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# Role of the Core Principles in Financial Stability

**Eva Hüpkes**

**Conference on the Core Principles for Effective  
Deposit Insurance Systems**

**Basel, 23 September 2009**

- Why do we need deposit insurance?
  - Lessons from the past
  - Recent experience
- Key choices in safety net design
  - Components of the safety net
  - What role for the deposit insurer?
- Challenges ahead
  - Exit strategies
  - Effective implementation of the Core Principles

# Why do we need to deposit insurance?

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- Lessons from the past
  - Explicit deposit insurance as a means to preserve public confidence and protect depositors
- Lessons from the present
  - Limitations of existing deposit insurance schemes
  - Heightened need for speed
  - Added cross-border complexities

# Key choices in safety net design



# Challenges ahead

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- Policy challenges
  - How unwind temporary blanket guarantees?
  - How “exit” implicit government support of firms that are regarded “too big to fail”?
- Core Principles call for a a safety net that is “limited” and “credible”
  - Clarity about purpose and powers
  - Limited and credible official support
  - Effective resolution mechanisms

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