



What's New at IADI ?

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Here We Grow Again! Participants Update

During the past year we added a number of Participants to IADI. There are now 32 Members, 10 Associates, and 3 Observers, and there are more to come soon! Here are the logos of the organizations that have joined IADI since the Constituent Meeting that was held on 6 May 2002:

Members

**Deposit Insurance Agency of
Bosnia and Herzegovina**



Deposit Insurance of Vietnam



BẢO HIỂM TIỀN GỬI VIỆT NAM
DEPOSIT INSURANCE OF VIETNAM

Fondo de Garantía de Depósitos y Protección Bancaria (Fogade) of Venezuela



FOGADE

Fondo de Garantía de Depósitos y Protección Bancaria

Fondo de Garantías de Instituciones (Colombia)



FOGAFIN

FONDO DE GARANTÍAS DE INSTITUCIONES FINANCIERAS

Ministerio de Hacienda y Crédito Público
República de Colombia

www.fogafin.gov.co

Albanian Deposit Insurance Agency



CJSC Kazakhstan Deposit Insurance Fund



Deposit Insurance Board (Tanzania)



Associates

Bank of Mongolia



Monetary Authority of Singapore



Observers

BearingPoint



Partners

International Monetary Fund



European Bank for Reconstruction and Development



The Toronto International Leadership Centre for Financial Sector Supervision



European Forum for Deposit Insurers

IADI Presents at IDB Seminar on Financial Safety Nets

IADI presented at the Inter-American Development Bank Seminar on Financial Safety Nets and Regional Integration in Latin America and the Caribbean which took place on Tuesday 9 September 2003 in Washington, D.C.

Carlos Isoard, Chair of the IADI's Latin American regional committee led off the conference with a presentation on financial safety nets and an account of where we stand. As well, George Hanc, Chair of IADI's Research and Guidance Committee commented in Session 4, on the NAFTA experience with integration and the resolution of banking problems.

In a message to Ray LaBrosse here is what they said about working with IADI;

“In the name of the organizers, I would like to thank you for your participation in the seminar on financial safety nets and regional integration and for your help during the organization of the event. The support of IADI has been very important for the success of the meeting. “

Josefina Monteagudo , Economist, Integration, Trade, and Hemispheric Issues Division, Inter-American Development Bank

IADI to Present at CDIC Symposium on Financial Risk Management and Crisis Resolution

The President and Chairman of the Executive Council, J.P. Sabourin, has been invited to address a Symposium organized by the Central Deposit Insurance Corporation which will be held in Taipei, Taiwan on 27 October 2003. The Symposium will also include presentations by John Raymond LaBrosse, Secretary General of IADI, and David Walker, Director, Policy and International Affairs, Canada Deposit Insurance Corporation.

Caribbean Regional Meeting

As reported in an earlier issue of this Newsletter, IADI's Caribbean Committee held a meeting in Kingston, Jamaica. Here is a photo from that event:



New Secretary General Named for Basel Committee

Ryozo Himino of Japan's Financial Services Agency will become Secretary General of the Bank for International Settlement's Basel Committee. He will succeed Danièle Nouy who will become Secretary General of the French Commission Bancaire.

Asia's Emerging Markets: a Growing Force in the World Economy

Remarks of Horst Köhler, Managing Director of the International Monetary Fund, 3 September 2003.

“The emerging market economies of Asia remain a bright spot in the global picture. With the SARS outbreak brought under control, we expect economic growth to remain close to 6 per cent in 2003, and strengthen somewhat in 2004. Timely macroeconomic stimulus and decisive policy action by governments across the region have helped sustain the pace of economic activity. By the way, I see the Joint Declaration on SARS by Asian Heads of State as a good example of a growing spirit of regional cooperation. In sum, Asia is poised once again to grow faster than any other region in the world.” You can read the full speech by going to the following location:

<http://www.imf.org/external/np/speeches/2003/090303.htm>

IMF Issues Global Stability Report

First launched in March 2002, the Global Stability Report provides a regular assessment of global financial markets and identifies potential systemic weaknesses that could lead to crises. By calling attention to potential fault lines in the global financial system, the report seeks to play a role in preventing crises before they erupt, thereby contributing to global financial stability and sustained economic growth of the IMF's member countries. You may find the full report that was issued this month at the following location: <http://www.imf.org/External/Pubs/FT/GFSR/2003/02/index.htm>.

Canada Deposit Insurance Corporation to Chair APEC Policy Dialogue on Deposit Insurance

Jean Pierre Sabourin has been asked to chair a Policy Dialogue on Deposit Insurance which will be held in Kuala Lumpur on 26 and 27 January 2004 in co-operation with Bank Negara Malaysia. Further details and invitations will be coming soon. This Policy Dialogue will be followed by a Policy Dialogue on Financial Disclosure co-chaired by the Reserve Bank of New Zealand and the Ministry of Finance, Chile.

Australia Responds to Royal Commission Report

The Australian Government's final response to the HIH Royal Commission has been published and it can be accessed using the following link:

<http://www.treasurer.gov.au/tsr/content/pressreleases/2003/082.asp>

One of the Royal Commissioner's recommendations, number 61, suggested that the Government implement an insurance policy holder protection scheme - to protect insured against the failure of an insurance company to meet its policy liabilities. The Government of Australia considers that the appropriateness of such arrangements needs to be considered in terms of their possible financial system-wide impacts and consequences for the design of the regulatory framework. Moreover, the precise design of any guarantee, its incentive properties and its associated financial costs warrant close consideration.

The Australian Government has decided to engage Professor Kevin Davis, Professor of Finance, The University of Melbourne to lead a technical study of financial system guarantees. A secretariat, comprising officials from the Treasury, Reserve Bank of Australia and Australian Prudential Regulation Authority will be supporting Professor Davis throughout the study. Following the study, it is proposed to conduct a public consultation process on possible policy options.

Further information, including the terms of reference for the study, is available at the following website:

<http://fsgstudy.treasury.gov.au/content/default.asp>

Market Discipline: The Evidence across Countries and Industries

This conference is cosponsored by the Bank for International Settlements and the Federal Reserve Bank of Chicago on 30 October – 1 November 2003. This is the sixth in a series of international conferences focusing on current issues in global economies and will feature internationally recognized speakers from different countries. The conference will be held at the Federal Reserve Bank of Chicago. You can get program and registration information at the following location:

http://www.chicagofed.org/newsandevents/bis/market_discipline.cfm

Member Profile – Central Deposit Insurance Corporation (Taiwan)



The Central Deposit Insurance Corporation (CDIC) was established, pursuant to the *Deposit Insurance Act*, on 27 September 1985, as the sole institution in Taiwan charged exclusively with the provision of deposit insurance. It is one of the financial safety net players in Taiwan. The policy goals of CDIC in providing deposit insurance are to safeguard the benefits of depositors in financial institutions, promote savings, maintain an orderly credit system, and enhance the sound development of financial operations. CDIC currently has about 300 employees.

The major areas of CDIC's business are as follows:

- **Deposit Insurance**

A. Membership: In order to enhance financial stability and facilitate the orderly exit of insolvent financial institutions from the market, participation in deposit insurance that was formerly administered on a voluntary basis has been made mandatory since 1999

B. Coverage: NT\$1 million (US\$29,269).

C. Premium: Implementing risk-based premium system since July 1999, by adopting capital adequacy ratio and composite score of the early warning system (a CAMELS system) as indicators of risk.

D. Funding source: Including initial capital, assessment income, income generated from the Deposit Insurance Fund, and special financial accommodation from the Central Bank.

- **On-site Examination:**

CDIC currently handles the financial examinations of some commercial banks, trust and investment companies, and all community financial institutions.

- **Off-site Monitoring:**

CDIC has established National Financial Early Warning System, real-time on-line monitoring system, account officer system, etc. CDIC also continuously carries out follow-up evaluation in reference to the results of the on-site examinations.

- **Handling Problem Financial Institutions:**

CDIC will dispatch personnel to the institutions under assistance, supervision or conservatorship. It is also the legal receiver of the failed financial institutions. Its disposition methods for the problem financial institutions include:

1. Provision of financial assistance
2. Straight pay-outs
3. Insured deposit transfers
4. Purchase & assumption
5. Bridge bank

In order to prevent the regional financial crisis, the government on 9 July 2001 set up the Financial Restructuring Fund with a budget of NT\$140 billion (US\$4 billion). A temporary blanket guarantee has been provided for a period of three years. CDIC has since served as the Fund's executive agency for implementing financial reform by disposing of problem financial institutions and their NPLs. Up to now, CDIC has successfully disposed of 44 community financial institutions via P&A and thus enabled them to smoothly withdraw from the market. The government is currently seeking the National Assembly's approval for more funds to further resolve the NPL and over-banking problems.

Note: US\$1.00=NT\$34.165 (on 31 August 2003)

What is happening in your world?

Canada

Canada Deposit Insurance Corporation will be holding an **“International Open House”** from 10 to 14 November 2003. Presentations will cover key elements and essential attributes of the Canadian deposit insurance system with a particular focus on structure and organization, funding, differential premiums and legal issues in closure. The program also includes presentations on the Canadian supervisory system by the **Office of the Superintendent of Financial Institutions**.

If you would like to attend please contact Kyla Denault (kdenault@cdic.ca)

Trinidad & Tobago

In the “people-helping-people” area here is a photo of Keith Adam from Canada Deposit Insurance Corporation during a recent visit to Trinidad & Tobago where he worked with Junior Frederick and his team in a strategic planning session.



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This newsletter was issued on 23 October 2003. Want to share your expertise? To submit articles or items for consideration for the next issue please send them to info@iadi.org by 14 November 2003.