on the basis of these goals;
b) evaluating the performance of operations after the end of the fiscal year, and
c) utilising the evaluation results for future operations.

Important matters are reported to the Policy Board of the DICJ (a decision-making body that passes resolutions on important issues regarding the management of the DICJ).

Second, the DICJ also undergoes regular audits conducted by the Board of Audit of Japan.

For the Korea Deposit Insurance Corporation (KDIC Korea), a review of its annual report is carried out in September every year by the Deposit Insurance Committee and its board of directors, to define KDIC's medium to long-term business goals. When developing these goals, there is a process for evaluating past performance, which feeds back into the review of the progress made in achieving the PPOs. Externally, the KDIC is subject to the National Assembly's annual inspection, the government's annual performance evaluation of public institutions, and the biannual audit by the Board of Audit and Inspection of Korea. These external assessments help the KDIC to review the extent to which it is meeting its PPOs.

As regards the FDIC (US), the corporation sets annual goals for each division that correspond to the mission (PPO). Goals are set and reviewed annually and monitored quarterly. Periodic external reviews are conducted by the Government Accountability Office (an arm of the US Congress) and the Office of the Inspector General.

C. PRIMARY PRINCIPLES AND OTHER PPOs

1. Primary Principles

The Core Principles have identified two primary or essential principles of wider financial importance for deposit insurance systems. The first is to protect depositors and the second is to contribute to financial system stability.

The first primary PPO is to provide explicit coverage to depositors and, in essence, provide prompt access to their funds in the event of a bank failure.

Depositors, primarily small and unsophisticated ones, are protected for the following reasons:

a) First, deposit insurance protects individual depositors against losses as a result of the failure of an insured institution. This minimises the likelihood of a bank run; and

b) Second, the provision of deposit insurance relieves the general public of the challenging and complex task of monitoring and assessing the condition of their financial institutions. Low financial literacy, information asymmetry and at times lack of transparency make it difficult for most retail depositors to obtain and gauge the financial condition of these institutions. Protecting most retail depositors in full while leaving a high percentage of sophisticated depositors exposed or uncertain may provide incentives for market discipline, which may help constrain overly risky behaviour of insured institutions.

Many jurisdictions have come to view contributing to financial system stability, the second identified principle, as a key policy objective. This is because public confidence in the stability of a financial system is fundamental to the success of any financial system.

Depending on the mandate and powers of the deposit insurer, there is variation in how the PPO of contributing to financial sector stability is achieved across jurisdictions, as follows:

Table 2: Contribution to Financial Stability

Jurisdiction	Risk assessment	Early intervention powers	Minimises the risks of bank runs	Promotes sound risk management	Provides appropriate level of coverage (sufficient incentives for market discipline)	Resolution powers	Other*
Paybox							
Bosnia and Herzegovina	✓	×	✓	✓	×	×	✓
Czech Republic	✓	×	✓	×	✓	×	×
Honduras	×	×	✓	×	×	×	✓
Hong Kong	×	×	✓	✓	✓	×	×
Hungary	✓	×	✓	✓	✓	×	×
Kyrgyz Republic	×	×	✓	×	✓	×	×
Montenegro	×	×	✓	×	✓	×	×
Singapore	×	×	✓	×	✓	×	×
Switzerland	×	×	✓	×	✓	×	×
Paybox-plus							

Jurisdiction	Risk assess-ment	Early interven-tion powers	Minimises the risks of bank runs	Promotes sound risk manage-ment	Provides appropriate level of coverage (sufficient incentives for market discipline)	Resolu-tion powers	Other*
Albania	✓	×	✓	✓	✓	×	×
Argentina	×	×	✓	✓	✓	×	×
Bahamas	×	×	✓	×	×	×	✓
Brazil[3]	×	×	✓	×	✓	×	✓
Bulgaria	×	×	✓	✓	✓	×	✓
Colombia	✓	×	✓	✓	✓	✓	✓
Greece	×	×	✓	✓	✓	×	×
Jordan[4]	×	×	✓	×	✓	×	×
Kazakhstan	✓	×	✓	✓	✓	×	✓
Libya	✓	✓	✓	✓	✓	×	×
Mongolia	×	×	✓	×	✓	×	×
Nicaragua	×	✓	✓	×	✓	✓	×
Palestine	✓	×	✓	✓	✓	×	×
Peru	×	×	✓	×	×	×	×
Philippines	✓	✓	✓	✓	✓	✓	✓
Romania	×	×	✓	✓	✓	×	✓
Serbia	×	×	✓	×	✓	✓	✓
Slovenia	✓	✓	✓	✓	✓	✓	×
Sweden	×	×	✓	×	×	×	✓
Thailand	×	×	✓	×	✓	×	✓
UK	×	×	✓	×	✓	×	✓
Vietnam	✓	×	✓	×	×	×	×
Loss minimiser							
Canada (i.e. CDIC)	✓	✓	✓	✓	✓	✓	×
Croatia	×	✓	✓	×	×	✓	×
France	✓	✓	✓	✓	✓	✓	×

[3] Since 2017, FGC of Brazil has started conducting risk assessments regularly.

[4] Jordan Deposit Insurance Corporation's mandate was expanded from paybox-plus to loss minimiser following new amendments to JODIC law in 2019.

Jurisdiction	Risk assess-ment	Early interven-tion powers	Minimises the risks of bank runs	Promotes sound risk manage-ment	Provides appropriate level of coverage (sufficient incentives for market discipline)	Resolu-tion powers	Other*
Italy	✓	×	✓	×	×	×	×
Jamaica	✓	✓	✓	×	✓	✓	✓
Japan	×	×	✓	×	✓	✓	✓
Mexico	✓	✓	✓	×	✓	✓	×
Poland	×	×	✓	×	×	✓	×
Russia	✓	×	✓	✓	✓	✓	×
Turkey	✓	×	✓	✓	✓	✓	×
Ukraine	✓	×	✓	×	✓	✓	×
Uruguay	✓	✓	✓	×	✓	✓	×
Risk minimiser							
Chinese Taipei	✓	✓	✓	✓	✓	✓	✓
Germany	✓	✓	✓	✓	×	×	×
Kenya	✓	✓	✓	✓	✓	✓	×
Malaysia	✓	✓	✓	✓	✓	✓	×
Nigeria	✓	✓	✓	✓	✓	✓	×
Norway	✓	✓	✓	✓	×	×	✓
South Korea	✓	×	✓	✓	✓	✓	×
US	✓	✓	✓	✓	✓	✓	×
Zimbabwe	✓	×	✓	✓	✓	✓	×
Total	**29**	**18**	**52**	**27**	**41**	**24**	**17**

Source: IADI Survey on Public Policy Objectives

*Includes providing liquidity assistance and/or financial support operations before liquidation, participating in bank resolution when resolution powers do not reside with the DI, having supervisory powers, and promoting public awareness and financial literacy.

One basic but essential financial stabilisation role for all deposit insurance systems is to minimise the risk of bank runs. All respondents reported that they minimise the incentives for depositors to engage in runs on troubled banks.

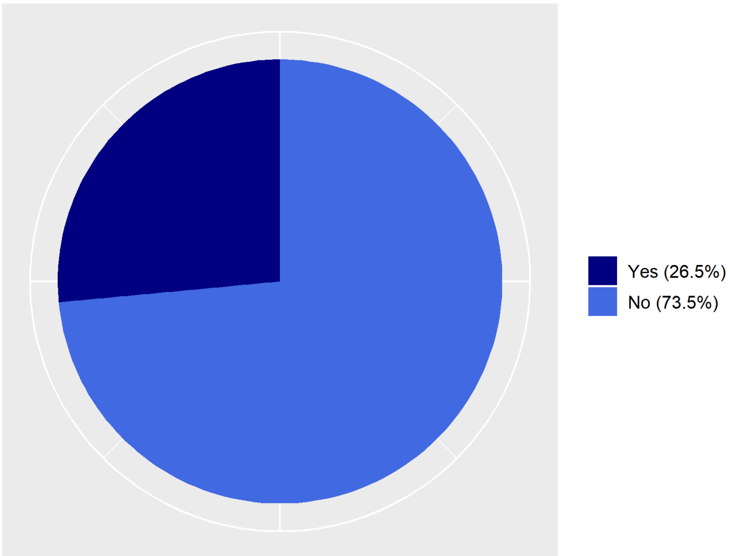
This objective is based on concerns that depositors may lose confidence in an institution under certain circumstances. Once a run begins at one institution, the run may, through contagion, spill over to other banks, regardless of their financial condition – as depositors may find it difficult to differentiate between sound and unsound institutions. As a result, sound institutions may face difficulties when they are compelled to liquidate their asset portfolios, often at depressed prices, to meet withdrawals. By explicitly protecting depositors, deposit insurance reduces the risk of depositor panic spreading through a financial system. The ability to minimise the risk of bank runs will also depend on other factors. They include the level of coverage and awareness, government liquidity backup, operational independence and the will to act, the speed with which insured depositors are reimbursed, and the credibility of the deposit insurance system. The other common financial stability function among deposit insurers is the provision of an appropriate level of coverage and sufficient incentives for market discipline. Interestingly, one-third of payboxes also conduct risk assessment.

For deposit insurers with a broad mandate, apart from minimising the risks of bank runs, they can further contribute to financial stability through risk assessment of banks, early intervention, promoting sound risk management, and carrying out the effective resolution of financial institutions.

It is important to note that deposit insurers cannot by themselves ensure or restore financial system stability, especially when there is a systemic crisis. A deposit insurance system is more effective when it is part of a well-coordinated financial safety-net that includes, among others, supervisory and regulatory arrangements, lender-of-last-resort facilities, and formal resolution regimes supplemented with sound macroeconomic policies and legal frameworks. The laws and regulations governing safety-net objectives must be clear on how each safety-net participant helps achieve the overall objective. Their PPOs, therefore, must not only be aligned but must also complement each other.

On this aspect, 73.5% of respondents noted that there are no gaps or overlaps between the PPOs of the deposit insurer and those of the other safety-net players. However, the remaining 26.5% reported some gaps or overlaps. Out of this 26.5%, the majority indicated that the gaps/overlaps are with the central bank. They usually relate to resolution powers as well as supervisory powers; this may not directly be a PPO issue but may involve an inappropriate distribution of powers and responsibilities within the financial safety-net. Other overlaps included those with the Ministry of Finance, consumer and policyholder protection agencies, and other safety-net agencies.

Figure 7: Overlap between PPOs of deposit insurers and other safety-net players?



Source: IADI Survey on Public Policy Objectives

2. Other PPOs

Apart from the two primary objectives above, some jurisdictions have other PPOs which are essential to their systems, according to their country-specific goals and circumstances. Some examples are:

a) stimulating investment in the domestic banking system (Ukraine);
b) enhancing competition in the financial sector by mitigating some of the competitive barriers in the deposit-taking industry (Zimbabwe);
c) encouraging savings (Jordan and Russia);
d) ensuring regulatory efficiency (Bahamas); and
e) protecting creditors' interests in bank bankruptcy proceedings (Bulgaria).

In most cases, these are subsidiary objectives or by-products of the protection of depositors or the pursuit of financial stability. Whatever the case, all PPOs must be aligned with the two primary PPOs discussed above.

Some hypothetical examples of PPOs which may contradict the two primary PPOs are:

- generating revenue for the central government;
- paying for a government's legacy debt obligations;
- representing the interests of shareholders or other bank creditors;
- guaranteeing that banks would not be allowed to fail; and
- bailing out troubled banks.

All respondents to the survey reported that their PPOs are aligned with the two primary PPOs. Our assessment also concluded that there is no differentiation in PPOs among jurisdictions, regardless of their mandates and income levels.[5] While the BCBS recognises that a "growing number of governments have made financial inclusion a policy priority", promoting financial inclusion does not normally fall explicitly within the mandate of deposit insurers. However, they often do play an implicit role by protecting small and unsophisticated depositors and some have even extended coverage to deposit-like stored value products.

D. INTEGRATION BETWEEN PPOs, DESIGN FEATURES AND POWERS OF DEPOSIT INSURANCE SYSTEMS

Once the PPOs and mandate are established, they must be integrated into the design of the deposit insurance system. This would ensure that the role and functions of a deposit insurance system are consistent with the original intent of policymakers. Hence, deposit insurers should identify and understand all of the relevant PPOs they are trying to achieve and analyse any trade-offs involved, both between the PPOs and against the mandate. For example, if a deposit insurer has the PPO of protecting depositors, then a coverage level that is set too high may induce moral hazard, which in turn may undermine the stability of the financial system (another PPO).

When designing a deposit insurance system, policymakers take into consideration matters such as the scope and limits of coverage, measures to mitigate moral hazard, funding mechanisms, how to raise premiums, the ability to assess risks and control exposure to loss, information-sharing arrangements, public awareness and other necessary operational considerations.

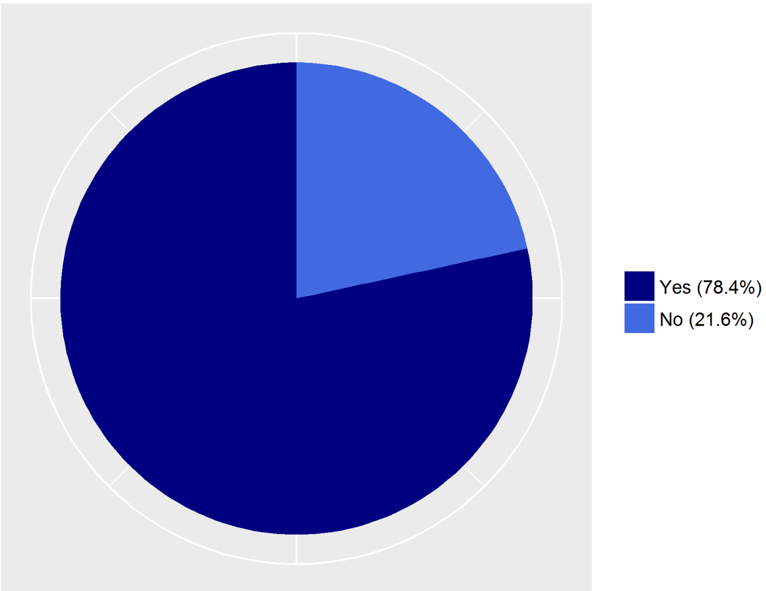
In addition, a deposit insurance system must be structured with all the necessary powers to enable it to fulfil its mandate. Otherwise, key gaps may exist, which could undermine the effectiveness of the deposit insurance system.

[5] In one of our discussions, a question was raised by an observer from Consultative Group to Assist the Poor (CGAP) on whether some low-income countries with a shallow financial sector and a significant unbanked population may have different primary PPOs which can cater to their specific needs, such as promoting inclusive growth or protecting e-money.

Key Gaps

Delivery of the PPOs depends on the mandate of the deposit insurer. It is critical that a deposit insurer be given adequate powers in order to carry out its mandate effectively. For instance, all deposit insurers must have access to depositor information well in advance of a bank failure. Also, a risk minimiser should have the power to carry out some form of examination on its member institutions, the authority to require members to take specific corrective actions, powers to demand information from the supervisor, and the operational independence and powers to resolve troubled institutions. Without such authority, a risk minimiser cannot fulfil its statutory mandate and PPOs. Similarly, if the deposit insurer is the agency within the safety-net charged with resolving failing banks, it cannot be designed as a paybox.

Figure 8: Design features and powers sufficient to fulfil PPOs/mandate

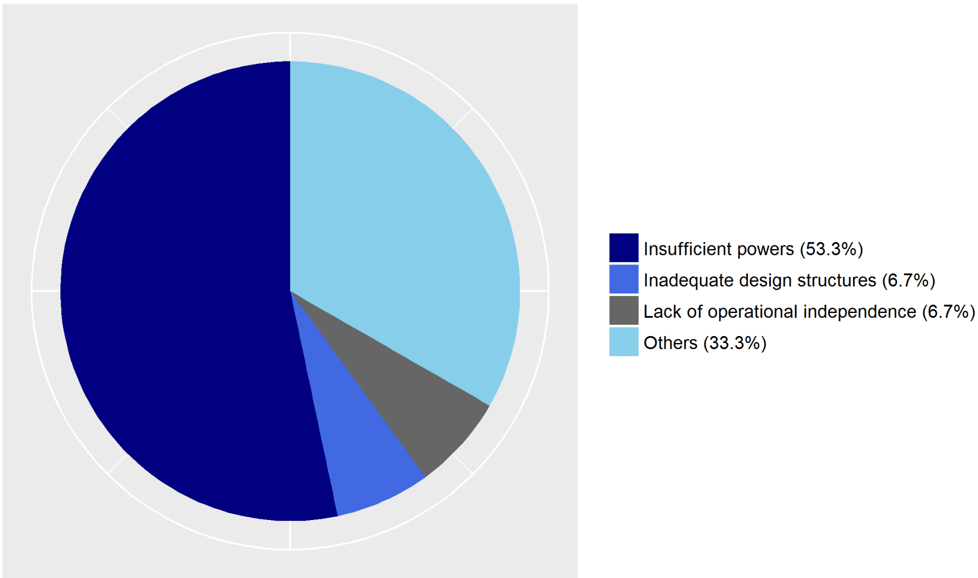


Source: IADI Survey on Public Policy Objectives

On this issue, about 22% of respondents highlighted that the design features and powers of their deposit insurance system are insufficient to fulfil their PPOs/mandates.

The main impediment is insufficient powers (about 53%), which cuts across all mandates. This is followed by the lack of operational independence, and design features which are inadequate (both about 7%).

Figure 9: Impediments to fulfilling PPOs/mandate



Source: IADI Survey on Public Policy Objectives

The most common gap is the inability to access depositor information in advance of a bank failure. This shortcoming may prevent a deposit insurer from reimbursing eligible depositors promptly and is a key obstacle affecting Switzerland (paybox), the Philippines (paybox-plus) and loss minimisers like Russia and Jamaica. Switzerland does not have access to the single customer view data of all banks at any time. In the case of the PDIC (Philippines), it has limited access to deposit records. It can only look into the deposit records of banks and any related information if there is a finding of unsafe and unsound banking practices. Access to deposit records may also be permitted after a bank is placed under PDIC resolution authority due to the failure of prompt corrective action as declared by the Monetary Board because of capital deficiency. Russia's DIA does not have early access to a failing bank's records, premises, databases, etc., while in Jamaica, the JDIC's power to access depositor data before a closure is not expressly stated in the legislation.

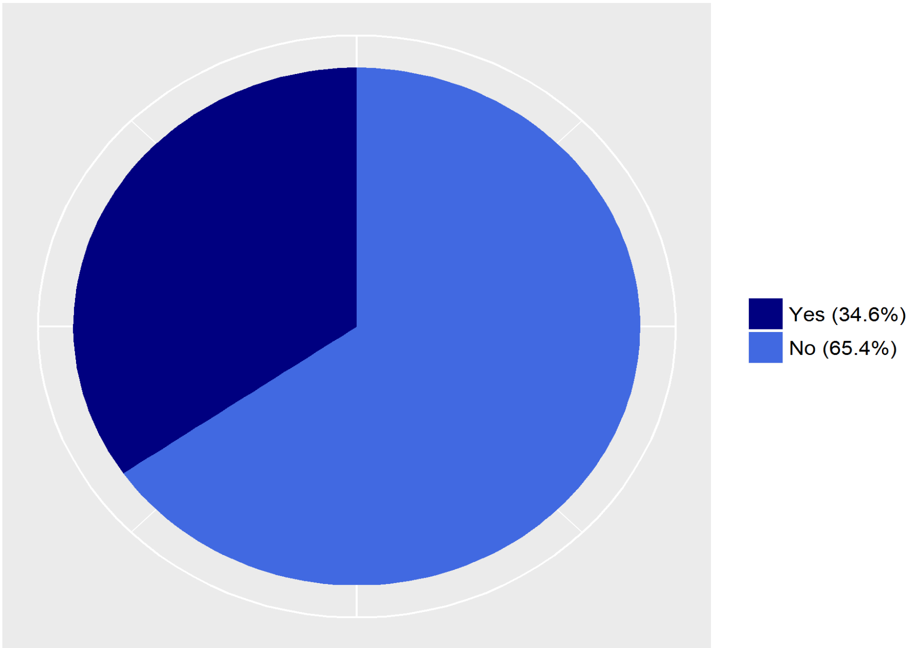
Regarding other gaps, among the deposit insurers with a paybox-plus mandate, Kazakhstan does not have the power to participate in the problem bank's resolution and liquidation processes. Nicaragua's deposit insurer faces budget limitations – the legislation stipulates that ordinary expenses be capped at 6% of the members' annual contributions. This limit hinders human capital accumulation and the acquisition of IT tools which are necessary for executing resolution effectively.

Among the loss minimisers, the DIA (Russia) is not involved in the process of recovery and resolution planning (the Central Bank of Russia has such powers). The DIA also has limited powers when arranging for purchase and assumption transactions (it cannot utilise funds from the Deposit Insurance Fund to cover the difference between the value of transferred assets and liabilities). The Uruguayan deposit insurer does not have sufficient early intervention powers. In Jamaica, the legal framework does not currently provide for the use of some resolution tools such as bail-in and bridge bank. Furthermore, Jamaica's corporate insolvency laws have some gaps that may hinder the effective and timely resolution of troubled financial institutions. A risk minimiser like Zimbabwe does not have the authority to carry out special examinations independently or jointly with the supervisor of banks for information verification.

E. CHANGING THE PPOs

Although unlikely to happen frequently, PPOs may need to be changed over time in response to changes in economic, financial and social circumstances. On this issue, about one-third of respondents indicated that they have changed their PPOs.

Figure 10: Changing the PPOs



Source: IADI Survey on Public Policy Objectives

The BFG (Poland) and KDIC (Kenya) added “contributing to financial stability” to their PPOs when they were designated as resolution authorities in their respective jurisdictions. For the FSCS in the UK, efficiency and effectiveness, and minimising public expenditure in its operations were added as statutory duties.

For the BDIF (Bulgaria), in addition to the 2002 expansion of its mandate to protect creditors’ interests in bank bankruptcy proceedings, the new legislation in 2015 empowered the BDIF to contribute to the efficient restructuring of credit institutions, thus enlarging its PPO to include contributing to financial stability.

The Deposit Guarantee Fund of Ukraine (DGF Ukraine) added the following PPOs in 2012: protecting the rights and legitimate interests of bank depositors; strengthening the public trust in the Ukrainian banking system; stimulating investments in the Ukrainian banking system; and ensuring an efficient procedure for insolvent bank resolution and liquidation of banks.

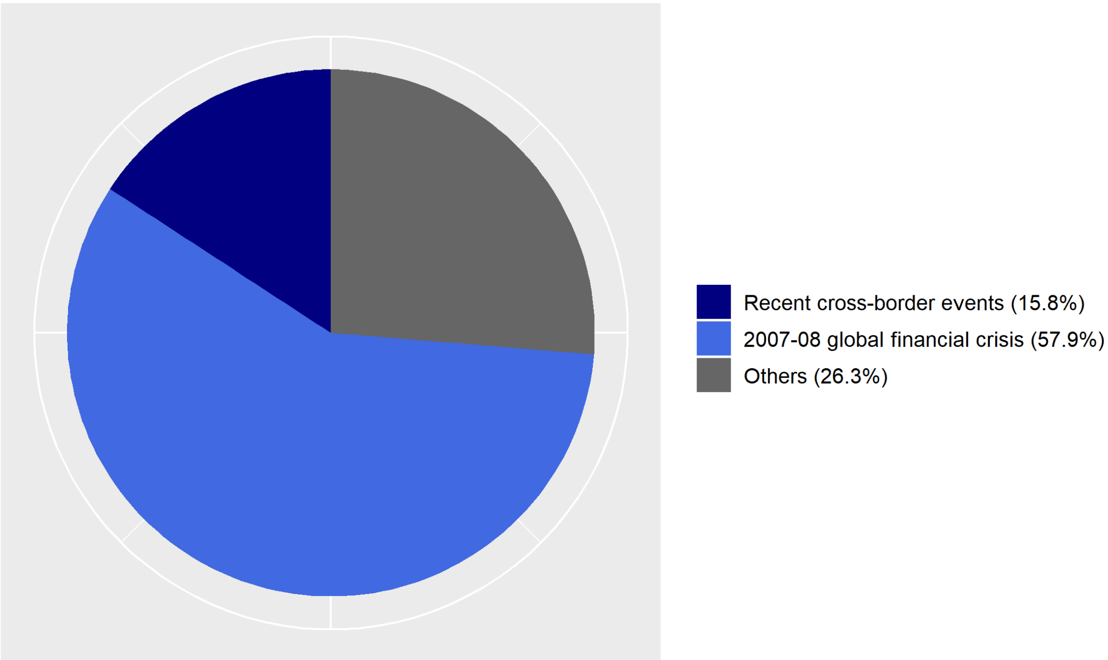
In 2012, the Fundo Garantidor de Creditos of Brazil (FGC Brazil) added: “to contribute to the maintenance of the stability of the national financial system […] and the prevention of a systemic banking crisis” when its mandate was enhanced from paybox to paybox-plus. Whereas others have added PPOs, in 2007 the CDIC (Chinese Taipei) removed the PPO of “encouraging savings”, as it was deemed to be outdated.

For the US, while the main principles of the Federal Deposit Insurance Corporation (FDIC US) have remained as established by the Banking Act of 1933, the agency’s mission has been extended to include the provision of deposit insurance to thrifts (1989). The FDIC’s mission has also broadened to require it to: resolve a systemically important financial institution in a manner that holds accountable the owners and management responsible for the failure of the company while maintaining the stability of the US financial system (2010); and resolve institutions in the least costly manner to the deposit insurance fund (1991).

F. FUTURE PPOs

When asked whether their PPOs have been affected by recent events, slightly more than a quarter of the respondents replied in the affirmative, and nearly 60% stated that the 2007–2008 global financial crisis had affected the relevancy of their PPOs. Despite being at the centre of the global financial crisis, the US reported that the relevancy of its PPOs had not been compromised by the crisis.

Figure 11: Events affecting relevancy of PPOs



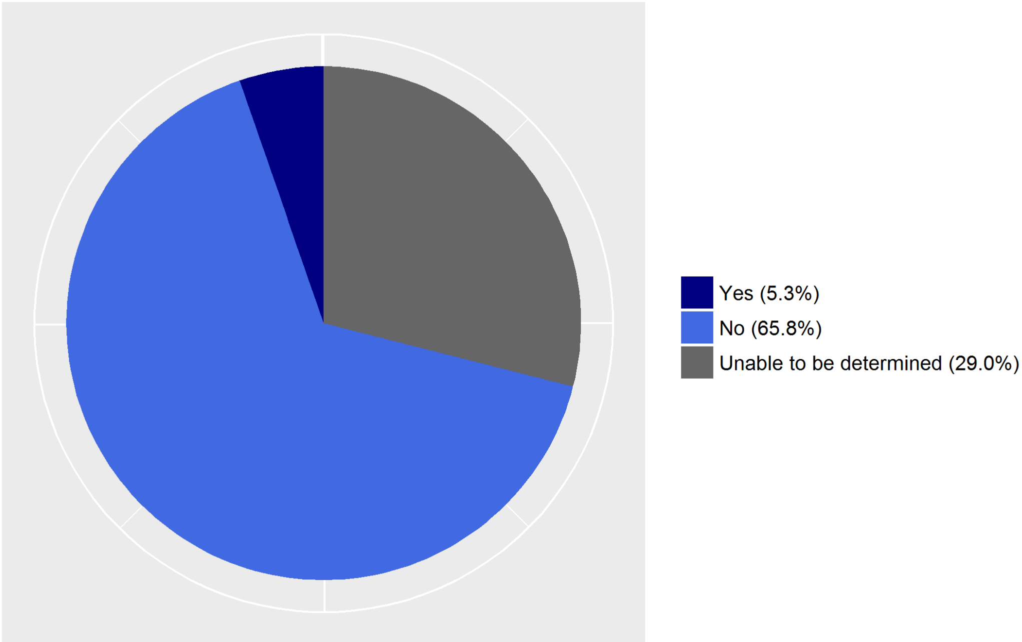
Source: IADI Survey on Public Policy Objectives

Results from the IADI Survey on PPOs showed that PPOs do not change frequently. However, some deposit insurers are considering enhancing mandates or powers.

Some of the enhancements being considered include:

a) the protection of rights and legitimate interests of customers of financial organisations, in addition to banks (DIA Russia); and
b) DICOM (Mongolia) is looking to assume responsibility for the liquidation function, specifically the supervision of the liquidation process, a role that is currently being performed by the central bank, the Bank of Mongolia.

Figure 12: Plans to change PPOs in the near term



Source: IADI Survey on Public Policy Objectives

For Jamaica, enhancing the deposit insurance system's capacity to contribute to financial system stability through the development of a special resolution regime for deposit-taking and non-deposit-taking institutions, in collaboration with the other members of its financial safety-net, is its current focus. Consequently, its PPOs would include:

a) minimising the overall cost of resolution and avoiding undue costs to taxpayers; and
b) protecting depositors, investors and policyholders (customers of insurance companies) to the extent that they are covered under a protection scheme.

VI. CONCLUSION

Specifying the PPOs is critical and fundamental for all types of deposit insurance system as the PPOs provide a frame of reference in setting and ensuring consistency between the mandate and operations of a deposit insurance system. The PPOs must be clear, relevant, stated explicitly, publicly available and attainable. Once in place, PPOs should be reviewed from time to time.

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. The survey has highlighted some key gaps. These 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 complementarity of PPOs across the safety-net. When setting, reviewing or modifying the PPOs, key stakeholders must be consulted.

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4. Financial Stability Forum, Guidance for Developing Effective Deposit Insurance Systems, September 2001.

Annex I - List of Technical Committee Members

	Name	Organization
1	Yvonne Fan (Chairperson)	Central Deposit Insurance Corporation, Chinese Taipei
2	Alex Kuczynski	Financial Services Compensation Scheme, UK
3	Catherine Chou (Coordinator)	Central Deposit Insurance Corporation, Chinese Taipei
4	Jan Nolte	World Bank Group
5	Kevin Chew (Author)	Malaysia Deposit Insurance Corporation, Malaysia
6	Ma. Antonette B. Bolivar	Philippine Deposit Insurance Corporation, Philippines
7	Maria Ester D. Hanopol	Philippine Deposit Insurance Corporation, Philippines
8	Yudai Suzuki	Deposit Insurance Corporation of Japan, Japan

Annex II - List of Public Policy Objectives of Deposit Insurers

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
Deposit Insurance Agency of Bosnia and Herzegovina	a) Protecting depositors b) Contributing to financial stability.		
Deposit Insurance Agency of Serbia	Protection of depositors (only physical persons) in case of bank failure (Deposit Insurance Law, Art. 1, 2005)	**2008** Protection expanded to include entrepreneurs and SMEs. **2010** Safeguard financial system stability. **2015** Scope of coverage broadened to include micro-entities.	a) Protection of insured depositors, i.e. individuals, entrepreneurs, micro-entities and SMEs b) Safeguard financial system stability.
Albanian Deposit Insurance Agency	a) Compensation of the deposits of depositors b) Protecting the interests of depositors c) Contributing to the stability of the banking and financial system.		
Deposit Insurance Agency of the Russian Federation	a) Protecting the rights and legitimate interests of Russian banks' depositors b) Strengthening confidence in the banking system of the Russian Federation c) Encouraging the population to place savings in the banking system of the Russian Federation.		
Bank Guarantee Fund, Poland	a) Operating a mandatory deposit guarantee scheme b) Ensuring financial aid to banks.		a) Contributing to financial stability b) Ensuring financial assistance for credit unions c) Conducting resolution.

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
Slovenian DGS	Guarantees the deposits of a depositor in the event of the unavailability of deposits at a bank, through the repayment of guaranteed deposits or through other measures to preserve depositors' access to guaranteed deposits in the event of the resolution or compulsory winding-up of banks.		
Canada Deposit Insurance Corporation	a) Providing, for the benefit of persons having deposits with member institutions, insurance (herein referred to as "deposit insurance") against the loss of part or all of such deposits, by making payment to such persons to the extent and in the manner authorised by the relevant law b) Providing the deposit insurance required by law for federal institutions, and entering into contracts of deposit insurance with provincial institutions c) Examining the affairs of member institutions to obtain information relative to deposit insurance d) Accumulating, managing and investing a deposit insurance fund and any other funds accumulated as the result of its operations.	Changes to PPOs were made in 1987, 1996, 2005, and 2017.[6]	a) Providing insurance against the loss of part or all of deposits b) Promoting and otherwise contributing to the stability of the financial system in Canada c) Pursuing the objectives set out in paragraphs (a) and (b) for the benefit of persons having deposits with member institutions and in such manner as will minimise the exposure of the CDIC to loss.
Central Deposit Insurance Corporation, Chinese Taipei	a) Protecting the interests of depositors in financial institutions b) Encouraging savings c) Maintaining credit order	**2007** Revised to clarify the objectives.	a) Protecting the rights and interests of depositors in financial institutions

[6] One new objective – *acting as the resolution authority for its members* – was added in 2017.

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
	d) Enhancing sound development of financial businesses		b) Maintaining credit order c) Enhancing sound development of financial businesses
State Agency for Deposit Insurance and Bank Resolution, Croatia	a) Maintaining depositors' trust and protecting their funds from losses b) Contributing to financial stability.		
Deposit Insurance Corporation, the Bahamas	a) Ensuring public confidence in the financial sector b) Ensuring operational readiness and efficiency c) Ensuring regulatory efficiency.		
Jordan Deposit Insurance Corporation (JODIC)	a) Protecting depositors with banks by insuring their bank deposits b) Encouraging savings and strengthening confidence in the banking system c) Contributing to banking and financial stability.		
Deposit Insurance Corporation of Japan (DICJ)	Protecting depositors, etc. by establishing a system for providing insurance for the repayment of deposits, etc. in financial institutions, thereby contributing to the maintenance of an orderly credit system.	**1986** a) Raising the maximum insurance amount to be paid in the event that repayment of deposits, etc. is suspended by financial institutions b) Establishing a system for providing appropriate financial assistance to facilitate mergers	Deposit Insurance Act Chapter 1 General Provisions (Purpose) Article 1 The purpose of this Act is to protect depositors, etc. and ensure settlement of funds pertaining to failed financial institutions, by providing for the payment of deposit insurance proceeds and purchase of

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
		and other resolutions of failed financial institutions. **2000** Concerning the failure resolution of financial institutions, establishing a system of 1) the management of failed financial institutions by financial administrators, 2) the transfer of business of failed financial institutions, and 3) a response to financial crises. **2002** Ensuring settlement of funds pertaining to failed financial institutions. **2013** Establishing a system of measures for orderly resolution of assets and liabilities of financial institutions, etc.	deposits and other claims necessary in the event that repayment of deposits, etc. is suspended by financial institutions, and by establishing a system for providing appropriate financial assistance to facilitate mergers and other resolutions of failed financial institutions, the management of failed financial institutions by financial administrators, the transfer of business of failed financial institutions, and any other measures concerning the failure resolution of financial institutions, measures for the purchase of specified claims that are difficult to collect, measures in response to financial crises, and measures for orderly resolution of assets and liabilities of financial institutions, etc., thereby contributing to the maintenance of an orderly credit system.
Deposit Insurance Corporation of Mongolia (DICoM)	a) Maintaining the stability of the financial sector b) Protecting bank depositors.		
Bulgarian Deposit Insurance Fund	Promoting the stability of and public confidence in the banking system by protecting depositors' funds in banks and repaying depositors under the terms and procedure set out in law.	a) Protecting creditors' interests and overseeing the lawful and appropriate exercise of trustee's powers in bank bankruptcy proceedings (under	The objective of the BDIF is to promote the stability of and trust in the financial system of the Republic of Bulgaria by:

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
		the Law on Bank Bankruptcy) b) Participating in the capital increase of a credit institution placed under conservatorship by the Bulgarian National Bank (BNB) due to the risk of insolvency (under Art. 118 of the Law on Credit Institutions of 2007) c) Under the Law on Recovery and Resolution of Credit Institutions and Investment Firms, a Bank Resolution Fund was established to finance the resolution tools d) The resolution fund is managed by the BDIF Management Board, and its funds are used upon a decision of the BNB, in its capacity as bank resolution authority, to avoid adverse effects on financial stability, and protect public funds and depositors with guaranteed deposits. **28 Dec 2002** Law on Bank Bankruptcy enters into force. a) 1 Jan 2007: Law on Credit Institutions, Art 118	a) Protecting deposits and paying out covered deposits b) Contributing to the efficient restructuring of credit institutions under the Law on Recovery and Resolution of Credit Institutions and Investment Firms c) Providing optimal protection of the interests of creditors in bank bankruptcy proceedings.

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
		b) 14 Aug 2015: Law on Recovery and Resolution of Credit Institutions and Investment Firms.	
Deposit Insurance of Vietnam	a) Protecting the legitimate rights and interest of depositors b) Contributing to maintaining the stability of the system of credit institutions c) Ensuring the safe and sound development of the banking industry.		
Deposit Protection Agency of the Kyrgyz Republic	a) Protecting depositors b) Contributing to financial stability.		
Deposit Protection Agency, Thailand	a) Providing protection for deposits in insured financial institutions b) Managing insured financial institutions under conservatorship according to the Financial Institution Act and liquidating insured financial institutions whose licences have been revoked.		
Deposit Protection Corporation, Zimbabwe	a) Protecting small and less financially sophisticated depositors b) Enhancing financial system stability by: i. minimising the chances for small depositors to cause bank runs, and thereby contributing to an orderly payment system; ii. creating formal mechanisms for participating in the		

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
	resolution of failing/failed deposit-taking institutions; iii. participating in the avoidance and/or resolution of a financial crisis. c) Enhancing competition in the financial sector by mitigating some of the competitive barriers in the deposit-taking industry.		
Deposit Protection Fund Board, Kenya	a) Protecting unsophisticated depositors and enhancing public confidence b) Collecting premiums/levies from member institutions and managing the Fund c) Liquidating and winding up failed member institutions.	**2012** Enhancing financial stability through added powers as a resolution authority.	
The Deposit Protection Fund of German Banks – Association of German Banks	a) Preventing the impairment of public confidence in private banks b) Contributing to financial stability.		
Hong Kong Deposit Protection Board	a) Protecting depositors and helping to maintain the stability of Hong Kong's banking system b) Ensuring that an efficient and effective deposit insurance scheme is in place in accordance with the Deposit Protection Scheme Ordinance and in line with international best practice.	**2016** Aiming to make full compensation payments to depositors within seven days after the occurrence of a bank failure.	a) Protecting depositors and helping to maintain the stability of Hong Kong's banking system b) Ensuring that an efficient and effective deposit insurance scheme is in place in accordance with the Deposit Protection Scheme Ordinance and in line with

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
			international best practice c) Aiming to make full compensation payments to depositors within seven days after the occurrence of a bank failure.
Deposit Guarantee Fund, Ukraine	Provide compensation to depositors.	**2012** a) Protecting the rights and legitimate interests of bank depositors b) Strengthening public trust in the Ukrainian banking system c) Stimulating investment in the Ukrainian banking system d) Ensuring an efficient procedure for insolvent bank resolution and liquidation of banks.	a) Stimulating investment in the Ukrainian banking system b) Ensuring an efficient procedure for insolvent bank resolution and liquidation of banks.
Fundo Garantidor de Créditos – FGC, Brazil	Protecting depositors.	**2012** a) Protecting depositors b) Contributing to the maintenance of stability of the national financial system and preventing a systemic banking crisis.	a) Protecting depositors b) Contributing to the maintenance of stability of the national financial system and preventing a systemic banking crisis.
FGDR – France	a) Depositor protection b) Financial stability.		
Bank Deposit Guarantee Fund, Romania	Guaranteeing individuals' deposits		a) Guaranteeing the deposits b) Contributing to financial stability.

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
Fondo Interbancario di Tutela dei Depositi – Interbank Deposit Protection Fund, Italy	Guaranteeing further protection to deposits of member credit firms.		Guaranteeing deposits of member banks.
Fondo de Garantía de Depósitos de las Instituciones Financieras (FOGADE), Nicaragua	a) Guaranteeing the reimbursement of savings deposits, sight deposits and time deposits of natural persons or legal entities (protecting depositors) b) Contributing to financial stability.		
Fondo de Garantías de Instituciones Financieras, Colombia	**1985** Contributing to the stability of the financial system.	**1989** Managing the deposit insurance system and the protection of depositors.	a) Contributing to the stability of the financial system b) Managing the deposit insurance system and the protection of depositors.
Fondo de Seguro de Depósitos (FOSEDE), Honduras	Protecting small and less financially sophisticated depositors.		
Deposit Insurance Fund, Czech Republic	a) Depositor protection b) Financial market stability.		
FSCS – UK	a) Contributing to financial stability b) Contributing to consumer protection c) Contributing to market confidence.		
Fondo De Seguro De Depósitos – Peru	a) Protecting depositors b) Contributing to financial stability.		
Hellenic Deposit Investment & Guarantee Fund (TEKE) – Greece	Payment of duly verified claims by depositors in respect of unavailable deposits.		a) Paying compensation, through the Deposit Cover Scheme (DCS), to depositors in the event that

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
			deposits in any of the participating credit institutions become unavailable; and financing, through the DCS, the resolution of credit institutions b) Paying compensation, through the Investment Cover Scheme (ICS), to investor clients of any participating credit institutions that are unable to fulfil their obligations to them in respect of claims arising from the provision of covered investment service c) Financing, through the Resolution Scheme (RS), the resolution of credit institutions, in discharge of TEKE's obligations as a resolution fund for credit institutions d) Ensuring the stability of the credit system.

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
Instituto para la Protección al Ahorro Bancario – Mexico	a) Guaranteeing bank deposits, mainly those that belong to small and medium savers b) Contributing to the stability of the financial system.		
Jamaica Deposit Insurance Corporation	a) Protecting depositors is expressly stated in the legislation b) Contributing to financial system stability is implicit.		
Korea Deposit Insurance Corporation	a) Contributing to the protection of depositors by efficiently operating a deposit insurance system, etc. in order to deal with situations in which a financial institution is unable to pay deposits due to its bankruptcy, etc. b) Contributing to the maintenance of financial system stability by efficiently operating a deposit insurance system, etc. in order to deal with situations in which a financial institution is unable to pay deposits due to its bankruptcy, etc.		
Kazakhstan Deposit Insurance Fund (JSC)	Ensuring reimbursement of individuals' deposits placed with second-tier commercial banks.		
Nigeria Deposit Insurance Corporation	a) Protecting depositors by providing an orderly means of reimbursement to depositors in the case of imminent or actual failure of a licensed deposit-taking financial institution b) Contributing to financial system stability by making the incidence of bank runs less likely		

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
	c) Enhancing public confidence by providing a framework for the resolution and orderly exit of failing and failed insured institutions.		
National Deposit Insurance Fund of Hungary	a) Increasing savings, and encouraging the use of non-cash payment methods b) Reducing the adverse effects of potential bank failures c) Increasing depositors' confidence in credit institutions d) Protecting deposits of insured depositors held by credit institutions e) Contributing to the smooth operation of the financial intermediary system through the protection of amounts placed in bank accounts f) Partially equalising uneven competition in the financial sector originating from a dominant economic position.		
Norwegian Banks' Guarantee Fund (NBGF)	a) Protecting depositors with banks by insuring their bank deposits b) Contributing to financial stability.		a) Protecting depositors with banks by insuring their bank deposits b) Contributing to financial stability[7].
Philippine Deposit Insurance Corporation	a) Insuring the deposits of all banks which are entitled to the benefits of insurance		a) Promoting and safeguarding the interests of the

[7] Protecting depositors with banks by insuring their bank deposits and thereby contributing to financial stability has always been the PPOs of the NBGF since it was first established in 1921. However, "contributing to financial stability" has not been explicitly stated in the law until 1.1.2019 but in the preparatory works of the law as at 31 March 2016. The objectives of the NBGF is defined in the Financial Institutions Act (FIA) (Section 19-1 (2)) where the term "financial stability" is explicitly mentioned.

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
	under the Republic Act 3591 of 22 June 1963 (Section 1).		depositing public by providing insurance coverage on all insured deposits and helping to maintain a sound and stable banking system (Section 1, RA 3591, as amended by RA 10846 of 11 June 2016) b) Strengthening the mandatory deposit insurance coverage system to generate, preserve, maintain faith and confidence in the country's banking system, and protect it from illegal schemes and machinations (Section 2, RA 3591, as added by RA 10846 of 11 June 2016).
Malaysia Deposit Insurance Corporation (PIDM)	Protecting depositors and contributing to financial stability.		
Palestine Deposit Insurance Corporation	a) Protecting the rights of its members' depositors, in accordance with the ceiling for compensation established in Article 21 of the relevant law b) Enhancing customers' confidence in the banking system, thereby contributing to financial system stability.		

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
Singapore Deposit Insurance Corporation Ltd	a) Protecting small depositors b) Contributing to financial stability.		
SEDESA – Argentina	a) Covering the risks of bank deposits, in addition to and in a subsidiary and complementary manner to the system of privileges and deposit protection established by the Law on Financial Institutions, without compromising the resources of the Central Bank of Argentina or the National Treasury b) Performing, maintaining or financing swap programmes with foreign banks, for the purpose of contributing to the stability of the financial system, with the previous agreement of the Central Bank of Argentina, and for the account of the DGF.		
Swedish National Debt Office	Consumer protection.		Protecting consumers and contributing to financial stability.
Savings Deposit Insurance Fund (SDIF), Turkey			a) Insuring deposits (including Islamic deposits) in order to protect the rights and interests of depositors and to ensure confidence and stability in financial markets b) Managing distressed banks with the Fund; strengthening and restructuring their financial situation c) Transferring, merging, selling or liquidating such banks

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
			d) Executing and concluding the follow-up and collection transactions for the receivables of the Fund, managing the assets and resources of the Fund and performing other duties assigned by the law.
Federal Deposit Insurance Corporation (FDIC), US	Restoring and maintaining public confidence and stability in the US financial system (Banking Act of 1933, as later consolidated in the Federal Deposit Insurance Act of 1950).	While the PPOs of the FDIC have remained as established by the Banking Act of 1933, as later consolidated in the Federal Deposit Insurance Act of 1950, the FDIC's mission has broadened through subsequent legislative action by the US Congress. These legislative changes include, but are not limited to: (a) Financial Institutions Reform, Recovery and Enforcement Act of 1989: • Providing deposit insurance for thrifts. (b) Federal Deposit Insurance Corporation Improvement Act of 1991: • Mandating that federal banking regulators take prompt corrective action for failing	The core PPOs remain, as described in the prior columns.

Deposit Insurer	Public Policy Objectives when DI was first established	Changes in PPOs	PPOs in place as at 31 March 2016
		financial institutions; • Mandating that the FDIC use the resolution method least costly to the deposit insurance fund to resolve failed financial institutions; • Requiring the FDIC's assessment of risk-based deposit insurance premiums. (c) Dodd-Frank Wall Street Reform and Consumer Protection Act (2010): • Authorising the FDIC to exercise receivership powers with respect to US non-bank financial companies whose failure under the US Bankruptcy Code would have serious adverse effects on financial stability in the US.	