



## Public Awareness of Deposit Insurance System

### Introduction

As part of its Mission, IADI undertakes research on relevant deposit insurance issues and provides guidance to improve the effectiveness of deposit insurance systems. This Research Letter highlights suggested IADI Guidance articulated in the discussion paper on “Public Awareness of Deposit Insurance Systems” which was recently released for public consultation at the Sixth IADI Annual Conference on 31 October 2007.<sup>1</sup>

The discussion paper examines public awareness issues for deposit insurance practitioners and, where appropriate, suggests guidance in the form of Core Principles and Effective Practices for deposit insurers in planning and undertaking public awareness activities.<sup>2</sup>

### Why public awareness and consumer protection is important?

In order for a deposit insurance system to achieve its public policy objectives effectively, it is essential that the public be regularly informed about the benefits, and limitations, of depositor protection arrangements. A successful public awareness program can promote and facilitate an understanding of the deposit insurance system and its main features and it can convey accurate messages and build credibility with depositors. Otherwise, a lack of confidence and understanding on these systems can amplify the likelihood that depositors will withdraw their funds when problems develop in a bank.

Financial system stability is a key component of a healthy economy and contributes directly to economic growth and development. An effective deposit insurance system is one of the pillars supporting a sound financial system and it reinforces public confidence. Public awareness about deposit insurance – its existence and how it works – plays a significant role in underpinning a sound deposit insurance system.

### What are the main topics and suggested guidance in the discussion paper?

Based on the experiences of IADI members, associates and observers, the draft guidance paper explores the objectives of a public awareness program for deposit insurance systems. The paper considers the design features of a comprehensive public awareness program. The design features strive to address questions such as:

- What information should be conveyed to target audiences?
- Which communication tools are the most effective and practical?
- What specific scenarios (such as failures of member institution) must be considered while planning public awareness activities?

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<sup>1</sup> The Sixth IADI Annual Conference was hosted by the Malaysia Deposit Insurance Corporation in Kuala Lumpur.

<sup>2</sup> IADI Guidance is information, advice, counsel or instructions which are widely accepted as being sound and prudent. Forms of guidance include fundamental or “core” principles as well as more specific guidance in the form of good or effective practices.

- How should branding take place?

The paper also examines other matters, including the role that should be played by the deposit insurer with regard to consumer protection and its responsibility to promote public awareness.

The following points summarize the Core Principles and Effective Practices that are reflective of, and adaptable to, a broad range of circumstances and settings.

- Public awareness about deposit insurance is crucial. All deposit insurers should promote public awareness about the deposit insurance system on an ongoing basis. (Core Principle)
- The major objectives of a public awareness program are for the deposit insurers to accomplish their public policy objectives and enhance the effectiveness of a deposit insurance system through public education to promote the stability of the financial system. (Core Principle)
- The objectives of the public awareness programs should be clearly set out and consistent with the public policy objectives and mandate of a deposit insurer. (Core Principle)
- Deposit insurers should build credibility with depositors and stakeholders. (Core Principle)
- It is an effective practice for a deposit insurer to clearly set the principal target audience groups and sub-groups.
- It is an effective practice for a deposit insurer to integrate information that may affect depositors' savings in a public awareness program.
- It is an effective practice for a deposit insurer to employ a wide variety of tools and channels of communication, wherever possible, to ensure that the messages are conveyed to the target audience.<sup>3</sup>
- It is an effective practice for a deposit insurer to make budget allocations to build/maintain the desired level of public awareness knowledge on deposit insurance among the target audience.
- It is an effective practice for a deposit insurer to consider external professional public relations and branding expertise to maximize the effectiveness of the public awareness program and to supplement the internal expertise of the deposit insurer.
- It is an effective practice for a deposit insurer to conduct a regular, independent evaluation of awareness levels.
- Where a country is transitioning from a blanket guarantee to a limited coverage deposit insurance system, public awareness activities should begin as early as possible. (Core Principle)
- It is an effective practice for a deposit insurer to develop a public awareness program for crises management in advance to address potential crises.

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<sup>3</sup> Publishing pamphlets or booklets for making the public aware of the terms and conditions of deposit insurance coverage can be useful tools in fulfilling the objectives of public awareness program. See Garcia, Gillian G., 2000, "Deposit Insurance: Actual and Good Practices", IMF Occasional Paper No.197.



- It is an effective practice to require member institutions by law to promote information about deposit insurance.
- It is an effective practice for a deposit insurer to develop strategic partnerships of public awareness programs with other safety net players, to ensure consistency in the information provided and maximize the synergies.

### **Where to get further information on the Public Awareness Paper?**

The latest version of this discussion paper can be accessed in the following linked IADI website: [Discussion Paper – Public Awareness of Deposit Insurance System](#).

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