

**Annual General Meeting and 5th Annual IADI Conference
15th to 17th November 2006
Copacabana Palace Hotel – Rio de Janeiro, Brazil**

“Building for the Future”

**Welcome Speech delivered on 16 November 2006
by
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International Association of Deposit Insurers and
Chief Executive Officer of the
Malaysia Deposit Insurance Corporation**

Good morning, Ladies and Gentlemen,

Welcome to IADI's 5th Annual Conference. You would agree that we have chosen a most beautiful location to hold our conference. Rio is a truly captivating city, blessed with beautiful beaches and happy, beautiful people! Since we arrived, we have received the most excellent hospitality. On behalf of all participants, I wish to thank the Fundo Garantidor de Creditos for the excellent hospitality and splendid arrangements!

Governance is best seen when practised

This year, our theme “*Raising the Bar*” is aptly centred on governance. Governance strikes at the heart of many management issues faced by organisations today, whether private or public enterprises. Strong governance, in the broadest sense, embodies the philosophy and operations culture of an organisation. I find that governance is best seen when it is practised! An important part of this practice is for organizations to conduct regular reviews of their governance performance and to assess on an ongoing basis its strategic direction. I would therefore like to discuss governance from IADI's perspective specifically, from three aspects:

1. How has IADI met its mission with respect to the global financial system and to our members?
2. What are IADI's priorities and how do we fit in with other international financial standard setters?
3. How do we direct our strategic direction to meet the needs of our members in future?

Meeting IADI's mission

Let me address the first issue of meeting IADI 's mission.

IADI's mission is to share deposit insurance expertise with the world. In this regard, the past four years have been very successful years. Our members have been extremely active in marketing IADI as a brand and it is now the strong voice of deposit insurers. Interestingly, in the last 4 years, IADI has organised or co-hosted 23 conferences, seminars and workshops to share knowledge and expertise on deposit insurance issues among its Members, Associates, Observers, Partners and relevant policy makers. We have indeed practiced inclusiveness!

And as part of the process of learning and sharing, a number of members have hosted "Open Houses" and study visits. Many of our members have also been sharing deposit insurance knowledge on a bilateral basis.

As you would be aware, IADI is a repository of expertise, knowledge and information where members can source for advice on operational or policy issues. Many individual members have made themselves available to provide assistance and advice to any member or associate on an ad hoc or regular basis.

While we have been successful in sharing our knowledge, I believe we can do more. There are three approaches that we could consider for the future. This involves - training, secondments amongst deposit insurers and advancing best practices or standards. Both training and secondments require closer involvement and more commitment on the part of our members. As for best practices or standards setting, it requires IADI, being the apex agency, to provide more focussed leadership to our members. We all know that best practices can provide welcomed benchmarks for our members.

IADI's priorities in last four years

Let me now move on to discuss briefly IADI's past and future priorities.

Since its inception, IADI has prided itself on building the Association around best governance practices. This has been the basis for the Executive Council's every management decision, process and action. This is institutionalised in IADI's Governance Policy and also reflected in its Statutes and By-laws. We practise governance, transparency and accountability!

We also continue to review our committee structure and effectiveness and we annually review our corporate By-laws and Statutes to ensure that they remain both current and relevant.

Currently, we have 46 members, the newest being the Comision de Proteccion al Ahorro Bancario (Bank Savings Protection Commission), Banco Central del Uruguay. We also have 6 Associates, 4 Observers and 8 Partners. IADI is well represented around the world – Africa, Asia, Caribbean, Eurasia, Europe, Latin America, the Middle East and North America. We do have a very large global reach and it is expanding every year.

The other key effort has been directed to developing guidance materials in many key areas. A total of 12 topics¹ are being addressed as part of our plans. Papers on four² of these areas are being discussed at this Conference. These papers relate to sound governance, effective mandates, funding and claims and recoveries. After deliberation, IADI will issue these papers for consultation prior to their issuance as guidance for the benefit of our members and other deposit insurers.

What are IADI's priorities?

Moving on to IADI's new priorities - there are several areas of focus.

One important initiative is to build a comprehensive databank on deposit insurance and related information. Our objective is to become a one-stop comprehensive source of accurate data on deposit insurers for reference by researchers and others. This will enhance IADI's reputation.

Training is another important initiative. IADI has an ageing population of experienced senior deposit insurers. More of us are due to retire over the next few years! If we fail to address this problem, the vacuum of talent will be significant. The skills of our pool of seasoned deposit insurers were gathered over long periods of time – mostly through on-the-job training and what I call “feet to the fire” experiences.

This is a growing problem as many deposit insurers have not had to deal with failures for several years. However, when failures occur, they wait for no one! Hence, it is imperative for all us to build ongoing capacity and capability in our organizations before the next crisis hits. And being prepared and managing our risks, is part of sound governance! I know that many deposit insurers do spend time and effort on contingency and succession planning. That is imperative!

¹ Evaluation of the Effectiveness of Deposit Insurance Systems, Establishment of IADI Database for Deposit Insurance Systems, Cross Border Issues, Coverage, Legal Protection and Indemnification Issues, Public Awareness, Enterprise Risk Management, and Deposit Insurance Fund Sufficiency.

² Governance, Mandates, Funding and Claims & Recoveries.

Specially designed training for deposit insurers is also of great importance and will provide our members with tools in such areas as bank resolution, differential premium systems and overall policy development. Here, I am pleased that the FDIC has agreed to pilot a training programme in July 2007. Here, I wish to acknowledge the excellent support we are receiving from Martin Gruenberg, Vice-Chairman of FDIC who is here today. You will hear more about the programme during this conference. Moving forward, my goal is to work with the FDIC to develop individually designed training modules for all the key areas of deposit insurance, including governance and leadership training.

I should also mention that another way to knowledge is to work and acquire knowledge from the best. I would therefore urge you to participate in IADI's activities by joining an IADI standing committee, be it the Research and Guidance Committee or a regional committee. The knowledge gained will be invaluable to you.

Another important initiative for IADI to undertake is the issue of funding. Our present level of funding is sufficient to meet our current operational needs only. For IADI to grow, we need to find additional funding to fulfil our future goals and initiatives. We have established a committee chaired by Carlos Isoard of Instituto para la Proteccion al Ahorro Bancario (Mexico) and the Committee is currently exploring several options. We look forward to receiving your views and feedback before we bring any recommendation to the AGM next year.

How does IADI fit in with international financial standard setters?

I am often asked how IADI stacks up to other safety net Association's and how does IADI fit in with other financial standard setters?

First, the Association is built on a strong foundation. Our governance practices are best of breed. We conduct our business and affairs professionally and we are recognized as an Association that gets things done! We can all be proud of IADI's credibility and image!

We have a global significance and reach. Our IADI brand is visible and recognised. Our members include the most experienced and seasoned deposit insurers who have weathered turbulent times and have successfully demonstrated their capabilities and their expertise. So we stack up very well against any other association!

However our Association is unlike other international financial standard setting agencies. Although we are located in Basel, we are at the peripheral to the mainstream of international regulatory agencies. Indeed, except for a few, we are a grouping of safety net players with minimum regulatory and supervisory powers.

It is not and has never been IADI's vision to be an international regulatory agency. That is our distinction. More importantly, IADI was not conceived as an organization to issue standards to banks and financial institutions like other standard setters, such as the Basel Committee on Supervision, the International Accounting Standards Board (IASB) or the Islamic Financial Services Board, the global standard setter for Islamic financial institutions.

What is our objective? Our statute states and I quote, "The Objects of the Association are to contribute to the stability of financial systems by promoting international cooperation in the field of deposit insurance and to encourage wide international contact among deposit insurers and other interested parties."

In the furtherance of its Objects, the Association will, in particular:

- a) enhance the understanding of common interests and issues related to deposit insurance;
- b) set out guidance to enhance the effectiveness of deposit insurance systems- such guidance shall take into account different circumstances, settings and structures;
- c) facilitate the sharing and exchange of expertise and information on deposit insurance issues through training, development and educational programs and provide advice on the establishment or enhancement of effective deposit insurance systems;
- d) undertake research on issues relating to deposit insurance; and
- e) take such other action as may be necessary or useful for its Objects and activities.

As one can see, the focus is on our members only – the sole purpose being the pursuit of self improvement, collectively as an association and also for our individual members. The ultimate goal is to build a critical mass of well governed and well managed deposit insurers to contribute to the overall stability of the financial system.

IADI's future strategic direction

How then can we, as members, direct the strategic direction of IADI to help members manage change?

IADI, as the apex agency, takes on the leadership for global deposit insurance. And we do this firmly, conscious that no other organisation has the credibility to issue deposit insurance guidance or set standards for our members if they are not expert practitioners.

In April 2005, the Research and Guidance Committee of IADI prepared a discussion paper on the "*Possible Role of IADI in Issuing International Principles on Deposit Insurance*". The paper pointed out that guidance can take the form of general principles, practices, guidelines, standards or rules.

The difficulty lies in the form and type of guidance that IADI should issue in future. I believe the solution is to consider what is best for our members. And what is best for our members, I believe, is to issue a form of guidance that will give you a roadmap and a toolkit to help formulate some policies and decisions and help support recommendations to policy-makers on how to enhance your existing deposit insurance systems. For such guidance to be really useful, they should provide principles, best practices or standards that are practised by the best deposit insurers in the world.

Some advance that IADI should only issue guidance applicable to all members. This is the approach we have been using but I do not see it as the only option in future! There can be specific guidance issued applicable to deposit insurers with different mandates. I believe that our statutory objects which I have just read do not preclude us from that approach. Indeed, what is drafted provides us the flexibility. Issuing general guidance to fit every deposit insurer mostly results in watered down guidance that is far less useful. That is reality for any international association!

The Executive Council will be deliberating on the matter of issuing best practices and standards, funding and a number of other important matters as we consider the strategic direction of IADI for the next 3 to 5 years. We are holding a strategic planning session at our Spring meeting in late February in Washington and we plan to complete the exercise in May. Our recommendations will be brought forward as part of our Business Plan that we shall present to you at the 2007 AGM in Kuala Lumpur, next October.

I shall be keeping the full membership informed of our deliberations and as your Chairman and President, I shall be very interested to receive feedback from you. I do believe that every member will welcome the opportunity to be part of an open, transparent dialogue on the future direction of our Association.

Concluding remarks

Ladies and gentlemen, let me quickly summarise my remarks.

IADI is a pioneer. It started like any other international organisation. When we created IADI, we readily took on the pioneer's challenge and began the first of many steps in IADI's journey of development. We have laid the foundation. Now we are ready for its next stage of growth.

As members, we have been given the opportunity to make things happen. I am convinced that our future accomplishments will be greater than what has been accomplished in the past. I believe the strong foundation we have laid will enable us to build on our strengths. Furthermore, as members, it is an intrinsic part of a sound governance process to advance IADI's mission and vision. As members, we can do no less than give our full support to IADI to pursue ever higher standards of excellence.

Thank You!

Malaysia Deposit Insurance Corporation

16 November 2006

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