

## **IADI policy on the participation of less well-funded organizations in IADI**

### **Background**

At its Seventh Meeting in Paris on August 5-6, 2004, the Executive Council requested the Membership and Communications Committee to consider and make recommendations in the form of IADI policy regarding the participation of less well-funded organizations in IADI, for discussion by the Executive Council in October.

### **MCC discussion on the participation of less well-funded organizations in IADI**

The Membership and Communications Committee (MCC) considered the situation, in which some newly established and/or small DI organizations would like to join the IADI but could not do so because of insufficient financial resources. This issue is of particular importance for some developing countries that need time to accumulate funds in order to be able to pay IADI fees.

The MCC considered also the issue whether financial relief could be provided to such organizations and reviewed a proposal that a new type of Participant – Conditional Member – be introduced in the IADI Statutes in addition to Members, Associates and Observers. Small and less well-funded deposit insurance organizations, which have clearly declared their willingness to join the IADI but cannot afford to pay the membership fees would be treated as Conditional Member for one year with one-year exemption of fees. A DIS could become a IADI Conditional Member only after formally applying and undertaking a written commitment that within one year it will perform all IADI required procedures. After the expiry date it should apply for full Member. A Conditional Member may have the right to participate in IADI Annual General Meeting and Regional Committees meetings, conferences and seminars, gain access to IADI materials and consultations, but will not have the right to vote, cannot hold office in the Association and will not have access to IADI funds.

Although the MCC agrees that IADI assistance and expertise are important for newly established and/or small DI organizations in developing countries, the most of the MCC Members are not supportive of providing financial relief to them. The arguments presented include:

- according to the IADI Statutes participation in the Association is bound with financial obligations, and each Member shall respect the fees requirements;
- IADI Statutes provide for Members to have equal rights and each Member to have one vote;

- providing financial relief to less well-funded DI organizations may create equity problems not only regarding new members but also with regard to current ones which also may request such a treatment;
- if a DI organization cannot afford to pay membership fees, it would be difficult for it to cover the costs of attending IADI conferences, seminars and regional meetings.

The proposal for two-year exemption of only the initial fund contribution (such organizations to pay the annual fees but to be invoiced for their initial contribution two years after joining the Association) limits some of the concerns mentioned above, but still does not provide for equitable and fair treatment of new members and current ones.

The MCC believes that IADI must remain a group of members with equal rights and obligations and equitable and fair treatment shall be applied towards all IADI Participants. Thus, less well-funded DI organizations may wish to look for financial support provided by donor financial institutions. Another practical solution may be that the promoting body for the establishment of the DIS, in most cases the Central Bank, to become an IADI Associate and later the participation of the mother body to be transferred to the deposit insurance organization. Good example in this respect is the Hong Kong case and also Malaysia and Singapore.

## **Policy**

In order for equitable and fair treatment of new and current IADI Participants to be ensured the MCC would like to propose to the Executive Council that no financial relief be granted in any form for the payment of the fees and capital contributions due by less well-funded organizations which would like to join. The MCC opinion is that IADI should continue to apply its existing policy and procedures regarding participation in the Association.

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