



## Content

- A report of the 2nd IADI research conference – a highly successful event, held at the Bank for International Settlements in Basel in April. A record number of delegates attended from across the globe.
- IADI's strong collaboration with the work of the FSB – ongoing work as part of the Basel Process.
- Capacity building – the Polish Bank Guarantee Fund reports on its capacity building activities. Is there more that you can offer to fellow members?
- Introduction to the committees – it is the turn of the Finance and Planning Committee and the European Regional Committee to say what they do.

## News

### REMINDER... DIO AWARDS!!

The London meetings approved the new format and process for the DIO awards. Members will self-nominate for awards in three categories:

1. Banking resolutions and payouts,
2. Core principles and international participation,
3. Deposit insurance system improvements.

In addition, there is an overall DIO of the Year Award, and an “honourable mention” to the host and organiser of the AGM.

Start thinking about your nominations! The Secretariat will send details shortly.



## International Association of Deposit Insurers Hosts 2<sup>nd</sup> Research Conference



# International Association of Deposit Insurers Hosts 2nd Research Conference

## ***“Evolution of the Deposit Insurance Framework: Design Features and Resolution Regimes”***

The International Association of Deposit Insurers (IADI) hosted the 2nd Bi-annual Research Conference on 9-10 April 2013 at the Bank for International Settlements. The conference provided an opportunity for a global discussion of current research and public policy on deposit insurance and resolution regimes. The conference explored two themes: new design features of a deposit insurance scheme and the emerging consensus and common challenges facing deposit insurers, bank supervisors and resolution regime authorities.

Jerzy Pruski, President of IADI and Chair of the Executive Council and President of the Management Board, Bank Guarantee Fund, Poland, welcomed the participants to the conference. “Recent financial turmoil continues to highlight the role that effective deposit insurance schemes play in maintaining public confidence in financial institutions and promoting financial stability. IADI is committed



to protecting the stability of financial systems by promoting international cooperation in the field of deposit insurance, and to providing guidance and research for the deposit schemes. Hosting a Research Conference is a key outreach initiative of the Association to advance these principles and standards.” Furthermore, Mr. Pruski noted the strength in particular which makes IADI’s research framework exceptional, and that is “the prominent, yet balanced voice of its 67 members representing a variety of economic circumstances and sometimes diverse approaches.”

The speakers represented the deposit insurance industry, thought-leaders on deposit insurance in academia and international financial institutions. Key speakers in addition to Jerzy Pruski included Thomas Hoenig, Vice Chairman, Federal Deposit Insurance Corporation, USA; Wayne Byres,

Secretary General, Basel Committee on Banking Supervision, Switzerland; J.P. Sabourin, Chief Executive Officer, Malaysia Deposit Insurance Corporation; and Francesca Campolongo, Head of Scientific Support to Financial Analysis Unit, Institute for the Protection and Security of the Citizen, European Commission Joint Research Centre, Italy.

The structure of the conference featured recent papers published by IADI, research in-process and academic papers of the IADI Advisory Panel Members. Of particular note were the discussions on the IADI guidance reflecting updates to previous guidance on traditional roles of the deposit insurance for addressing effective depositor reimbursement, public awareness and deposit insurance coverage.

The presentations also included new research addressing the concepts of “Moral Hazard and Deposit Insurance”, “Funding Deposit Insurance Schemes”, and “Addressing Multiple Schemes Within one Country or Jurisdiction”. The challenges associated with the deposit insurer contributing to the resolution of a failing bank and the importance of effective supervision was also presented at the conference. Over 180 participants, representing 60 jurisdictions world-wide attended the conference.

The Conference Papers and presentations are available at [www.iadi.org](http://www.iadi.org).



# IADI's On-going Work as Part of the Basel Process - with Strong Collaboration with the Financial Stability Board

IADI's formation over ten years ago was a culmination of extensive efforts of individuals and working groups from around the world. This international collaborative effort was led by the Financial Stability Forum (the predecessor group to the Financial Stability Board – the FSB). (The FSB was established to coordinate at an international level the work of national financial authorities and international standard setting bodies and to develop and provide the implementation of effective regulatory supervisory and other financial sector policies in the interest of financial stability).

Since its founding, IADI has widened its objectives to become the global deposit insurance standard setter and the global deposit insurance voice with regards to matters of financial stability, and has thus become a key element of the “Basel Process”. This process is based in part on several features, including the physical proximity of the independent financial stability committees such as the Basel Committee on Banking Supervision (BCBS), IADI, the FSB and others who are hosted by the BIS and provide for the enhanced synergies that occur through their multiple collaborative efforts.

IADI's close work with the FSB was expanded as a result of the issuance of the [FSB's Peer Review Report on Deposit Insurance Systems](#) in February 2012. This review made use of the BCBS and IADI Core Principles to benchmark and take stock of deposit insurance schemes (DIS) in FSB member jurisdictions – and to draw lessons about the effectiveness of reforms implemented by DIS in response to the crisis.

The FSB's report found that DIS were broadly compliant with the Core Principles. Still, some areas of divergences and inconsistencies were noted. Areas where the Core Principles could benefit from more precise guidance were identified to achieve effective compliance, or to better reflect leading practices.

In response to the FSB's report, as well as a result of IADI system assessments and on-going developments in financial sector regulation, IADI, through its Research and Guidance Committee along with on-going work by a newly formed Steering Committee is in process of reviewing the Core Principles to identify where more precise guidance may be needed to achieve effective compliance, or to better reflect leading practices.

The FSB also has a major initiative underway at the request of the G-20 to produce financial regulatory reforms with priority areas including improvements of resolution regimes and the associated work to end “Too Big to Fail”. With a majority of IADI Members having a significant role in their jurisdictions' resolution regimes, IADI was chosen to collaborate on the FSB work in this realm.

As reported in the FSB Thematic Review of DI: “All reporting jurisdictions indicate that their financial safety nets provide a framework for the early detection, timely intervention and resolution of troubled banks. The role of the DIS in the failure framework varies, primarily as a function for the specific mandate of the insurer and other safety net participants: The report also found “The expansion of [DI] mandates will likely continue in the future as a result of the increased attention being given at the international level to develop effective resolution regimes”.

Corresponding to the heightened importance of effective resolution regimes in the financial safety-net, the FSB in November 2011 issued the [Key Attributes of Effective Resolution Regimes for Financial Institutions](#) (Key Attributes) as part of policy measures to address the moral hazard risks posed by systemically important financial institutions.

These Key Attributes set out the core elements of effective resolution regimes that apply to any

financial institution that could be systemically significant if it fails. IADI serves as a member of the FSB's Resolution Steering Group and the Cross Border Crisis Management Group and is assisting in efforts to help develop the workable methodology for the key attributes, as well as helping to prepare accompanying guidance in several important areas.

In August 2012, the FSB launched a [Peer Review on Resolution Regimes](#) and used the Key Attributes of Effective Resolution Regimes for Financial Institutions (Key Attributes) as a benchmark. The work culminated in the FSB's publication in April 2013 of the Peer Review on Resolution Regimes.

This report was written by a team of experts in resolution under the chairmanship of Martin J. Gruenberg, Chairman of the US Federal Deposit Insurance Corporation.

The report found that, while existing resolution regimes exhibit a broad range of practices, they all contain a number of features that are broadly consistent with the Key Attributes. For example, all FSB jurisdictions are able to use some resolution powers in relation to banks, while most jurisdictions accompany those powers with safeguards such as respect for the hierarchy of claims and a right for creditors to judicial review of resolution actions.

The report also found, however, that further reforms are necessary to fully align resolution regimes to the Key Attributes.

In some jurisdictions, for example, resolution authorities lack important resolution powers such as the ability to impose losses on shareholders, the authority to establish a bridge bank, or to impose a temporary stay on the exercise of financial contracts. In terms of the scope of the regime, most jurisdictions lack powers to take control of the parent or affiliates of a failed financial institution, and do not have the authorities and powers to resolve non-bank institutions that could be systemic upon failure, such as financial market infrastructures. Few jurisdictions have

statutory provisions for domestic authorities to share confidential information for resolution purposes with foreign authorities. Finally, many jurisdictions lack a statutory authority to require resolution planning requirement, or the power to require firms to make changes to their organizational and financial structures in order to improve their resolvability.

The peer review report recommends the development of a rigorous monitoring framework to ensure comprehensive reporting of progress by FSB jurisdictions in aligning their resolution regimes with the Key Attributes. It also identifies areas where further enhancement of resolution regimes may be necessary.

The report contains a number of recommendations for updating the resolution regimes, including (i) ensuring comprehensive resolution powers for banks, (ii) adopting resolution regimes for non-bank financial institutions, (iii) extending the scope of resolution regimes to financial groups, and (iv) introducing comprehensive powers for resolving financial institutions. The report also includes recommendations for introducing powers described in the Key Attributes for resolving Systemically Important Financial Institutions (SIFIs) including the requirement for recovery and resolution planning for all SIFIs and empowering domestic authorities to require financial institutions to take actions to improve their resolvability.

IADI is continuing to work with the FSB along with experts from FSB member jurisdictions and representatives of the Committee on Payment and Settlement Systems (CPSS), the International Association of Insurance Supervisors (IAIS), the International Organization of Securities Commissions (IOSCO), the IMF and the World Bank. Work is on-going to develop a single assessment methodology with the purpose of guiding the assessment of jurisdictions' compliance with the Key Attributes and ensuring that assessments are carried out in a consistent way. The most recent draft was used as a reference document for preparing the thematic peer review of resolution regimes and it is anticipated that the revised draft methodology will be published for consultation later this year.

# CAPACITY BUILDING OFFERED BY THE BANK GUARANTEE FUND, POLAND



The Bank Guarantee Fund (BFG) has been involved in capacity building and sharing experiences with other deposit insurance schemes for many years. BFG is responsible for a wide range of tasks, including reimbursing depositors; collecting deposit insurance premiums; analyzing data on its member institutions; ex-ante fund management and providing financial assistance to member banks on a least cost basis. In order to share the accumulated skills and practical knowledge, BFG hosts delegations from other deposit insurance organizations for study visits and responds to individual requests. Visits usually involve up to five participants and range from one to three days at a time. BFG requires minimum advance notice of one month.

Over the years, BFG has developed a formula of bilateral capacity building events based on the assumption that both sides of the process exchange their knowledge and experience on a mutual basis, and on an equal footing. In practical terms, this means that BFG, as the hosting institution, also benefits by way of the shared insights and expertise of the visitors. The adopted principle of mutual exchange allows BFG to take advantage of collaborative efforts in areas where the partnering schemes have a comparative advantage.

In 2012 BFG hosted the following capacity building visits from other deposit insurance organizations:

- a delegation of experts from the Bulgarian Deposit Insurance Fund. The exchange of information covered issues related to setting up an early warning system, which enables a faster and more efficient identification of banks at risk of insolvency, as well as related to the payout process and functioning of the banking system in Poland;
- a delegation consisting of representatives of the Hungarian financial safety net institutions under the leadership of the Deputy State Secretary of the Ministry for the National Economy. The Managing Director and Member of the Board of Directors of the National Deposit Insurance Fund of Hungary also took part in the visit. The delegation was familiarized with the tasks performed by BFG, in particular with respect to work on legal solutions in the area of a bank resolution framework, which are to be introduced in Poland;
- a delegation of the Czech Deposit Insurance Fund, headed by the Managing Director. During the workshop the delegation was familiarized with the payout process, BFG's cooperation with other Polish safety net institutions and the investment policy. The Czech guests presented the results of the recent Czech public opinion poll on the deposit insurance system; and
- a delegation of the Deposit Insurance Agency of the Russian Federation, headed by its General Director. The exchange of knowledge was in the form of a joint seminar on topics related to deposit guaranteeing, analytical and forecasting activities, early warning system, as well as financial assistance and resolution of troubled banks.

On May 20-22, 2013, BFG organized a joint seminar in Warsaw with the Nigeria Deposit Insurance Corporation. The main purpose of the seminar was to respond to the NDIC's request for input in the field of a target funding ratio framework. In addition, the representatives of the two funds exchanged knowledge about bank resolution tools and the early warning system, which enables the timely identification of banks at risk of insolvency.



## Regional Committee European Regional Committee (ERC)

**Mr Eugen Dijmărescu (Chairperson)**

Deposit Guarantee Fund in the Banking System (FGDB), Romania

**Ms Karen Gibbons (Vice Chairperson)**

Financial Services Compensation Scheme (FSCS), UK

**Mr Toni Gogu**

Albanian Deposit Insurance Agency

**Mr Herman Debremaeker**

Deposit and Financial Instrument Protection Fund, Belgium

**Mr Josip Nevjestic**

Deposit Insurance Agency of Bosnia and Herzegovina

**Mr Rossen Nikolov**

Bulgarian Deposit Insurance Fund

**Mr Josef Tauber**

Deposit Insurance Fund, Czech Republic

**Mr Thierry Dissaux**

Fonds de Garantie des Dépôts, France

**Mr Dirk Cupei**

The Association of German Banks –The Deposit Protection Fund of the Association of German Banks

**Mr Ben Dunning**

Guernsey Banking Deposit Compensation Scheme

**Mr András Fekete-Györ**

National Deposit Insurance Fund of Hungary

**Mr Roberto Moretti**

Interbank Deposit Protection Fund, Italy

**Mr James Mews**

Jersey Bank Depositors Compensation Board

**Ms Violeta Arifi-Krasniqi**

Deposit Insurance Fund of Kosovo

**Ms Andrea Brüllmann**

Deposit Guarantee and Investor Protection Foundation of the Liechtenstein Bankers Association

**Mr Jerzy Pruski**

Bank Guarantee Fund, Poland

**Mr Andrey Melnikov**

Deposit Insurance Agency, Russia

**Mr Milorad Džambić**

Deposit Insurance Agency of Serbia

**Mr Daniel Barr**

Swedish National Debt Office

**Mr Patrick Loeb**

Deposit Protection of Swiss Banks and Securities Dealers

**Ms Ayla Kucukoglu Keles**

Savings Deposit Insurance Fund of Turkey

**Ms Olena Sharova**

Deposit Guarantee Fund, Ukraine

**Mr Alex Kuczynski**

Financial Services Compensation Scheme (FSCS), UK

The ERC currently has 22 members from across Europe.

The main purpose of the Europe Regional Committee (ERC) is to fulfill the vision and objectives of IADI; to reflect regional interests and common issues through the sharing and exchange of information, practitioner experience and ideas. The ERC performs such functions in a manner to further the objectives of IADI and act in the best interests of the Association. ERC members from Poland and the UK hosted the IADI Annual Conference in Warsaw in 2011 and London in 2012.

The ERC holds its annual meeting every January/February and in 2013 this was hosted by Josef Tauber and the Deposit Insurance Fund, Czech Republic in the beautiful, historic and snowy town of Český Krumlov. Amongst other issues, the ERC annual meeting considered the issue of bank resolution and the proposals currently under discussion within the European Union for a Recovery and Resolution Directive. Ms Bakhyt Mazhenova, Chairperson of the Kazakhstan Deposit Insurance Fund was invited to share her experience of resolution with ERC members.

During the 2013 ERC annual meeting, Mr András Fekete-Győr and Mr Thierry Dissaux stepped down from their positions as the ERC Chairperson and Vice-Chairperson respectively, and were replaced by Mr Eugen Dijmărescu and Ms Karen Gibbons who aim to continue the excellent work undertaken by their predecessors.



**Český Krumlov – January 2013**

The ERC aims to host at least one seminar annually to consider a technical issue affecting deposit insurers. In April 2012 the Bulgarian Deposit Insurance Fund hosted a technical seminar to explore and consider 'Key Legal Modalities for Assisting Cooperation among DGS in Europe'. On 27-29 May 2013 in Moscow, the Deposit Insurance Agency of the Russian Federation and ERC are hosting the Technical Seminar on "Dealing with Parties at Fault of Bank Failures and Fraud in Deposit Insurance". Further, on 25th to 26th September 2013, in Bucharest the Deposit Guarantee Fund in the Banking System, Romania will host a 'Contingency Planning Workshop'. The workshop seeks to consider challenges and discuss how deposit insurers can work effectively with other safety net participants to deal with the unexpected and prepare sound contingency and business resilience plans.

The ERC will continue to try and expand membership of the ERC and encourage ERC members to participate fully in the important research work undertaken by IADI. Members of the ERC will continue to promote bilateral and multilateral co-operation between ERC members.



ERC Regional Committee Meeting Group Photo in Český Krumlov, Czech Republic. (January 2013)

## Finance and Planning Committee

### Committee Members

<b>Hiroiyuki Obata, Chairperson</b> Deposit Insurance Corporation of Japan	<b>András Fekete-Györ</b> National Deposit Insurance Fund of Hungary
<b>Toni Gogu</b> Albanian Deposit Insurance Agency	<b>Andrey Melnikov</b> Deposit Insurance Agency (Russian Federation)
<b>Alejandro López</b> Seguro de Depósitos Sociedad Anónima (Argentina)	<b>Fred Carns</b> Federal Deposit Insurance Corporation (USA)
<b>Rossen Nikolov</b> Bulgarian Deposit Insurance Fund	<b>John M. Chikura</b> Deposit Protection Corporation (Zimbabwe)
<b>Renata Kadlecova</b> Deposit Insurance Fund (Czech Republic)	

The objective of the Finance and Planning Committee (FPC) is to contribute to IADI's efficient operations by facilitating smooth decision makings of IADI's Annual General Meeting (AGM) and Executive Council (ExCo) mainly in business planning area with strong focus on financial matters. To achieve such objective, the FPC coordinates closely with the Secretariat as well as other committees.

As part of the business planning of IADI, the FPC plays a critical role in drawing up the budget. The Secretariat prepares the first draft budget based on requests from each Standing and Regional Committee, and submits it to the FPC. After discussing the first draft, the FPC makes recommendations to ExCo about budget, and then ExCo recommends approval of the budget by AGM which is the supreme authority of IADI. In addition, the FPC regularly monitors the status of budget implementation by review of quarterly reports prepared by the Secretariat, in order to ensure efficient utilization of financial resources.

Going forward, the FPC will continue contributing to IADI's efficient operations. The importance of deposit insurance systems as financial safety nets has been growing especially after the global financial crisis of 2008-2009. Considering recent rapid expansion of IADI's activities, the FPC is firmly convinced that its functions will become even more important in supporting efficient operations of various activities at IADI.