



# IADI

International Association of Deposit Insurers

## What's New at IADI?

Volume 2, Issue 2

August 2003

## IADI October Conference: Will you be there?



Coming to Korea  
Open the Door to Korea

- **Second Annual IADI Conference – Program and registration information is now available**
- **IADI welcomes FOGAFIN - Fondo de Garantias de Instituciones Financieras (Colombia) as a Member**
- **IADB Seminar on Safety Nets and Regional Integration**
- **Guidance on Differential Premiums – Coming Soon**
- **Government of Jamaica confers Order of Distinction on Winston Carr from JDIC**
- **CDIC Offers “International Open House”**
- **Profile on Deposit Insurance Corporation of Japan**

The Second Annual IADI Conference will be held in Seoul, Korea on October 23 and 24, 2003. The Conference will be preceded by meetings of IADI's Executive Council, the Standing Committees and the Second Annual General Meeting of IADI.

Presentations at the conference will cover deposit insurance as an integral part of the financial safety net, strategies to promote effective deposit insurance systems, interrelationships among banking safety-net players, guidance on differential premiums and lessons learned from dealing with problem institutions.

Deputy Prime Minister & Minister of Finance and Economy Jin-Pyo Kim will deliver the Keynote Speech for the Conference. The Preliminary Conference Program can be found at: <http://www.iadi.org/html/>.

Conference fees are US\$500 for Members, Associates and Observers of IADI (US\$750 for all others). Registration information can be obtained from Kim Utnegaard at [kim.utnegaard@iadi.org](mailto:kim.utnegaard@iadi.org).

IADI's Second Annual General Meeting will take place in Seoul at 3 pm on October 22, 2003 in the Crystal Ballroom of the Lotte Hotel, Seoul, Korea. Information on travel to Korea can be found at:

[http://www.mofat.go.kr/en/visa/e\\_visavisa.mof](http://www.mofat.go.kr/en/visa/e_visavisa.mof)

and

<http://english.tour2korea.com/coming/essential/entry.asp>

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## IADI Welcomes FOGAFIN as a Member



The Executive Council is pleased to announce that **Fondo de Garantías de Instituciones Financieras (Colombia)** has become a Member. FOGAFIN was established in 1985 as an autonomous legal entity and is a unique public law institution, ascribed to the Ministry of Finance and Public Credit. Depositor protection

The Designated Representative of FOGAFIN is its Director, Dr. Juan Pablo Cordoba Garces. He can be reached at [jcordoba@fogafin.gov.co](mailto:jcordoba@fogafin.gov.co) and additional information can be found at: [www.fogafin.gov.co](http://www.fogafin.gov.co).

## IADI Presents at IDAB Seminar on Financial Safety Nets

IADI will be represented at the Inter-American Development Bank Seminar on Financial Safety Nets and Regional Integration in Latin America and the Caribbean which will take place on Tuesday, September 9, 2003 in Washington, D.C.

Carlos Isoard, Chair, IADI's Latin American Regional Committee will lead off the conference with a presentation on financial safety nets and where we stand.

George Hanc, Chair of IADI's Research and Guidance Committee will comment, in Session 4, on the NAFTA experience with integration and the resolution of banking problems.

Information on the conference can be obtained by sending an email to Pablo Pezzimenti at [PABLOPE@Consultant.iadb.org](mailto:PABLOPE@Consultant.iadb.org)

## IADI to Develop Guidance on Differential Premiums

In response to widespread interest, IADI's Research and Guidance Committee has launched work on guidance for differential premium systems. The Business Plan sets out the issues to be addressed by a group of experts from Argentina, Brazil, Canada, France, Hungary, Japan, Jordan, Korea, Mexico, Nigeria, Philippines, Ukraine and the USA.

A Business Plan that outlines the approach that is being taken can be found at (<http://sum.iadi.org/html/App/SiteContent/IADI-Diff%20premium-rp.doc>). Comments on this document should be sent to David K. Walker ([dwalker@cdic.ca](mailto:dwalker@cdic.ca)).

## IADI/EBRD Seminar on Deposit Insurance

Seminar proceedings from January 29 – 31, 2003 are available on IADI's Web site <http://sum.iadi.org/html/App/SiteContent/Central%20Asia%20Seminar%20Proceedings.pdf>.

## Member Profile - Deposit Insurance Corporation of Japan

The Deposit Insurance Corporation of Japan (DICJ) was established in July 1, 1971 as the administrative organ of Japan's deposit insurance system under the Deposit Insurance Law (Law No.34 of April 1, 1971). This step was based on a recommendation issued in July 1970 by the Financial System Research Committee, an advisory board to the Minister of Finance. The original capital of ¥ 450 million was subscribed one third each from the Japanese government, the Bank of Japan and the private financial institutions. The government subsequently subscribed additional capital of ¥5 billion in July 1996 to administer work related to non-performing housing loans and guarantees transferred from the former Housing Loan Administration Corporation. The current share of the Japanese government stands at around 95% of total capital. The supervising authorities of DICJ are the Ministry of Finance and Financial Services Agency.

In the 1990's, accumulated non-performing loans in the financial system became a major issue, following the collapse of the bubble economy, and the number of failed financial institutions increased significantly. The government has since been taking many initiatives to ensure Japan's financial stability and, thus, push the economy back onto a recovery track with various legislative steps including a series of amendments of the Deposit Insurance Law from 1996 until today. These amendments empowered DICJ to expand its activities and mandate significantly, while keeping the nature of DICJ as the main player in the deposit insurance system.



The current activities of DICJ can be categorized into the following areas: (1) administering the deposit insurance system to provide a safety net for maintaining depositors' confidence in the financial system through, *inter alia*, financial assistance associated with resolution of failed or failing financial institutions (the financial assistance was extended to 180 institutions during the period from April 1992 to June 18, 2003, amounting to ¥ 25.0 trillion in total through capital injections and asset purchases),

(2) financial reengineering businesses such as “the financial reconstruction” activities, which include the management of failed financial institutions as a financial administrator appointed by the Commissioner of FSA (DICJ worked for 11 financial institutions as the financial administrator as of the end of FY 2002, including 7 banks, 2 credit associations and 2 credit unions),

(3) extending guidance and support to the Resolution and Collection Corporation (RCC), a wholly owned subsidiary of DICJ, in conducting their resolution and collection business of non-performing loans transferred from former housing loan companies and failed financial institutions entrusted by DICJ, as well as pursuing civil and criminal liabilities of the management of failed financial institutions (by the end of March 2003, RCC collected ¥ 6.2 trillion, 64.2% of the non-performing loan principal. The number of cases conducted by DICJ and RCC accusing civil and criminal liabilities of the management of failed institutions reached to 238 cases from 1996 until the end of FY2002), and

(4) strengthening the capital of viable financial institutions and purchasing and disposing of non-performing loans assumed from sound financial institutions (¥ 12.3 trillion in total was injected by the end of June 2003. And, the outstanding of the borrowings from the market with government guarantee is ¥ 2.9 billion to the end of FY2002).

Furthermore, in April 2002, DICJ was authorized to conduct on-site inspections of financial institutions in preparation of its immediate response to possible failures under the limited guarantee system that will be implemented in full scale in April 2005. We are now in the midst of taking a phased-in approach to shifting from the blanket to limited guarantee system.

In the international arena, DICJ was deeply involved in the process of founding IADI from the earliest discussion stages as a member of the steering committee. DICJ has since been actively involved in IADI activities as a member of Executive Council and as the Chair of the Asian Regional Committee. DICJ has also been active in providing technical assistance to governments, central banks and other safety net players in other countries by sending experts to their headquarters, etc. and welcoming research/study missions to Tokyo from overseas authorities.

The DICJ is fully committed to cooperating and collaborating with any of those colleagues worldwide who share common challenges and the goal with us.

## **Joint Forum Releases Reports on Risk Integration and Aggregation and on Operational Risk Transfer**

The **Joint Forum** has recently released two reports, Trends in risk integration and aggregation and Operational risk transfer across sectors. Both are available on the Web sites of the **Bank for International Settlements** ([www.bis.org](http://www.bis.org)), the **International Association of Securities Commissions** ([www.iosco.org](http://www.iosco.org)) and the **International Association of Insurance Supervisors** ([www.iaisweb.org](http://www.iaisweb.org))

The first report, *Trends in risk integration and aggregation*, highlights the emphasis being placed on the management of risks on a firm-wide basis and related efforts to develop quantitative measures of aggregate risk, for example via economic capital models. It also notes a high degree of diversity among firms in their risk management and risk aggregation methodologies. The report's findings are based on a survey of 31 institutions in three financial sectors (banking, insurance and securities).

The second report, *Operational risk transfer across sectors*, is based on interviews carried out with 23 financial institutions in the three sectors. It focuses on risk management and supervisory issues arising when transferring operational risk from protection buyers (mainly banks and security firms) to protection sellers (mainly insurance companies).

Any comments or queries about these reports should be directed to the Bank for International Settlements (e-mail to [silvano.tittonel@bis.org](mailto:silvano.tittonel@bis.org)) before 15 November 2003.

The **Joint Forum** was established in 1996 under the aegis of the Basel Committee on Banking Supervision, the International Organization of Securities Commissions, and the International Association of Insurance Supervisors to deal with issues common to the banking, securities and insurance sectors

## What is happening in your world?

### Jamaica

The Government of Jamaica announced on August 6, 2003 that the Governor General had conferred on Winston Carr of the **Jamaica Deposit Insurance Corporation** the honor of the Order of Distinction, in the rank of Commander “in recognition of his outstanding service in the field of Banking and Finance”. IADI congratulates Commander Winston Carr, C.D.!

### Canada

**Canada Deposit Insurance Corporation** will be holding an “**International Open House**” from November 10 to 14, 2003. Presentations will cover key elements and essential attributes of the Canadian deposit insurance system with a particular focus on structure and organization, funding, differential premiums and legal issues in closure. The program also includes presentations on the Canadian supervisory system by the **Office of the Superintendent of Financial Institutions**.

If you would like to attend please contact David K. Walker at [dwalker@cdic.ca](mailto:dwalker@cdic.ca).

### Bulgaria

The **Bulgarian Deposit Insurance Fund** (BDIF) hosted four working visits in April and May. Representatives of the Deposit Insurance Fund Skopje (Macedonia) and the newly established **Deposit Insurance Agency of Albania** and **Fund of Guarantee Protection Citizen's Deposit of Uzbekistan** visited the BDIF to learn from its practices and exchange experience. The Bank Guarantee Fund of Poland presented their deposit insurance system and the Fund's activities during a return visit in Sofia. The President of **Fondo de Garantia de Depositos y Proteccion Bancaria** (FOGADE) of Venezuela, Mr. Romulo Henriquez Navarrete, met the Chairman of the BDIF, Mr. Bisser Manolov, in Sofia in April.

### Hungary

In June, 2003 Daniel Janossy, Managing Director of the **National Deposit Insurance Fund of Hungary** along with Andras Fekete-Gyor, Chair of the **Training and Conference Committee** of IADI provided technical assistance to the **Albanian Deposit Insurance Agency** as part of a project to build up the financial infrastructure and strengthen the financial system in Albania. The issues that were addressed included: the management of deposit insurance assets; a review of premiums and procedures for premium calculation; the establishment of accounting policies and procedures; and payout procedures in the event of a failure. The development of a medium-term development plan was recommended and there is a possibility of some follow-up work.

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