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The Mission of the International Association of Deposit Insurers

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Market turbulence highlights the role that deposit insurance systems can play to help governments promote financial stability, maintain public confidence in financial institutions and support the real economy.

The recent and continuing turmoil results from uncertainty about the capital solvency of financial institutions that hold risk concentrations in sub-prime mortgages and asset-backed facilities. These financial institutions include banks that solicit consumer deposits, and other entities such as insurance companies, investment banks and securities firms that are funded by financial markets and large investors. Most governments have put in place safety nets designed to protect consumers and provide financial stability to ensure orderly functioning of markets through prudential oversight of these financial institutions. A financial safety net usually includes prudential regulation and supervision, a "lender of last resort" central bank and deposit insurance.

Central banks and financial sector supervisors are the original and longest standing members of the safety net, and deposit insurance is the newest member. While the oldest deposit insurance system was established in 1934, most such systems operating today were established in the last 25 years. The newest deposit insurance system – Thailand's Deposit Protection Agency – just became operational in September 2008.

The International Association of Deposit Insurers

The International Association of Deposit Insurers (IADI) was chartered on 6 May 2002 as a non-profit organi-

sation constituted under Swiss law and domiciled at the Bank for International Settlements (BIS) in Basel, Switzerland. The BIS is the world's oldest international financial institution and IADI is among the youngest. Our 52 members represent deposit insurance systems operating in all regions and economies, ranging from the smallest to the largest and most complex. There are six associates, consisting of central banks or other entities that are part of a financial safety net and have a direct interest in the effectiveness of a deposit insurance system. In addition, 11 partners and five observers contribute to IADI activities. Martin Gruenberg - Vice Chair of the FDIC – is the President of IADI and Chairman of its Executive Council, the board responsible for governance and daily operations on behalf of members.

IADI's Secretariat is located at the BIS along with those of many other important groups such as the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, the Financial Stability Forum (FSF) and the Central Bank Governance Forum. All of these groups have a stake in promoting effective practices that support financial stability.

IADI's Mission

IADI contributes to the enhancement of deposit insurance systems by promoting the development and acceptance of principles and supporting guidance, facilitating international cooperation among deposit insurers and other interested parties, and providing training for its members.

To accomplish its mission, IADI, through its Executive Council, has set

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Quote of the quarter: **Markets are a real-time referendum.**

strategic objectives that include:

- Undertaking research and issuing principles and effective practices;
- Undertaking training and development; and
- Enhancing IADI's role in strengthening deposit insurance systems.

IADI has aligned its organisation to achieve its mission and strategic objectives through seven standing committees and seven regional committees. Regional committees have been formed for Africa, Asia, the Caribbean, Eurasia, Europe, Latin America, and the Middle East/North Africa. Standing committees include a Membership and Communications Committee, Research and Guidance Committee, and a Training and Conference Committee. The standing committees provide substantive materials including research, principles, sound practices and training. Standing and regional committees cooperate to deliver opportunities for collaboration on issues of interest within regions or more widely.

Current Initiatives

In response to growing global financial instability, in February 2008 IADI's Executive Council approved a draft *Core Principles for Effective Deposit Insurance Systems*. The Core Principles are designed to enhance deposit insurance systems and reflect the collective knowledge and experience noted in IADI research and guidance, as well as the practical experience of its members and other organisations including the FSF, and the Asia Pacific Economic Cooperation (APEC) Policy Dialogue on Deposit Insurance. The Core Principles were cited in the April 2008 FSF report *Enhancing Institutional and Market Resilience*. The FSF report noted the need for international authorities to agree on a set of principles, which will enable and encourage self assessment programmes to judge the effectiveness of individual deposit insurance programmes. IADI and the Basel Committee on Banking Supervision are now collaborating to develop an agreed set of Core Principles. Some IADI members are using the draft Core Principles to support early assessments of their deposit insurance systems.

It is also a high priority to expand and enhance training programmes on deposit insurance. IADI launched its training programme in 2007 with a pilot on the features of a deposit insurance scheme and best practices to ensure that the claims of insured depositors and other creditors could be met in a prompt and orderly fashion in the event of a bank failure. In 2008, the first programme was offered on the management of the bank failure resolution proc-

ess. In 2009, IADI will organise two sessions on claims management, which entails the prompt and orderly payment of insured deposits. IADI has included representatives from the European Forum for Deposit Insurers and from other national and international institutions in its training offerings.

Because responsibilities for deposit insurance supervision, bank failure resolutions, and monetary policy are often allocated differently among safety net participants depending on country circumstances, the target audiences for training on deposit insurance also includes staff and executives from central banks and financial sector supervisors. At the same time, deposit insurers need to be familiar with supervisory concepts and practices, and with central bank responsibilities and functions. Thus, there is an opportunity to broaden the target audience for events and computer-based training.

IADI's Training and Conference Committee is consulting with the Financial Stability Institute on the joint development of a comprehensive training curriculum on the core business and operations of deposit insurance systems. The events within a core curriculum will be aligned with the *Core Principles for Effective Deposit Insurance Systems*. IADI is currently collaborating with the FSI to provide on-line training courses for IADI members. IADI and the FSI are also evaluating the advantages of working together to provide events of broad interest to deposit insurers, financial sector supervisors, and central banks in 2009.

IADI is actively developing closer working relationships with multinational and international institutions that have an interest in deposit insurance and financial stability. Joint training interests are one such area for collaboration to improve the education available to stakeholders. IADI endeavours to engage with organisations - including the Basel Committee, IMF and the FSF - and believes that opportunities for collaboration will further enhance IADI's mission to share deposit insurance expertise and contribute to the improvement of deposit insurance systems globally.

IADI is reaching out to non-member countries that operate explicit deposit insurance programmes. Outreach includes collaboration with peer organisations such as the European Forum of Deposit Insurers on opportunities for joint training and research, and opportunities for sharing deposit insurance expertise.

For more information on the work of IADI, please go to www.iadi.org.