



## What is the International Deposit Insurance Survey?

### Introduction

The proliferation of crises, such as the bank and savings and loan failures of the 1980s and the Asian financial crisis of the 1990s, induced many countries to adopt an explicit deposit insurance system or consider reforming their existing systems. Since then, several international surveys have been conducted on depositor protection arrangements and some of them have been used by organizations for the purpose of gathering bench-mark information for comparative research.<sup>1</sup>

In 2003, **Canada Deposit Insurance Corporation (CDIC)** took a major step forward in the development of a comprehensive **International Deposit Insurance Survey (IDIS)** which consisted of 163 questions covering 14 areas of deposit insurance systems.<sup>2</sup> That survey was designed to gather information on deposit insurance systems around the world and thereby construct an international on-line database sharable among Members of the **International Association of Deposit Insurers (IADI)** and other relevant parties in accordance with IADI's mission. The survey was primarily conducted between 1 April 2002 and 30 September 2002 with an update in mid-2003. CDIC received submissions (full or in part) from 47 systems from the approximately 80 explicit deposit insurance systems that existed.

**Table 1: The Survey Respondents**

Asia (6)	Europe (23)	America (14)	Africa (4)	Middle East (1)
Hong Kong, Japan, Korea, Philippines, Taiwan, Vietnam	Bosnia and Herzegovina, Bulgaria, Cyprus, Czech republic, Denmark, Finland, France, Greece, Hungary, Iceland, Italy, Isle of Man, Lithuania, Macedonia, Norway, Poland, Portugal, Slovenia, Spain, Sweden, Romania, Turkey, U.K.	Argentina, Bahamas, Brazil, Canada, Chile, Colombia, Ecuador, El Salvador, Jamaica, Peru, Mexico, Quebec, Trinidad y Tobago, USA	Nigeria, Tanzania, Uganda, Zambia	Jordan

<sup>1</sup> The **IMF** conducted several international surveys on deposit insurance during 1995 - 2000. The findings of the IMF surveys are highlighted in the Gillian Garcia's paper, "Deposit Insurance: A Survey of Actual and Best Practices", IMF Working Paper No. 99/54, 1999.

In 2000, the **Federal Deposit Insurance Corporation (FDIC)** also carried out an international survey on deposit insurance practices which focused on five general areas: (1) risk assessment, (2) funds availability, (3) failure-resolution methods, (4) the role of the receiver, and (5) asset liquidation. For further information on this survey, please see the following papers: Rosalind L. Bennett, "Failure Resolution and Asset Liquidation: Results of an International Survey of Deposit Insurers", FDIC Banking Review Vol. 14, No. 1, 2001, and Jane F. Coburn and P. O'Keefe, "Risk Assessment: Results of an International Survey of Deposit Insurers", FDIC Banking Review Vol. 15, No. 1, 2003.

<sup>2</sup> The questionnaire covers a wide range of deposit insurance areas such as: (1) Background Information, (2) Objectives, Mandates & Powers, (3) Governance Arrangements, (4) Human Resources & Infrastructure, (5) Information Sharing & Interrelationship Between Safety-Net Players, (6) Membership, (7) Coverage, (8) Funding & Fund Management, (9) Reimbursing Depositors, (10) Public Information & Awareness, (11) Risk Assessment & Intervention, (12) Failure Resolution, (13) Claims, Recoveries & Estate Management, and (14) Other Issues.



## What is in the Survey?

### *The objectives, mandates and powers of the deposit insurance systems*

The most common policy objectives of the deposit insurance systems surveyed were to protect small depositors in the event of a bank failure and contribute to financial system stability by preventing bank-runs.

Deposit insurer mandates vary significantly from country to country. They ranged from relatively narrow "pay-box" mandates concentrating on the reimbursement of depositors of failed institutions to systems with broader mandates that include risk assessment, risk management, failure resolution and direct regulation and supervision.<sup>3</sup>

### *Corporate governance and operation*

The survey revealed many different types of governance structures among deposit insurers. The most common was a separate governmental entity with a board of directors or operational committee. Some deposit insurers, however, are established as a department of another government entity, a private entity with government backing, or as a completely private entity.<sup>4</sup>

### *Membership and coverage*

Most of the arrangements surveyed require that membership in the deposit insurance system be compulsory and be extended to institutions subject to effective supervision and regulation.

The level of coverage provided varied widely. Most systems protect core demand and savings deposit products with a limit on the amount protected per each institution, while excluding coverage of non-deposit products. The Chilean system, however, was unique as amount protected extended to the whole of all institutions.

More than half of the surveyed systems covered deposits denominated in foreign currencies.<sup>5</sup> As well, it was revealed that some country systems were implementing some form of co-insurance.<sup>6</sup>

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<sup>3</sup> Among 27 country systems that responded to this question, 14 systems revealed "pay-box" type mandates (Brazil, Denmark, France, Portugal, Sweden, etc.), while the rest had broader mandates (Canada, Chile, USA, etc.). In some systems, such as Korea, Japan, Mexico, and Taiwan, mandates have been strengthened considerably during the recent decade.

<sup>4</sup> Among the 48 survey respondents, most country systems were established as governmental entities, while few country systems were private entities with government backing or completely private entities. Country systems such as Canada, Italy, Norway, Spain, etc. have varied governance arrangements in each financial sub-sector.

<sup>5</sup> Those are the country systems such as Bulgaria, Chile, Greece, Iceland, Jamaica, Macedonia, Mexico, Philippines, Poland, Romania, Spain, Sweden, U.K., USA, and so forth.

<sup>6</sup> Among the survey respondents, "co-insurance" was adopted by systems such as Chile, Czech Republic, Lithuania, Poland, and the U.K.



### *Funding & fund management*

Funding is provided in many different ways. Such arrangements include government appropriations, levies, premiums assessed against member banks, government/market borrowing or a combination thereof. The funding methods are generally classified into two categories; one is ex-ante funding in which a deposit insurer collects a premium after the estimation of the predicted losses of the deposit insurance fund. The other is ex-post funding in which the deposit insurer imposes the amount needed after the failure of an insured institution. The majority of systems surveyed charge premiums (ex ante) as a way to build up a fund but retain the authority to charge levies or impose other charges on their members, if required. Other systems preferred to rely on ex-post levies.<sup>7</sup>

In a large number of cases, the deposit insurer was provided with the ability to secure funding for liquidity purposes from governments, its members or directly from the capital markets.

Deposit insurers collecting insurance premiums on deposit in member financial institutions usually choose between adopting a flat-rate premium system or a differentiated premium system. While flat-rate premiums were the most common form of application, the use of differentiated premium systems is becoming increasingly prevalent, according to the survey.<sup>8</sup>

### *Others*

The survey also contains relatively broad and comprehensive information on reimbursement mechanism, public information and awareness, failure resolution, claims & recoveries, etc. in comparison with other surveys fulfilled with respect to deposit insurance system.

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<sup>7</sup> Among the survey respondents, Chile and Slovenia have adopted only ex-post funding.

<sup>8</sup> For a number of reasons, some of which include having experienced several financial crises in the 1980s and 1990s, systems in Argentina, Canada, Colombia, Finland, France, Portugal, Romania, Taiwan, Turkey, and the USA started to adopt a differentiated or risk-based premium system.



### Where to find it?

The IDIS is found on the **IADI** website: [International Deposit Insurance Survey](#).

### What is being done to improve it?

In order to ensure that this international survey remains a valuable tool for practitioners and researchers and continues to be a database for enhancing awareness about deposit insurance systems around the world, there is a need to increase the level of active participation in the survey from all deposit insurers.

A subcommittee of the Research and Guidance Committee of the **IADI** is working on a proposal to catalogue and search the IDIS database and it is also working on a better process of co-ordinating information requests from the IADI Members when developing guidance papers. IT software is being developed for on-line information in the IDIS and that software is expected to be available later this year.

This newsletter was issued on 19 June 2006.

Editor: Gye Hwang Cho  
Visiting Researcher, Secretariat Member  
International Association of Deposit Insurers  
Tel: +41 (61) 280 92 54 (Basel, Switzerland)  
Fax: +41 (61) 280 95 54  
E-mail [GyeHwang.Cho@iadi.org](mailto:GyeHwang.Cho@iadi.org)      [www.iadi.org](http://www.iadi.org)

Layout & Design: Mark Lindsay  
E-mail: [marklindsay@iadi.org](mailto:marklindsay@iadi.org)