

What's New at IADI?

Volume 2, Issue 13

June 2004

Highlights

Preliminary Program for Third Annual IADI Conference is Now Available

Member Profile on Deposit Insurance Corporation (Trinidad and Tobago)

IADI Africa Regional Meeting and Conference:

Deposit Insurance in Africa: Issues, Challenges and Prospects Hosted by the Nigeria Deposit Insurance Corporation 21 – 23 June in Abuja, Nigeria

THIRD ANNUAL IADI CONFERENCE (Preliminary Program)

Assembling the Tool Kit for Deposit Insurers

26-27 October 2004

Chair : Charles Cornut

Président du Directoire

Fonds de Garantie des Dépôts

France

Location:

Hotel Waldstaetterhof

Brunnen (Vierwaldstaettersee/Lake Lucerne)

Switzerland

Tuesday, October 26, 2004

9.00a.m. **Opening session**

Call to order

John Raymond LaBrosse

Secretary General

Welcome Remarks

Charles Cornut

Chair of the 2004 IADI Conference

9.10a.m. Keynote Address

Jean Pierre Sabourin

Chair of the Executive Council and President

International Association of Deposit Insurers

9.30a.m. **Session 1: Results of the APEC Policy Dialogue on Deposit Insurance and Insolvency work at the World Bank**

This session will focus on the policy advice that emerged from the APEC Policy Dialogue dealing with indemnification, prompt action and legal trigger mechanisms.

Moderator: Hans Jacobson, Chairman, Deposit Guarantee Board, Sweden

Presentation 1: David K. Walker, Director, Policy and International, Canada Deposit Insurance Corporation

Presentation 2: Professor Joe Norton, Centre for Commercial Law Studies, University of London

Presentation 3: Neslihan Özdemir (invited), Banking Regulation and Supervision Agency of Turkish Republic

10.30a.m. Coffee break

11.00a.m. **Session II: Insolvency Issues and the Role of Deposit Insurers**

This Panel will discuss some recent work by INSOL on deposit insurance and address practical approaches to minimize loss to the deposit insurer in the event of insolvency.

Moderator: Christine Cumming, First Vice President, Federal Reserve Bank of New York

Presentation 1: Gale Rubenstein, Partner, Goodmans LLP, Toronto, Canada

Presentation 2: Robert O. Sanderson, President, KPMG Inc., Toronto, Canada

Presentation 3: "World Trends in Bank Insolvencies" by Philip Wood, Professor of Law, Global Counsel, Allen & Overy, London, United Kingdom

1.00p.m. Lunch

2.30p.m. **Session III: Dealing with Bank Failures**

Moderator: Oscar Armando Pérez Merino, Chairman, Instituto de Garantía de Depósitos (El Salvador)

Presentation 1: Ernesto Aguirre (Invited), Manager, Banking Regulation, The World Bank, Washington, D.C.

Presentation 2: Case Study on a large Bank, Miguel Browne (invited), Federal Deposit Insurance Corporation, Washington, D.C.

Presentation 3: Juan Pablo Córdoba Garcés, Director, Fondo de Garantías de Entidades Financieras (Colombia), Case study of a small bank.

Discussant: Gi Don Kim, Director General, Research Department, Korea Deposit Insurance Corporation

3.45p.m. Coffee Break

4.15p.m. **Session IV: Guidance on Bank Resolutions**

Moderator: Chin-Tsair Tsay

Chairman of the Board, Central Deposit Insurance Corporation, and

Chair, Research and Guidance Committee, Sub-group on Bank Resolutions

Presenter: Michael W. Mackey, Partner and Global Leader, Financial Institution Restructuring Services Group, Deloitte & Touche LLP

Other Presenters:

Carlos Isoard, Instituto para la Protección al Ahorro Bancario

Dániel Jánossy, National Deposit Insurance Fund of Hungary

Mohammed Al-Jafari, Deposit Insurance Corporation (Jordan)

Ganiyu A. Ogunleye, Nigeria Deposit Insurance Corporation

5.30p.m. Session ends

7.00p.m. Reception

7.30p.m. **Keynote Speech: "Enterprise Risk Management"**

Herman Mulder, Senior Executive Vice President, Group Risk Management,

ABN AMRO Bank N.V., Amsterdam

Introduction by Charles Cornut

8.00p.m. Dinner

Wednesday, October 27, 2004

8.30a.m. **Session V: Technical Assistance: Where can you get help?**

This session will focus on where deposit insurers can obtain financial assistance to help them obtain technical assistance. BearingPoint and IADI will solicit the participation from representatives from international funding institutions.

Moderator: James B. Rives, Managing Director, Barents Group, BearingPoint, Inc.

9.30a.m. **Special Session VI "Strategic Planning"**

Moderator: John Raymond LaBrosse, Secretary General, International Association of Deposit Insurers.

Presentation 1: Keith Adam, Director, Corporate Strategy and Reporting, Canada Deposit Insurance Corporation

10.15a.m. Coffee Break

Presentation 2: Junior Frederick, General Manager, Deposit Insurance Corporation, Trinidad & Tobago.

Presentation 3: Winston Carr, Chief Executive Officer, Jamaica Deposit Insurance Corporation

11.00a.m. **Session VII: Cross-Border Issues: Implications for Deposit Insurers**

Moderator: Gavin Bingham, Secretary General of the Group of Ten

Presentation 1: Anthony Beaves, Senior Legal Advisor, Bank of England, London, United Kingdom

Presentation 2: Neil Cooper, Partner, Corporate Advisory and Restructuring, Kroll Worldwide, London, United Kingdom

- Presentation 3: Eva Hüpkes**, Head of Regulation, Legal Department, Swiss Federal Banking Commission, Bern
- 1.00p.m. Lunch
Update on IADI activities
John Raymond LaBrosse, Secretary General
- 1.55p.m. **Closing Remarks**
Jean Pierre Sabourin
- 3.00p.m. **IADI Third Annual IADI General Meeting**
- 5.00.p.m. **AGM ends**

Member Profile

Deposit Insurance Corporation (Trinidad and Tobago)



A founding Member of IADI

The Deposit Insurance Fund was established in 1986 by an amendment to the Central Bank Act. The Deposit Insurance Corporation is responsible for the management and administration of the Fund. The Fund provides protection to depositors who hold deposits payable in Trinidad and Tobago dollars at financial institutions licensed by the Central Bank of Trinidad and Tobago. Membership is mandatory. At present, there are twenty three member institutions of the Fund including six commercial banks. Insurance coverage is limited to TT\$50,000.00 (approximately US\$8,000.00) per depositor per institution.

Management Structure

The Act provides for the Fund to be administered by a five (5) member Board of Management appointed by the Minister of Finance. Two (2) members represent the Central Bank and one (1) represents the Minister of Finance. The requirements for the two (2) other appointees are that they must have knowledge and experience in banking, commerce, accounting, insurance or law. The chief executive of the Corporation is the General Manager who reports to the Board of Management.

Sources of Funding

The two main sources of the Corporation's funding are:

- (a) Compulsory contributions from Fund members and the Central Bank in the form of:
 - (i) Initial contributions paid by all commercial banks and financial institutions when the Fund was first established in 1986. An initial contribution is also payable by an institution licensed for the first time. The Central Bank is required to pay a matching contribution into the Fund for a newly licensed institution

- (ii) Annual premiums payable by all members.
- (iii) Special contributions which may be levied on members if in the opinion of the Corporation the Fund has made or is likely to make payment to depositors which has exhausted or is likely to exhaust the Fund.
The Central Bank is required to pay a matching special contribution.

(b) Investment income from its portfolio of investments.

Investment Activities

The investment activities of the Corporation are governed by the enabling legislation (“... accumulate, manage and invest funds collected”) and by a formal policy document approved by the Board of Management. The primary responsibility for investment rests with the Board of Management, to whom an Investment Committee (which includes three Board members) and the executive management report. The Corporation’s investment portfolio consists of mainly Trinidad and Tobago Government securities.

Liquidation Activities

Under the Act, the Corporation may be appointed liquidator of an insolvent financial institution. Since implementation of the scheme in Trinidad and Tobago, eight (8) financial institutions have been closed and the Corporation has been appointed liquidator in all cases.



Offices of the DIC



Junior Frederick, General Manager DIC

Relationship between the Deposit Insurance Corporation and the Central Bank

The Corporation is a separate entity from the Central Bank. However, there are several statutory provisions, which set out the relationship that is to exist between the two institutions. These are as follows:

(a) Capital Contribution and the Payment of Matching Contributions

The Central Bank is the only contributor to the authorised capital of the Corporation. The Central Bank also pays into the Fund the equivalent of any initial contributions or special contributions made by member institutions. Provision is made for premium rates to be set by the Minister of Finance after consultation with the Central Bank. At present, premiums and contributions are

levied using a flat rate with reference to deposit liabilities held by the institution at pre-established dates.

(b) Representation on the Board of Management

The Central Bank is represented by two members on the Board of Management.

(c) Staffing and provision of services

The Corporation may enter into an agreement with the Central Bank for the secondment of staff and the provision of services.

(d) Triggering of insurance payments

Deposit insurance is payable only where Central Bank has closed an institution as a result of financial difficulties, and the Corporation is so advised by the Central Bank.

(e) Information sharing and collaboration

The Corporation can be provided with reports of the Inspector of Banks at the discretion of the Governor of the Central Bank. The Central Bank and the Corporation can also collaborate in matters relating to the suspension, closure or restructuring of a member institution of the Fund.

IADI Africa Regional Meeting and Conference

Deposit Insurance in Africa: Issues, Challenges and Prospects

Hosted by the **Nigeria Deposit Insurance Corporation**

21 – 23 June in Abuja, Nigeria

What's New in Your World?

Hong Kong

The Hong Kong Monetary Authority has informed us that legislation has been enacted to establish a deposit insurance scheme. Raymond Li, Executive Director (Banking Development) has extended his appreciation to Jean Pierre Sabourin and Canada Deposit Insurance Corporation for the invaluable advice and assistance that was provided over the past years. The experience shared has greatly enhanced their readiness in implementing the deposit insurance scheme in Hong Kong.

Bulgaria

Mileti Mladenov, Guarantee Fund - Civil (3rd Party) Liability Insurance, Bulgaria (a former member of the IADI Executive Council) has written a book on deposit insurance in Bulgarian. The book is entitled "Financial Safety Nets" and it draws heavily on many international sources of information, including FSF and IADI publications. Mileti notes that ideas that we are sharing about deposit insurance systems are taking more and more space in libraries around the world.

REGIONAL VISITS:

Strengthening the Spirit of Mutual Cooperation and Understanding KDIC, DICJ and CDIC

Korea Deposit Insurance Corporation (KDIC) visits Japan and Taiwan to boost regional cooperation.

Fellow members and other participants of the International Association of Deposit Insurers (IADI) may be interested to hear that our Far Eastern members have engaged in mutual talks to find ways of providing information and support across a number of interest areas. During the week of June 7~11, the **Korea Deposit Insurance Corporation**, represented by Vice Chairman Seok-Won Kim, made visits

to the **Central Deposit Insurance Corporation (Taiwan)** and the **Deposit Insurance Corporation of Japan (DICJ)** to hold discussions on a wide range of issues.



From left to right:

Mr. Hakaru Hirose (Deputy Governor, DICJ),
Mr. Seok-Won Kim (Vice President, KDIC),
Mr. Noboru Matsuda (Governor, DICJ),
Mr. Seungsung Suh (Head International Affairs, KDIC)



From left to right:

Mr. Seungsung Suh (Head International Affairs, KDIC),
Mr. Johnson Chen (President, CDIC),
Mr. Seok-Won Kim (Vice President, KDIC),
Mr. Chin-Tsair Tsay (Chairman, CDIC)

The main topic of discussion concerned the holding of a joint workshop on the subject of techniques and experiences related to pursuing responsibilities and liabilities on former management of failed financial institutions and their devious debtors in the final quarter of 2004. The general consensus reached was that the workshop should focus on hearing the actual experiences of practitioners from each organization. It is hoped that with time, this small-scale workshop can be broadened to encompass a larger audience in the region.

The three members also pledged to provide their sincere and enthusiastic support to the future activities of the IADI.

All in all, the meetings provided an opportunity for formal and informal debate that is sure to help promote a spirit of mutual cooperation in the days to come.

IADI

Jean Pierre Sabourin and Roumyana Markova will speak at an International Conference on "Measures to Improve Confidence in the Banking System" which will be held in Bishkek City, Kyrgyz Republic, 1-2 July 2004. The purpose of the Conference is to share the experience on economic reforms, reforms in the banking sector with CIS, Central and Eastern Europe and development prospects for improving confidence in the banking sector.

Ray LaBrosse will speak at the upcoming conference entitled **Banking and Finance in Central, Eastern and SE Europe, Russia and the CIS: 2004 and Beyond** which will take place from 6 – 7 July 2004 in Brussels. More information on this Conference can be obtained from the European Finance Convention Foundation on their web-site: <http://www.euroconvention.com>.

PUBLICATIONS:

You may find the following articles of interest:

International Monetary Fund

Working Paper No. 04/89: Does Regulatory Governance Matter for Financial System Stability? An Empirical Analysis

<http://www.imf.org/external/pubs/cat/longres.cfm?sk=17410.0>

Bank for International Settlements

[Jean-Claude Trichet: The international financial architecture - where do we stand? \(Central Bank Articles and Speeches\)](#) (18.06.2004 16:12) - PDF, 83851 bytes

Speech by Mr Jean-Claude Trichet, President of the European Central Bank, at the Conference "Dollars, Debt and Deficits - 60 Years after Bretton Woods", Madrid, 14 June 2004.

<http://www.bis.org/review/r040618d.pdf>

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This newsletter was issued on 22 June 2004. Want to share your expertise? To submit articles or items for consideration for a future issue please send them to info@iadi.org by 15 July 2004.