



Information Sharing Among Financial Safety Net (FSN) Players: Turkish Case

**The 1st IADI Interregional Conference
(Europe, Eurasia, MENA)
Istanbul/Turkey, June 26-27, 2007**

**Rıdvan ÇABUKEL, PhD, FRM
Acting Vice President**



Savings Deposit Insurance Fund (SDIF)



Presentation Overview

1. Deposit Insurance System in Turkey
2. Structure of FSN
3. Information Sharing with BRSA
4. Conclusion



1. Deposit Insurance System in Turkey



Information Sharing in General

- Information sharing is one of the vital areas in the relationship between the deposit insurer and other safety net players.
- The information need of deposit insurers varies significantly depending on institutional mandate and powers.

Pay-box System

- Basic information needs:
- to calculate premiums
 - to pay off depositors



Risk Minimizer

- Greater information needs:
- to minimize potential losses
 - to reduce risk exposure for all depositors



Roles and Responsibilities: SDIF

	Risk Minimizer	More than Paybox	Paybox
Reimbursing insured depositors	✓	✓	✓
Calculating and raising premiums	✓	✓	✓
Risk assessment	✓	✓	
Imposing differential (risk-adjusted) premiums	✓	✓	
Risk monitoring	✓	✓	
Role in handling bank failures	✓	✓	
Off-site examinations	✓		
On-site inspection	✓		
Intervention in the affairs of its member banks	✓		

Source: *Proposed Research Plan for: Developing General Guidance for Effective Deposit Insurance Mandate, IADI, 17 April 2006*

SDIF



Mandates

	Risk Minimizer	More than Paybox	Paybox
Powers	Proactive	Mainly reactive, some proactive features	Reactive
Interaction during life cycle of banks	Beginning, Midlife, Troubled	Approaching failure	Failure
Effectiveness and Cost Minimization	High	Low-Medium	Low
Inter-Relationship Issues	Requires well-defined roles, responsibilities, coordination information sharing & coordination	Requires well-defined roles, responsibilities, information sharing & coordination	Mainly Information Sharing

Source: Interrelationships and its Role in Promoting Effective Deposit Insurance Systems, J.R. LaBrosse, Secretary General IADI, Presentation to the APEC Policy Dialogue on Deposit Insurance, 17 April 2004





Basic Parameters of SDIF

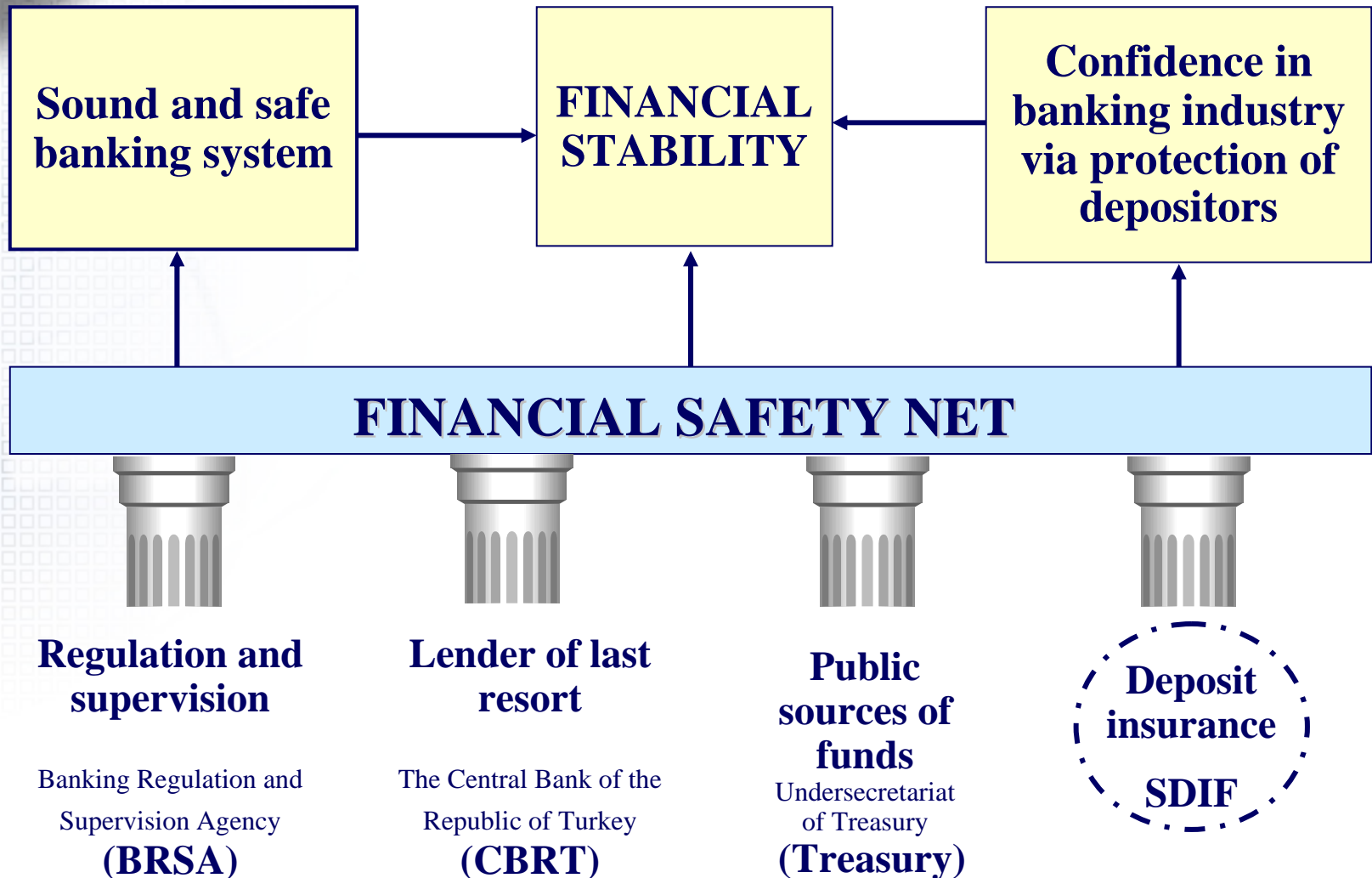
Management	Autonomous legal entity (SDIF)
Membership	Compulsory – For all banks that accept deposits / participation funds in Turkey
Premium system	Risk -based
Premium collection	Ex-ante
Type of insured deposit	Savings deposits and real person participation funds – YTL, FX and gold
Insurance limit	50.000 YTL (Approximately 37,650 USD)
Number of member banks	37



2. Structure of FSN



FSN Players





Provisions in Banking Law

- Cooperation Among Institutions (Articles 63, 98, 122)
- Coordination Committee (Article 100)
- Systemic Risk (Article 72)
- Financial Sector Commission (Article 99)



Cooperation Among Institutions

- **BRSA, SDIF, CBRT;**

Share the information they have in their databases and they have agreed upon to share, under the protection of secrecy. (Article 98)

- **BRSA, SDIF, CBRT, Treasury, State Planning Organization;**

Exchange views regarding the implementation of monetary, credit and banking policies. (Article 98)

- **SDIF** may ask **BRSA** to provide the information and documents needed in order to supervise whether the insurance premiums are paid within the framework of the principles set. (Article 122)

- **SDIF Board;**

- Set the coverage and amount of the savings deposits under insurance upon the approval of the **CBRT, BRSA Board and Treasury;**

- Design risk based premium system upon consulting **BRSA Board.** (Article 63)



Coordination Committee

- Established to ensure information sharing between BRSA and SDIF concerning;
 - general condition of the banking system,
 - measures to be taken with respect to the Prompt Corrective Action (PCA) of the bank supervisor
 - factors to be used in calculating risk-based insurance premiums,
 - basic parameters related to total & insured deposits in banking sector.

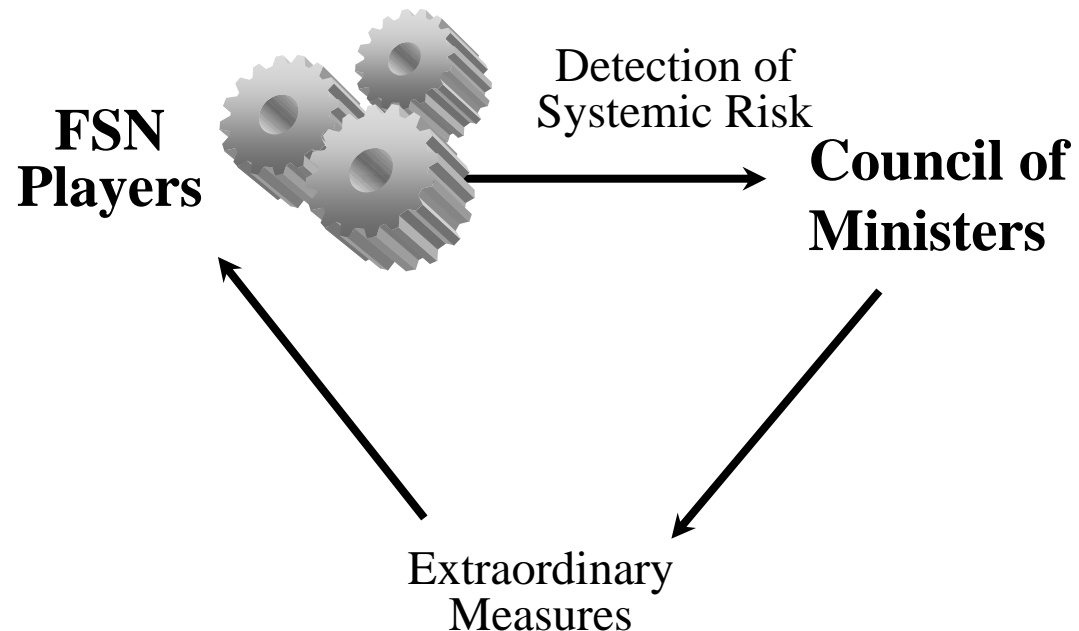
- Consists of the Presidents and Vice Presidents.

- Meets at least quarterly.



Systemic Risk

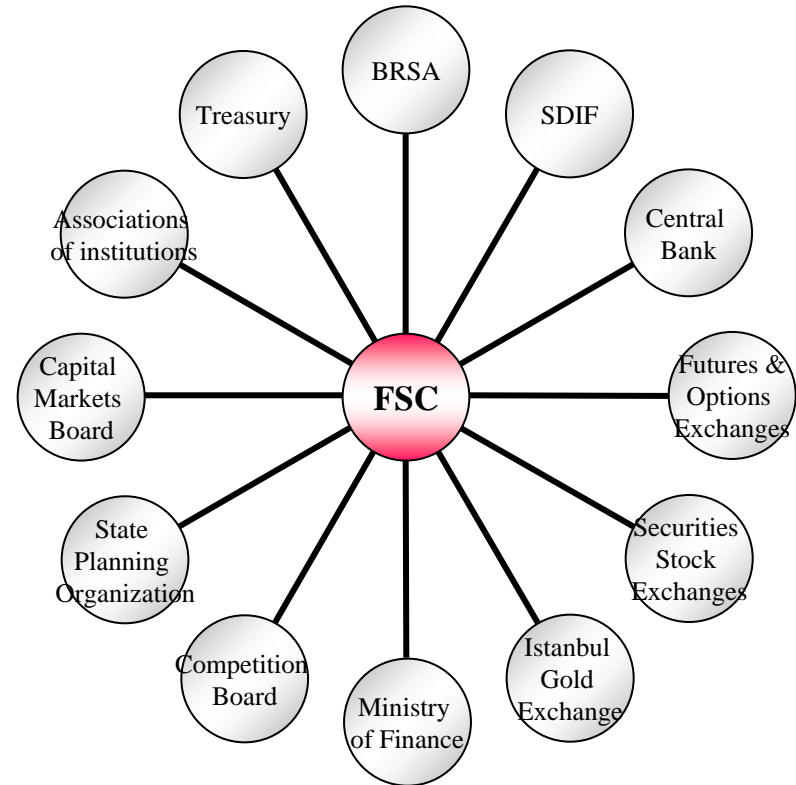
- Systemic risk is detected jointly by SDIF, BRSA, Treasury and the Central Bank under the coordination of BRSA.
- The Council of Ministers determines the extraordinary measures to be taken.
- All relevant institutions are responsible for the prompt implementation of such measures.





Financial Sector Commission

- ✓ Established under the body of BRSA.
- ✓ Responsible for:
 - information exchange,
 - cooperation and coordination among institutions,
 - proposing joint policies and expressing views
- ✓ Convenes biannually.





3. Information Sharing with BRSA



SDIF: Duties and Powers

1. Setting deposit insurance policies (Article 63)
2. Insuring deposits to protect the rights and interests of depositors
3. Resolving banks handed over to SDIF efficiently.
4. Executing and concluding the follow-up and collection transactions of the receivables of SDIF
5. Managing the Fund's assets and resources

Article 117



Why SDIF Needs Information

Deposit Insurance

- To design effective deposit insurance policies
- To form and apply risk based insurance system
- To determine the risk exposure as deposit insurer
- To calculate the reserve amount
- To ensure verification of insurance premium collection
- To provide collection and follow-up of SDIF incomes regularly

Resolution

- To determine banks that may be subject to resolution process through risk monitoring of the banks and the sector as a whole.
- To become prepared for resolution process in order to ensure cost efficiency
- To resolve banks with least cost within least time



What kind of Information to be shared?

1. General assessment of the supervisory authority
2. Call Reports of the bank
3. Risk assessment of the supervisor of the bank
4. PCA to be applied to the bank
5. Detailed information of the bank's assets for valuation



Conclusions

- ✓ A Protocol was signed between SDIF and BRSA on sharing information.
- ✓ Endeavors are made to sign a “Strategic Alliance Agreement” to increase information sharing between BRSA and SDIF.
- ✓ SDIF is about to change “crises management” which has been conducted to resolve failed banks in 2001 crisis to “process management”.
- ✓ In a short period, SDIF will focus on its main function of risk-based deposit insurance proactively.



Thank you for your attention...