

Seasons Greetings from IADI

Or, in other words: Gézuar Krishlindjet; ¡Feliz Navidad!; Sretam Bozic, Hristos se rodi; Merry Christmas; Vessela Koleda; Joyeux Noel; Feliz Natal; Happy Christmas; Fröhliche Weihnachten; Feliz Navidad para todos; Vesele Vanoce; Happy Christmas Sing dan fiy loc; Boldog Karácsonyt; Mboni Chrismen; Merii Kurisumasu; Sungtan Chukha; Hristos Razdajetsja, Rozdjestvom Hristovim; Feliz Navidad; Selamat Hari Krimas; Maligayang Pasko; Hristos Razdajetsja; God Jul; Sheng Tan Kuai Loh; Mutlu Noeller; Kung His Hsin Nien bing Chu Shen Tan; Veseloho Vam Rizdva; Geseënde Kersfees; Chuc mung Giang Sinh; Gelukkig Kerstfeest, God Jul og; and, of course, Happy Holidays.

View our Seasons Greetings Card at:

<http://www.iadi.org/html/App/SiteContent/IADI%20Season%20Greetings%202004.pps>

Asian Development Bank Partners with IADI

The Asian Development Bank has accepted the invitation of the Executive Council to enter into a partnership arrangement with IADI.

Update from the Second Annual IADI Conference

Proceedings for the Conference will be available soon on IADI's Web site. In the meantime, you may view a photo gallery at the following location: <http://www.iadi.org/html/Default.aspx?MenuID=253>

Looking for information on IADI? Here is "What's New" on the Web site".

- IADI Annual Report for 2002-2003 <http://www.iadi.org/html/Default.aspx?MenuID=103>
- Presentations from the IADI/EBRD Seminar for The Western Balkans
<http://www.iadi.org/html/Default.aspx?MenuID=259>
- A letter from In-Won Lee, President and Chairman, Korea Deposit Insurance Corporation
- A new section on "Member Profiles" under the heading "Directory"
<http://www.iadi.org/html/Default.aspx?MenuID=258>
- Biographies of Members of the Executive Council <http://www.iadi.org/html/Default.aspx?MenuID=243>

Attendees at IADI 2nd Annual Conference – Seoul:



IADI Seminar on Enterprise Risk Management

The Bank for International Settlements will be the site of an important seminar on Enterprise Risk Management which will be held on 28-29 April 2004. The theme “Managing More Effectively through an Enterprise Risk Management System” and IADI is partnering with **Deloitte Touche Tohmatsu** to bring world class experts on ERM to Basel to address this subject. A meeting of the Executive Council of IADI will be held on 30 April.

Program and registration information will be available soon on the IADI Web site.

APEC Policy Dialogue on Deposit Insurance

Canada Deposit Insurance Corporation is Chairing a Policy Dialogue on Deposit Insurance which will be hosted by **Bank Negara Malaysia** in Kuala Lumpur from 16-18 February 2004. The Policy Dialogue will cover Interrelationships among Safety Net Players, Indemnification and Prompt Action and Intervention Trigger Mechanism. For more information, please contact David Walker at dwalker@cdic.ca.

IADI/EBRD Seminar on Deposit Insurance for the Western Balkans



IADI and the **European Bank for Reconstruction and Development** (EBRD) held a Seminar on Deposit Insurance for The Western Balkans on 8-9 December 2003. The Seminar took place at the Bank for International Settlements in Basel, Switzerland. Participants came from the Bank of Albania, Canada Deposit Insurance Corporation, Central Bank of Bosnia and Herzegovina, National Bank of Serbia, Deposit Insurance Agency (Albania), Deposit Insurance Fund (Bulgaria), European Bank for Reconstruction and Development, Deposit Insurance Agency (Bosnia & Herzegovina), National Deposit Insurance Fund of Hungary, Banking and Payments Authority of Kosova, Deposit Insurance Fund (Macedonia, F.Y.R.), Deposit Insurance and Bank Rehabilitation Agency (Serbia), the Republic of Montenegro, State Secretariat for Economic Affairs (Switzerland), and the Swedish Deposit Guarantee Board.



Topics covered included an overview of financial system issues in The Western Balkans, presentations on the state of depositor protection in individual countries, interrelationships among financial safety net players, case studies on public awareness, funding, payouts, bank resolutions, investment policies and lessons learned from introducing deposit insurance systems.

Proceedings from the Seminar will be available on the IADI Web site in 2004.

New Chair of Joint Forum Named

Gay Huey Evans, Director of Markets at the UK Financial Services Authority (FSA), takes over in January 2004 as Chairman of the Joint Forum, a group of experts working under the umbrella of the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS). She succeeds José María Roldán, General Director of Financial Regulation at the Bank of Spain, who has completed his two-year term as Chairman of the Joint Forum.

The Joint Forum was established in 1996 under the aegis of the BCBS, IOSCO and the IAIS to deal with issues common to the banking, securities and insurance sectors, including the regulation of financial conglomerates. The Joint Forum is comprised of an equal number of senior bank, insurance and securities supervisors representing each supervisory constituency.

IMF Research Update

IMF Staff Papers

Volume 50, Number 3: 2003: This latest issue includes important studies about: the extent of Africa's integration into the global economy; Singapore's vehicle quota system; evidence of a financial accelerator in the United States; an unbiased appraisal of purchasing power parity; ways to prevent an economic secession; methods of economic reform in China and their usefulness; and how structural vulnerabilities can lead to currency crises. This last issue of the journal for 2003 also includes a handy index for all three issues published in Volume 50.

<http://www.imf.org/External/Pubs/FT/staffp/2003/03/index.htm>

IMF and the Baltics: A Decade of Cooperation

This working paper by Adalbert Knobl and Richard D. Haas of the European II Department is an economic history of the IMF's involvement in the Baltic states. It describes and analyses the initial economic stabilization; the period of consolidation and recovery; the effects of the Russian crises; and the current growth rates of Lithuania, Latvia, and Estonia. The major conclusion is that the Baltic states have been so successful because of their early commitment to change the stabilization and reform policies needed for successful transition and their ownership of their IMF-sponsored programs. The paper can be found at the following location:

<http://www.imf.org/external/pubs/cat/longres.cfm?sk=16981.0>

Dynamic Depositor Discipline in U.S. Banks

This paper prepared by Andrea Maechler and Kathleen M McDill of the Monetary and Financial Systems Department investigates the presence of depositor discipline in the U.S. banking sector. They test whether depositors penalize (discipline) banks for poor performance by withdrawing their uninsured deposits. While focusing on the movements in uninsured deposits, they also account for the possibility that banks maybe forced to pay a risk premium in the form of higher interest rates to induce depositors not to withdraw their uninsured deposits. Their results support the existence of depositor discipline: a weak bank may not necessarily be able to stop a deposit drain by raising its uninsured deposit interest rates.

You can access this paper at the following location:
<http://www.imf.org/external/pubs/cat/longres.cfm?sk=16995.0>

From the Front lines at Seoul Bank: Restructuring and Re-privatization

Soon after Korea agreed to an IMF-supported program, Seoul Bank and Korea First Bank were nationalized through an injection of public funds by the government. The two banks were singled out early in the IMF-supported program to be sold to foreign investors. Korea First Bank was sold to foreign investors at the end of 1999. Seoul Bank, however, remained a government-owned bank, managed by a team of professionals recruited from outside of the traditional banking sector. This paper by Kang Chungwon of the Asia Pacific Department, describes the restructuring of Seoul Bank by the new management team between June 2000 and October 2002, when the bank was sold to Hana Bank in a merger transaction. You can find the paper at:

<http://www.imf.org/external/pubs/cat/longres.cfm?sk=16984.0>

Member Profile - The Instituto de Garantía de Depósitos (El Salvador)

A Founding Member of IADI



The Instituto de Garantía de Depósitos (IGD) in El Salvador was established by the Legislative Assembly under the Banks Law in November, 1999, after the failure of a medium financial institution and two smaller ones. The failure of these financial institutions created social disturbances, damaged financial system soundness and required the use of government funds. As a result, the government concluded that it was necessary to establish a deposit insurance system, which led to the creation of IGD and there have been no failures since that time.

The IGD provides limited coverage of bank deposits until there is a forced closure of a member bank. Also, the IGD may contribute to the restructuring of a member bank with solvency problems in order to protect depositor's rights; this objective was included in the Bank Law in November 1999.

In 2001, the Law was amended again to expand the powers of the IGD. In this regard, the IGD now has the ability to decide between making a payout of insured deposits or participating in a restructuring of the bank. In the event of a systematic crisis, the government and the supervisory authorities in conjunction with the IGD may decide to keep the member institution open or to close it.

The IGD is governed by a board of directors. There are four main directors and three alternate, or substitute directors. Two directors are named by the Central Bank and work as the President and Vice-President of the IGD. The other two directors and their alternates are elected by the Presidents of the member banks. Every director but the President of the IGD may have a substitute director. The substitute director for the Vice-President is named by the Central Bank as well.

The duties and responsibilities of the governing body are: to elaborate the accounting system for the IGD and to present it to the Financial System Superintendence; to approve the annual budget of the IGD; to approve the Annual Labor report; to administrate with prudence the assets of the IGD; to elaborate on procedures and policies for the proper functioning of the Board; to authorize the payment of insured deposits when is necessary; to approve a bank restructuring plan which contains all the means that will be used in order to protect the depositors (the IGD may support the implementation of this plan and coordinate its efforts with the Financial System Superintendent); to inform to member banks of the quarterly premiums that they must pay to the IGD; to sell the stocks acquired by the IGD after a bank has been restructured; to authorize liabilities that will be taken by the IGD, such as loans and the issue of other obligations.

The current board members are: Oscar Armando Pérez Merino, Chariman; Ruth del Castillo de Solórzano, Vice President; Sonia Guadalupe Gómez, Substitute Director; Oscar Armando Rodríguez, Director; Salvador David López, Substitute Director; Manuel Ernesto Rivera, Director; Ana Graciela Trejo, Substitute Director.

IGD is one of the financial safety net players in El Salvador. The policy goals of IGD in providing deposit insurance are to safeguard the benefits of depositors in financial Institutions and to enhance the sound development of financial operations. IGD currently has 7 employees. The major areas of IGD's business are:

Deposit Insurance:

A. Membership: In order to enhance financial stability and facilitate the orderly exit of insolvent financial institutions from the market, participation in deposit insurance is on a mandatory basis since 1999

B. Coverage: US\$ 6,700; in January 2004 the limit will be increased to US\$7,060.

C. Premium: 0.1% annual of total deposits liabilities.

D. Funding source: Including initial capital from the Central Bank, premiums and income generated from the Deposit Insurance Fund.

Handling Problem Financial Institutions:

IGD will dispatch personnel to institutions that are undergoing assistance. The disposition methods for problem financial institutions include:

1. Provision of financial assistance to the member banks that assume deposits
2. Straight pay-outs
3. Insured deposit transfers
4. Purchase & assumption

What is happening in your world?

Asia

International Seminar on Deposit Insurance and the 2nd Asian Regional Committee Meeting

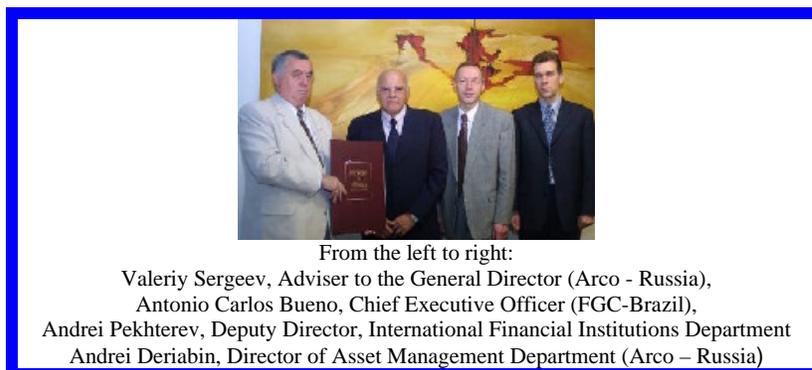
Deposit Insurance Corporation of Japan (DIC Japan) will host an International Seminar on Deposit Insurance and the 2nd meeting of the Asian Regional Committee 18-19 March 2004 in Kyoto, Japan for IADI participants and non -IADI participants in the Asian region.

The ARC meeting will review the terms of reference and Business Plan of the Committee, which was agreed by Members in Seoul, October 2003. It will also discuss future common issues for deposit insurers in Asia.

At the International Seminar, the main theme will be “Challenges for Deposit Insurers in Post Banking Crisis“. The Seminar will feature presentations by international organizations and academics, and deposit insurers focusing on issues such as: (i) Independency of a deposit insurer and its relationship with other safety net players; (ii) Strengthening deposit insurance fund arrangements; and (iii) Risk assessment functions of deposit insurers. In the second session, the issue of differential premiums will be discussed in terms of its potential as a new funding tool after a banking crisis. There will be Q & A session for each of the sessions.

DIC Japan is confident that the International Seminar will benefit participants not only from those countries with deposit insurance in place, but also from governments planning to establish a deposit insurance system. Furthermore, it will provide a good opportunity for all participants to build up the community of interests of deposit insurers and other participants from the Asian region.

Brazil



A delegation from ARCO paid a visit to Fundo Garantidor de Créditos in early December 2003. ARCO is a short form for Agency for Restructuring Credit Organizations and it is a Russian State Corporation. It is also an Observer in IADI and it is preparing itself to function as the Management Company for the national deposit insurance system that is being established in Russia. ARCO recently also consulted with

the representative of the US Treasury and Fondo Garantidor de Créditos was recommended as one deposit insurance system that has accumulated substantial practical experience in implementing procedures for insurance payments to depositors of banks under liquidation.

Russia

The Federal Law on “Insurance of Household Deposits in Banks of the Russian Federation” has just been approved by both Chambers of the Russian Parliament. It will come into force very soon.

Taiwan

Proceeding from the Symposium on Financial Risk Management & Crisis Resolution held by Central Deposit Insurance Corporation on 27 October 2003 will be available soon.

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