



Moral Hazard. Does it really exist in Deposit Insurance?

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DIA Russia

Does moral hazard really exist?



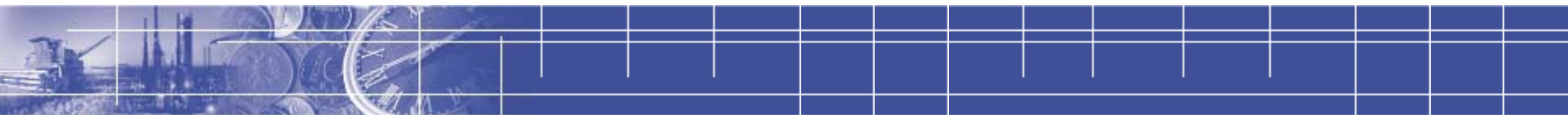
If yes, how to eliminate the threat?

Two examples of moral hazard

Irresponsible actions of:

- **Depositors**
- **Banks**

Helpless regular depositor



Depositors can't make positive disciplining influence on a bank

Solution: Protection due to deposit insurance system

Discredit of total guarantees

Total guarantees make the depositors irresponsible

Solution: Creation of a proper deposit insurance system

Proper deposit insurance system



Top limit reimbursement payment

**Proportional deposit insurance or
coinsurance**

DIA Russia vision

Deposit insurance should cover 80-95% of depositors

The share of deposit liabilities should be between 40% and 60% of deposits

DIA Russia today

Deposit insurance coverage in Russia

~ 15000 US dollars:

- under 4000 US dollars – 100% coverage
- from 4000 US dollars up to 15000 US dollars – 90% coverage

Result:

Full protection of 95% of depositors

Gambling bank policy. What to do?

Common advices:

- **Proper banking supervision**
- **Self-maintained survey of financial stability of banking sector**
- **Differential premium insurance system**
- **Monitoring of interest rates of banks**

«Genie in the bottle»

