

Highlights:

IADI welcomes Bank of Thailand as an Associate

Member Profile: Autorité des marchés financiers (Québec)

Updates and links to the IADI Regional Conferences being held in Almaty, Kazakhstan and Cartagena, Colombia.



*We wish a Happy
and Prosperous
Lunar Chinese New
Year to all our Asian
colleagues!*

A Warm Welcome to the Bank of Thailand

We are pleased to announce that the **Bank of Thailand** has joined as an **Associate** as of February 2005. Welcome! The representative of the **Bank of Thailand** for IADI matters is Assistant Governor **Swangchit Chaiyawat** and she heads the **FIDF Management and Debt Restructuring Group**. Swangchit Chaiyawat can be reached by telephone at: +662 356 7100; fax: +662 356 7128 and email: swan@bot.or.th The web site for the **Bank of Thailand** is: www.bot.or.th.

The FIDF Management and Debt Restructuring Group is located at:

273 Samsen Road, Bangkhunprom Pranakorn, Bangkok 10200 Thailand

MEMBER PROFILE

AUTORITÉ DES MARCHÉS FINANCIERS (Québec)

A Founding member of IADI



THE AUTORITÉ DES MARCHÉS FINANCIERS (AMF) IS THE REGULATORY AND OVERSIGHT BODY FOR QUÉBEC'S FINANCIAL SECTOR. ITS MISSION INCLUDES PROVIDING ASSISTANCE TO CONSUMERS OF FINANCIAL PRODUCTS AND SERVICES AND ENSURING THE IMPLEMENTATION OF PROGRAMS TO PROTECT AND COMPENSATE CONSUMERS, NOTABLY THROUGH ITS DEPOSIT INSURANCE PROGRAM.

OVERVIEW

In the early 1960s, the failure of some financial institutions coincided with the establishment of a financial institutions review committee mandated to analyze non-banking financial institutions in Québec. In a preliminary report released in March 1967, the committee recommended the creation of a provincial deposit insurance program.

On June 29, 1967, the National Assembly of Québec passed the Deposit Insurance Act and created the Régie de l'assurance-dépôts du Québec (RADQ, the Québec Deposit Insurance Board).

After 36 years of providing deposit protection, the RADQ has been integrated into a single regulatory body known as the Autorité des marchés financiers (AMF).

WHAT IS THE AMF?

Set up on February 1, 2004, the AMF administers the regulatory framework governing Québec's financial sector. To this end, it has combined the operations and personnel of the following five organizations: the *Bureau des services financiers* (Financial Services Bureau), the *Commission des valeurs mobilières du Québec* (Québec Securities



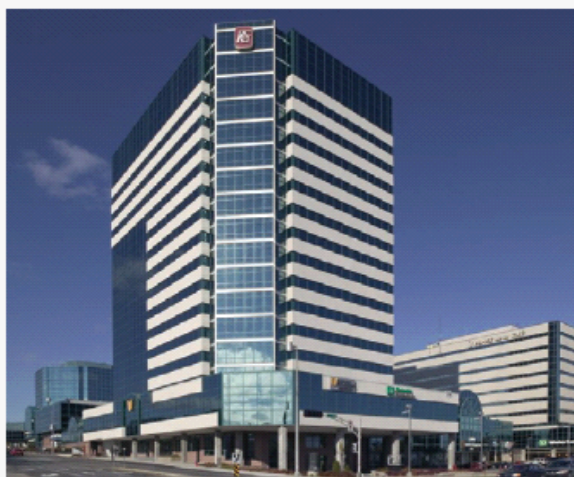
Jean St-Gelais, Chief Executive Officer of the AMF

Commission), the *Fonds d'indemnisation des services financiers* (Financial Services Compensation Fund), the *Inspecteur général des institutions financières* (Inspector General of Financial Institutions, financial institutions sector only), in addition to the RADQ.

The AMF is designed to serve as a single window for consumer information and complaint processing. A team of information officers is available to respond to requests for information from consumers. The AMF is also charged with receiving and handling complaints. Furthermore, it strives to streamline the regulatory framework governing the financial sector and thus simplify the administrative procedures of individuals and businesses operating in the sector.

The AMF has approximately 475 employees at its Québec City and Montréal offices. Its headquarters are located in Québec City.

AMF President and CEO Jean St-Gelais is supported by seven branches, including four superintendencies. One of these, Consumer Assistance and Compensation, assists and compensates consumers of financial products and services and administers the funds of the deposit insurance program, among others. Program accounting, finance, research and management are carried out by five employees.



DEPOSIT INSURANCE PROGRAM

Under the *Deposit Insurance Act*, the functions of the AMF are to govern the soliciting and receiving of deposits of money from the public, guarantee the payment of deposits to the extent and in the manner prescribed under the Act and its regulations, manage the deposit insurance fund and administer the system of permits.

• COMPULSORY REGISTRATION

All institutions other than banks, regardless of where they are constituted, are legally required to be registered with the AMF for the purpose of soliciting and receiving deposits in Québec. Explicit eligibility conditions apply for registration. The following types of institutions are eligible for the deposit insurance program:

- financial services cooperatives;
- trust companies;
- savings companies;
- all other eligible institutions under regulations.

• LIMITED COVERAGE

The AMF guarantees to any person who makes one or more deposits with a registered institution the reimbursement of such deposits, subject to certain conditions, up to \$60,000 (approximately US\$49,900), including principal and accrued interest, per person, per registered institution. This amount represents more than twice the current level of the Gross Domestic Product (GDP) per capita.

In addition to the basis guarantee, certain deposits are protected separately. This is the case with joint deposits, trust deposits and deposits placed in registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs).

Conditions apply in order for these deposits to qualify for the guarantee. For instance, deposits must be made and be payable in Québec, in Canadian currency.

• PRIVATE FUNDING

To fulfill its obligations with respect to guarantees, the AMF administers a deposit insurance fund financed through the premiums paid by registered institutions. At January 31, 2004, accumulated net income in the fund totalled \$285.2 million (approx-

imately US\$237.7 million), representing 0.51% of guaranteed deposits. This is used exclusively for interventions with troubled institutions.

In accordance with the fund's investment policy, these amounts are invested in the Specialized Bonds and Short-Term Investment Portfolios managed by the *Caisse de dépôt et placement du Québec*. In 2003, the fund generated a return of 5.45%, which was 64 basis points above the benchmark portfolio.

• PREMIUMS

On an ex-ante basis, the AMF collects from registered institutions a premium of 1/15 of 1% of guaranteed deposits as of April 30 of each year. Nonetheless, the premium for financial services cooperatives that are members of a security fund can be reduced by one half if the AMF determines that the fund is able to fulfill and carry out its mandate and thereby avoid or reduce disbursements by the AMF.

• EXAMINATION OF AFFAIRS

The AMF examines the affairs of every registered institution. It implements a risk-based supervisory approach that includes on-site examinations and an ongoing off-site process. In accordance with *An Act respecting financial services cooperatives*, the AMF may delegate inspections to an inspection service maintained by a federation of financial services cooperatives.

• INTERVENTIONS

When a registered institution faces difficulties, the AMF is responsible for deposit protection and financial assistance. The AMF has special powers designed to lower risk as well as avoid or reduce possible loss. It can therefore agree to advance funds, acquire the assets of a registered institution, protect registered institutions against losses and make a deposit or guarantee a deposit made with a registered institution. If accumulated net income of the fund is insufficient, the Minister of Finance may decide to advance additional funds up to a maximum of \$700 million (approximately US\$583 million).

Since 1967, the RADQ (now part of the AMF) has intervened in some 30 instances related to the Deposit Insurance Act for a total of \$284.4 million (approximately US\$237 million).

AMF operations generate a significant impact. In addition to a deposit guarantee totalling some \$57.4 billion (approximately US\$47.2 billion) in 2004, which represents 65.7% of total deposits in Québec (other than bank deposits), the AMF contributes to the creation of a sound network of financial institutions in Québec thanks to its supervisory role with respect to more than 600 deposit-taking institutions.

Biographical note on **Normand Côté**, the **AMF** designated representative



Normand Côté

Directeur de l'indemnisation

Direction de l'indemnisation

AUTORITÉ DES MARCHÉS FINANCIERS

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Email : normand.cote@lautorite.qc.ca

Website : www.lautorite.qc.ca

Normand Côté has varied experience in the financial institutions sector, notably in the area of the deposit insurance.

Upon graduating from university in 1978, he joined the Office of the **Auditor General of Quebec (BVG)**, which allowed him to acquire an "in depth knowledge" of the Quebec governmental administration .

Responding to an interest in research, in 1981, Mr. Côté took up the position of "Research and Socio Economic" Planning Officer, in the Research Department at the **Ministry of Financial Institutions, Companies and Cooperatives**.

In 1983, he joined the **Quebec Deposit Insurance Board (QDIB / RADQ)** in order to develop and implement a reimbursement system for deposits.

He became Secretary of the **QDIB/RADQ** in 1989 and Secretary of the Board of directors. He acquired additional responsibility for resource management. In 1996, he was named Assistant Director General of the **QDIB /RADQ**.

In 2004, through the creation of "**[l'Autorité des marchés financiers \(Québec\)](#)**" (the regulatory entity for Québec's financial sector, resulting from the merger of the regulatory bodies of the Québec financial sector) Normand Côté became Director of Indemnification, with responsibility for the totality of operations for all protection and compensation funds, including the Deposit Insurance funds.

Normand Côté holds a Bachelors Degree in Business Administration of the University of Sherbrooke, as well as a Bachelors Degree ès arts of Laval University, with minors in law, political sciences and public administration.

He also took the ÉNAP management program for Public Sector Managers.

Normand Côté has presented on numerous occasions the ENAP module on Governmental Financial Management . He is also a **Member of the Order of Québec Certified Management Accountants** (Order) ([CMA](#)) since 1978.

Mr. Côté is the designated representative for the AMF in the IADI since its inception, and has served on the **IADI Executive Council** since May 2002. Mr. Côté is also a Member of the **IADI Audit Committee**.

What's New in Your World?

Kazakhstan Deposit Insurance Fund



KDIF is the host of a Conference on

“Early Warning Systems as a Key Issue to Bank Solvency and Financial Stability”

**that will take place from 17-20 May 2005
in Almaty**

Mrs Bakhyt Mazhenova, General Director of the KDIF

This conference is sponsored **by Kazakhstan Deposit Insurance Fund, the International Association of Deposit Insurers, the European Bank for Reconstruction and Development and USAID** and it will take place **17-20 of May 2005** at **«The Regent Almaty Hotel»**.(picture)



Objective & Description: The Conference will explore the core principles of Financial Safety Nets by examining issues such as mandates and powers of the participants and their effective management and functioning. A special emphasis is being placed on the deposit insurer as a unique part of a financial safety net and its role in protecting deposit liabilities.

An important issue affecting deposit insurers is banking sector vulnerability which may lead to having to deal with insolvencies or trying to address a systemic banking crisis. Risk management and minimization of the cost of failures is not only a task of the deposit insurer, as the other safety net participants have their respective roles to play. These issues can be resolved through joint efforts of all financial safety net participants through an effective early warning system and through failed bank' liquidation procedures.



Link to [conference program](#)
Link to [registration form](#)
Link to [KDIF website](#)

Participants: Representatives of the **International Association of Deposit Insurers**, deposit insurance organizations from Eastern Europe and Central Asia, the National Bank of Republic of Kazakhstan, the Agency of the Republic of Kazakhstan for financial supervision, foreign central banks, and local commercial banks.

If you wish to attend, please complete the [registration form](#) and send it to:
Akmaral Simagambetova, Leading Specialist, Kazakhstan Deposit Insurance Fund
21, Koktem-3, Almaty, 050090, Republic of Kazakhstan
e-mail: akmaral@kdif.kz Tel: +7 3272 721122, Fax: +7 3272 720551
We look forward to greeting you in Kazakhstan!

DICJ

A team from the **Deposit Insurance Corporation of Japan (DICJ)** headed by **Governor Shunichi Nagata** recently paid some calls on their IADI colleagues in the Asian region. They visited with the **Hong Kong Monetary Authority (HKMA)** and then **Deposit Insurance of Vietnam (DIV)** from 12 - 14 January 2005.

Discussions concerned recent developments in the area of deposit insurance in their respective economies and they deepened the mutual understanding between the participants. They agreed to enhance bilateral relationships and further their efforts to cooperate.



Shunichi Nagata with **Do Khac Hai**,
Chairman of DIV and with



Joseph C.K. Yam,
Chief Executive of HKMA

CDIC (Canada Deposit Insurance Corporation)



JP Sabourin is retiring as President and Chief Executive Officer of the **Canada Deposit Insurance Corporation** on 1 April 2005 and the IADI Community conveys its sincere wishes to JP for a happy and healthy retirement!

There will be a special dinner in his honour in Toronto on 2 March 2005 and Winston Carr will make a special presentation on behalf of IADI at that time.

Monetary Authority of Singapore

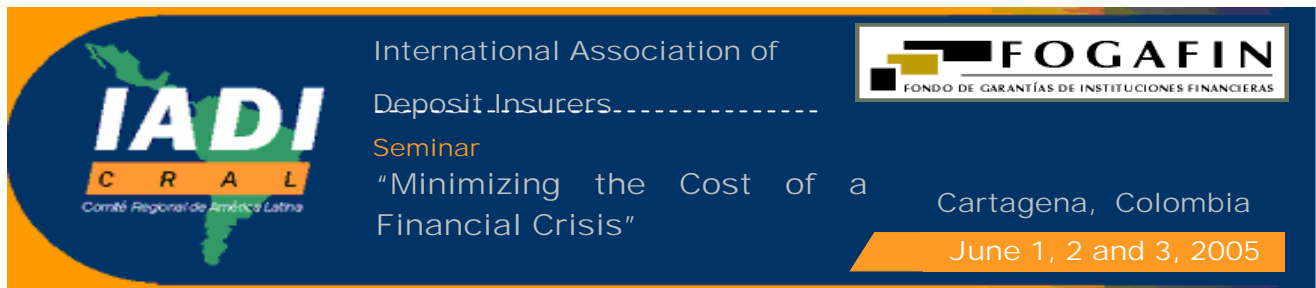
We have been informed that **Low Kwok Mun** is now heading the **Insurance Supervision Department** of the **MAS**, from 1 February 2005, and we wish him every success in his new assignment. **Der Jiun Chia, MAS Director Prudential Policy** is the new representative of the **MAS** and can be reached at: email: djchia@mas.gov.sg tel: +65 6229-9907 and fax: +65 6220-3973.

PDIC

IADI participants wish to congratulate **Rescy Bhagwani, Rose Casiguran** and **Noemi Javier** in their retirement from the **Philippine Deposit Insurance Corporation**. We are looking forward to continued good cooperation with our new **PDIC** colleagues **Cristina Orbeta** (succeeds Ms. Casiguran), **Carmela Villegas** (succeeds Ms Javier) and **Maria Felix** (succeeds Ms Baghwani).

FOGAFIN (Colombia) to host the Second IADI Latin American Regional Committee (CRAL) in Cartagena,

1 – 3 June 2005



International Association of
Deposit Insurers.....
Seminar
"Minimizing the Cost of a
Financial Crisis"
Cartagena, Colombia
June 1, 2 and 3, 2005

The **Fondo de Garantías de Instituciones Financieras** is hosting the second seminar of the **IADI Latin American Regional Committee (CRAL)** on "**Minimizing the Cost of a Financial Crisis**".

The seminar will take place in the **Charleston Santa Teresa Hotel** in the city of **Cartagena on 1, 2 and 3 June 2005**.

To enrich the discussion on the three topics (Financial System Monitoring, Recovery of Non-Performing Assets and Differential Risk Premiums as a Market Discipline) **all the members from the financial system safety net in the region** are invited to attend (**Central Banks, Supervisors and Deposit Insurers**).

Please find here the links to the [preliminary program](#), some [general information for a pleasant stay in Cartagena](#) and the [registration form](#) which is to be sent to the email address tvalencia@fogafin.gov.co or by fax to: (+57-1) 2855019 before March 14th of 2005.

For further information, please contact **Tatiana Valencia** or **Ángela Cañón** by calling (+57-1) 2454038 (Bogotá, Colombia) or visiting their web site www.fogafin.gov.co/seminario for detailed information and news regarding the event.

IADI Guidance on Differential Premiums

There has been tremendous interest in developing differential premium systems among deposit insurer. In response to this demand the Research and Guidance Committee issued a business plan and undertook a major study of the systems that exist in a number of countries. The study was undertaken by a sub-committee under the chairmanship of David Walker of the Canada Deposit Insurance Corporation. [A copy of the guidance paper](#) and a [summary](#) can be viewed on the IADI site under Resources, [Guidance](#).

EFDI



The European Forum of Deposit Insurers (EFDI) wishes to announce that its web site is now available at: <http://www.efdi.net>

PUBLICATIONS:

You may find the following articles of interest:

Bank for International Settlements:

Quantitative Impact Study - Basel Committee on Banking Supervision

<<http://www.bis.org/bcbs/qis/qis4.htm>>

Quantitative Impact Study, National impact studies and field tests in 2004 or 2005, updated 17 February 2005.

This newsletter was issued on 25 February 2005. Want to share your expertise? To submit articles or items for consideration for a future issue please send them to info@iadi.org by 03 March 2005.

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