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Public Awareness of Deposit Insurance Systems

Guidance Paper

Prepared by the Research and Guidance Committee
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I. EXECUTIVE SUMMARY

The mission of the International Association of Deposit Insurers (IADI) is to contribute to the enhancement of deposit insurance effectiveness by promoting guidance and international cooperation. Its vision is to share its deposit insurance expertise with the world. As part of its work, the IADI undertakes research and consults widely to provide guidance on deposit insurance matters. IADI guidance is designed for deposit insurance practitioners and other interested parties, and is based on the judgment of IADI members, associates, and observers.

Financial system stability is a key component of a healthy economy and contributes directly to economic growth and development. An effective deposit insurance system is one of the pillars of a sound financial system and public confidence in the system. Public awareness of deposit insurance—its existence and how it works—plays a significant role in underpinning a sound deposit insurance system.

After extensive research and public consultation IADI has developed the following guidance that should be adopted to effectively promote public awareness of deposit insurance systems.¹ The guidance, in the form of core principles and supporting guidance points, is reflective of and adaptable to a broad range of differing country circumstances and settings. They are intended as a voluntary framework and national authorities are free to put in place supplementary measures that they deem necessary to achieve effective deposit insurance in their jurisdictions.²

IADI Core Principle: Public Awareness

In order for a deposit insurance system to be effective it is essential that the public be informed about the benefits and limitations of the deposit insurance system. The characteristics of a deposit insurance system should be publicized regularly to maintain and strengthen public confidence.

All deposit insurers should promote public awareness about the deposit insurance system on an ongoing basis. The major goals of a public awareness program are for the deposit insurer to accomplish its public

¹ The guidance was developed from the work of the IADI Subcommittee on Developing General Guidance for Public Awareness of Deposit Insurance Systems. The Subcommittee was comprised of deposit insurers from Taiwan (chair), France, Hungary, Malaysia, Mexico, the Philippines, Russia, Turkey and Uruguay. The Subcommittee's discussion paper can be found at: www.iadi.org

² For more information on the development of the Core Principles and Effective Practices refer to: Strategic Plan for the Development and Promotion of IADI Research, Guidance and Core Principles, Basel 2008: www.iadi.org

policy objectives and enhance the effectiveness of a deposit insurance system through public education to promote the stability of the financial system. The objectives of the public awareness program should be clearly set out and consistent with the public policy objectives and mandate of a deposit insurer.³

Supporting Guidance Points

- 1.** Deposit insurers should build credibility with depositors and stakeholders.
- 2.** Deposit insurers should clearly define the principal target audience groups and subgroups.
- 3.** Information that may affect depositors' savings should be integrated into a public awareness program.
- 4.** A deposit insurer should employ a wide variety of tools and channels of communication to ensure that its messages are conveyed to the target audience.
- 5.** A deposit insurer should make budget allocations to build and maintain the desired level of public awareness about deposit insurance among the target audience.
- 6.** A deposit insurer should consider using external public relations and branding expertise to supplement internal expertise and maximize the effectiveness of the public awareness program.
- 7.** It is an effective practice for a deposit insurer to conduct a regular, independent evaluation of awareness levels.
- 8.** If a country is transitioning from a blanket guarantee to a limited coverage deposit insurance system, public awareness activities should begin as early as possible.
- 9.** A deposit insurer should develop a crisis management and public awareness program ahead of time to address potential crises.
- 10.** A deposit insurer should require member institutions by law to promote information about deposit insurance.
- 11.** A deposit insurer should develop strategic partnerships for public awareness programs with other safety net players to ensure consistency in the information provided and maximize the synergies.

³ See IADI Core Principles for Effective Deposit Insurance Systems, Principle #13, International Association of Deposit Insurers, Basel 2008: www.iadi.org

II. INTRODUCTION

The International Association of Deposit Insurers (IADI) was established in 2002 with a vision to share deposit insurance expertise with the world. The IADI undertakes research projects on deposit insurance issues and provides guidance to improve the effectiveness of deposit insurance systems.

Deposit insurance systems aim to protect depositors and maintain financial stability; thus, public confidence in these systems is very important. A successful public awareness program can convey accurate messages and build trust among depositors.

The existence of an effective deposit insurance system will help promote rational behavior in the face of an imminent bank closure. A high level of confidence in the system can help mitigate bank runs; thus, a high level of public awareness about deposit insurance and its benefits and limitations is crucial.

For consumers whose deposits exceed the limits of deposit insurance, public awareness activities can encourage them to mitigate their exposure by ensuring that their deposits are fully insured or to closely monitor the health of their financial institution, thereby promoting market discipline.

III. RESEARCH OBJECTIVES AND METHODOLOGY

This paper discusses the importance and objectives of a public awareness program for deposit insurance systems and considers how such a program can contribute to the effectiveness of a deposit insurer. Several aspects of a comprehensive public awareness program are considered that will maximize the effectiveness and efficiency of the program.⁴

The paper was developed with input from IADI members, associates, and observers, as well as the experiences of deposit insurers who conduct public awareness programs.⁵ It includes survey responses from specific IADI members and draws on relevant literature on the subject. The information derived from survey responses reflects each respondent's judgment and experience. Information was also obtained from an earlier survey on the subject and from websites and annual reports of IADI members.

4 The members of the IADI Subcommittee on Developing General Guidance for Public Awareness of Deposit Insurance Systems are deposit insurers from Taiwan (chair), France, Hungary, Malaysia, Mexico, the Philippines, Russia, Turkey, and Uruguay.

5 Subcommittee members described public awareness campaigns for their respective deposit insurance systems.

IV. OBJECTIVES OF A PUBLIC AWARENESS PROGRAM

The ultimate goal of a public awareness program is to enhance the effectiveness of a deposit insurance system. The Financial Stability Forum (FSF) Working Group on Deposit Insurance stressed in its report *Guidance for Developing Effective Deposit Insurance Systems*⁶ that educating the public about the benefits and limitations of a deposit insurance system is key to the effectiveness of the system.

A. Enhancing the Effectiveness of a Deposit Insurance System

An effective deposit insurance system has many features, including aligned mandates and powers, appropriate coverage, adequate funding, efficient resolution and reimbursement, transparency, accountability, and a credible image. However, the best system will not achieve its objectives if stakeholders are unaware of its existence or unclear about the terms and conditions of coverage.

A successful public awareness program should be designed to build public confidence in the deposit insurance system and the safety and soundness of the financial system. Additional programs may be designed to achieve complementary and supportive objectives, including building the credibility and authority of the deposit insurer, building visibility, enhancing public awareness of the benefits and limitations of the deposit insurance system, achieving stakeholder acceptance, and enhancing stakeholder awareness. A good public awareness program sends the right messages, educates its target audience, changes perceptions and behaviors, and builds a positive and credible brand image for the systems and insurers, thereby enhancing financial stability.

In planning a public awareness program, a deposit insurer can also develop its brand or corporate identity. Organizations have unique identities that are increasingly being developed as valuable assets. The benefits to deposit insurers of successful branding include goodwill, respect, and credibility as the organization for depositor protection.

1. Building acceptance

Before introducing a deposit insurance system, an organization should familiarize stakeholders with the concept of deposit insurance and how it works, as well as the effectiveness of deposit insurance systems in promoting

6 Financial Stability Forum, 2001a, p. 29.

financial stability worldwide. During the pre-establishment phase, the organization should provide information on deposit insurance systems to lawmakers and others to facilitate the establishment of such a system and the related legislation.⁷ Policymakers should consider public consultations with key stakeholders. Public feedback can help policymakers tailor the system to local conditions and adopt effective practices that are in use elsewhere.⁸ In addition to enhancing public awareness, a public consultation process is a consensus-building mechanism.

From the beginning, a newly established deposit insurance organization should promote awareness about the deposit insurance system and highlight its benefits and limitations. The public must understand how the system works so there are no expectation gaps. Awareness also enhances public confidence, which is especially critical in countries with a history of financial crises or bank failures.

2. Enhancing the level of stakeholder awareness

Public awareness must be sustained. Deposit insurers can increase the level of public awareness by providing more information and extending or broadening the target audience. Public awareness can also help in building a corporate image of professionalism and efficiency.

Engagement and feedback must be ongoing to ensure that the public awareness program remains relevant and effective. It is also vital that deposit insurers use the right channels to reach their target audiences and that they sustain an effective level of connection.

Internal communication is equally important. Employees of deposit insurance organizations are major channels for promoting the brand image and communicating with the external audience.⁹ Effective internal communication aligned with the public awareness program will ensure consistent and appropriate messages.

7 The Central bank of Malaysia, which managed the project to establish the deposit insurance system in Malaysia, featured general articles about deposit insurance in its annual report for two consecutive years.

8 Before Hong Kong officially developed a deposit insurance system, the Hong Kong Monetary Authority undertook two rounds of public consultations on how to enhance deposit protection in Hong Kong.

9 A brand is created in the mind of a stakeholder. Some experiences can be controlled—such as retail environments, advertising, products/services, and websites. Others—such as media comment and word of mouth—cannot. Strong brands arise from consistent experiences that combine to form a clear overall brand experience (www.brandchannel.com/education_glossary.asp).

3. Building public confidence in the deposit insurance and banking system

Public awareness programs should continue after the deposit insurance system has been established. The objectives of these programs might include building the credibility, authority, and reputation of the deposit insurer as a well-managed and well-governed organization capable of fulfilling its depositor protection mandate and making deposit insurance payments in the event of a bank failure.

While a good public awareness program complements and reinforces the operations of a deposit insurance system, it is not a panacea. Public confidence is largely built through depositors' experience with the insurer, often through prompt payouts. This relationship can easily be destroyed by one faulty or inefficient payout experience, no matter how effective the public awareness campaign has been.¹⁰ On the other hand, even if the public has had positive experiences with payouts, deposit insurers should continue to sustain public awareness programs to maintain the desired level of visibility with target audiences.

B. Reinforcing Consumer Protection

Some deposit insurers say public awareness should be promoted from the perspective of consumer protection. As a bank customer, a depositor has the right to be informed and educated about matters related to deposit insurance as they affect access to savings not covered under the deposit insurance limit.

Some deposit insurers have already shifted the focus of their public awareness campaigns from promoting awareness of the deposit insurance system to promoting safe banking practices to protect depositors. This shift in focus entails the provision of accurate information and the financial education of depositors. A well-informed public is less susceptible to rumors, and public confidence in the safety of deposits is a powerful force in preventing bank runs. Also, consumers who are financially informed and know their rights can impose additional discipline on the banking system.¹¹

Consumer protection is a broad concept that involves other financial safety net players, especially in countries that do not have a single agency in charge of consumer protection programs. Coordination and collaboration among safety net players is crucial.

¹⁰ Word of mouth is very powerful. The rule of thumb is that one unhappy depositor will spread the word to another 10 depositors, and no amount of investment in an effective campaign can undo the damage.

¹¹ Lai, 2007.

V. ORGANIZING AN EFFECTIVE PUBLIC AWARENESS CAMPAIGN

In designing a public awareness campaign, the following are among the key considerations: What are the target audience groups and subgroups? What should the core messages be? What frequency and timing will be the most effective?

A. Target Audience

To structure key messages and choose the communication tools, deposit insurers must first identify the principal target audience groups and subgroups, and understand their profiles—the various risk tolerances, attitudes, and perceptions, and the specific issues and barriers related to each group. The insurer should conduct quantitative and qualitative research at the design stage of the campaign to determine awareness levels and perceptions about the deposit insurance system and the insurer itself.

1. General public and depositors

The principal target audience for a public awareness campaign should be depositors and the general public. This audience might include different age groups, such as retirees and students. For example, early deposit insurance education for students could lay the foundation for financial literacy.¹² Some deposit insurers have incorporated deposit insurance education into educational curricula in their countries.¹³

2. Institutional depositors

Institutional depositors are not normally the targets of public awareness campaigns. However, the importance of these depositors should not be overlooked.¹⁴ They can mitigate potential bank risk by depositing uninsured portions of their deposits in different financial institutions and, acting together, can influence the liquidity of the financial market and promote market discipline.

12 Russian, Philippine, and Taiwanese respondents to the IADI Public Awareness of Deposit Insurance Systems survey indicated that students are targeted as important future depositors.

13 Some deposit insurers provide information about the deposit insurance system to departments in colleges and universities, and encourage them to include this subject in the curriculum. Some cooperate with education authorities to integrate basic financial education into the curriculum or in extracurricular activities. The aim is to build a habit of saving and responsible depositing. Campaigns are designed to inform young people of their basic rights and responsibilities as depositors.

14 Jack Biggs and J. Hambric wrote that large depositors are one of four target categories for public education on deposit insurance (Biggs and Hambric, 2006). Other three categories are small depositors, member bank senior management and member bank line managers.

Institutional depositors must assess the performance of the financial institutions in which they place their deposits. They can influence the behavior of financial institutions by dealing with less risky financial institutions or diversifying their portfolios. For these reasons, institutional depositors should be included as target audiences in public awareness campaigns.

3. Member institutions

The financial institutions that make up the deposit insurance system are important players in disseminating information—they offer a prime channel to reach the target audience.

Effective deposit insurers promote the confidence of the public and contribute to the stability of a country's financial system; thus, financial institutions benefit from deposit insurance.¹⁵ Moral hazard is also mitigated if member institutions understand the functions of an effective limited coverage deposit insurance system.¹⁶

Member institutions can become effective partners with deposit insurers in promoting public awareness to two important target groups: front-line employees and senior management. Front-line employees interact daily with depositors; if they understand the deposit insurance system themselves, they can disseminate accurate information to depositors. Well-trained employees who can answer deposit insurance–related questions help maintain confidence among depositors. Senior managers, who are likely to interact with corporate customers, can help disseminate deposit insurance information to institutional depositors.

In deposit insurance systems with mandatory membership, knowledgeable management employees should be aware of the consequences of a flight to quality. Such knowledge promotes risk awareness among member institutions and has implications for bank operations and liquidity management. In deposit insurance systems with voluntary membership, senior management employees of nonmember institutions who are educated on the benefits of the system would be encouraged to join it. Deposit insurance education for managers should include briefings on reporting requirements, premium payment requirements, reporting forms, and the related informational requirements.¹⁷

15 Sabourin, 2007.

16 Moral hazard is defined in the IADI glossary as “the incentive for additional risk taking that is often present in insurance contracts and arises from the fact that parties to the contract are protected against loss” (available at <http://www.iadi.org/glossary.html>).

17 Biggs and Hambric, 2006.

4. Media

The media are not only channels for promoting deposit insurance but also important target audience groups. It is critical to build strong, long-term partnerships with them. They must be knowledgeable about the benefits and limitations of deposit insurance so they can inform the public. A well-informed media can provide balanced reports and counter negative messages about deposit insurance. Deposit insurers should prepare a press kit with accurate information and should constantly update the media on new developments. Regular interaction will result in a two-way feedback system and the communication of accurate information.

5. Legislators and other authorities

Legislators and other authorities involved in the design and establishment of deposit insurance systems should be given adequate information to ensure that the final system is suited to the needs of the country. This information would include salient features of deposit insurance systems, international best practices, and the rationale and implications of every design feature for the deposit insurance system and the financial system. Well-informed legislators are in a position to support amendments to deposit insurance legislation or the development of new policies.

B. Responsible Parties

Ideally, the deposit insurer should be the primary party responsible for promoting public awareness about deposit insurance. However, the insurer should work closely with other financial safety net players, member institutions, and the media to maximize resources and widen the reach of the program.

Financial safety net players share a common objective of maintaining financial stability. It would be helpful if bank supervisors promoted the concept of deposit insurance as part of their broad policy objectives. Collaboration initiatives could include joint public awareness campaigns, coordinated on rotation or as agreed by the parties involved. All players would agree on news releases and public speeches related to the issues, to avoid contradictory or inconsistent messages.

Member institutions should play an active role in communicating the benefits and limitations of a deposit insurance system. Depositors have a special relationship with their banks and rightly expect them to provide accurate information. Some deposit insurers build on this relationship by organizing seminars or workshops to educate employees of member institutions on the features, benefits, and limitations of deposit insurance systems. As mentioned earlier, well-trained employees can promote awareness about deposit insurance and raise depositor confidence. However,

member institutions should be regulated on the use of their membership representation to market deposit products.¹⁸

C. Content

According to a recent survey entitled “Public Relations Activities on Deposit Insurance Systems,” the scope and limits of coverage are important information that should be conveyed to the public.¹⁹ Public awareness programs should cover all deposit insurance information that affects the interests of depositors,²⁰ as well as information or concepts that could enhance market discipline or sound banking practices, such as financial disclosures by member institutions.

The content of a public awareness campaign should take into account the stage of development of the deposit insurance system and the specific needs of the country. In countries with multicultural and multilingual populations, information should be conveyed in various languages or in the language spoken by the majority.²¹

Deposit insurance information to the public should be kept short and simple. All information or messages conveyed by deposit insurers to the public must be consistent and coherent.

Messages should be written in plain language to avoid ambiguity and misinterpretation. At the design stage, messages should focus on the introduction of the deposit insurance system and the level and scope of coverage. Messages that could cause unnecessary alarm among the public should be avoided, as well as those that include information about the performance or supervisory ratings of member institutions.

18 Some countries place strict restrictions on how insured member institutions can use deposit insurance information. For example, Canada issued a “Deposit Insurance Information By-law” in December 1996 that stipulates how insured member institutions should disclose deposit insurance information and display deposit insurance signs in certain areas at every branch office.

19 The survey was conducted by the Deposit Insurance Corporation of Japan (hereinafter, DICJ survey) in April 2006. Valid responses were received from deposit insurers or the competent authority in Canada, China, India, Korea, Malaysia, the Philippines, Taiwan, the United States, and Vietnam. The survey showed that the most commonly publicized messages concern the scope (55.5%) and limit (44.4%) of deposit insurance coverage.

20 Deposit insurance system information includes the benefits and limitations for depositors and for the national financial system, corporate profiles and contact information of deposit insurers, scope of coverage, reimbursement, and claims procedures.

21 For example, all the member institutions of this research subcommittee have a bilingual or multilingual website. Among them, the website of the Malaysia Deposit Insurance Corporation (MDIC) carries four major local languages.

D. Communication Tools

Deposit insurers should aim for the widest reach in the most cost-effective manner. To achieve these goals, the insurer must determine the best times and places to reach the target audience.

A variety of communication tools should be used to achieve the greatest penetration, cutting across different backgrounds and levels of society.²² Factors to take into consideration in determining an effective mix of tools are literacy levels, population size, demographic characteristics of specific target audiences, and budgetary constraints.²³

For consistency, an integrated communications plan should be in place. An effective internal communication program is also required before launching a public awareness campaign.

1. Mass media

Mass media includes television, radio, newspapers, and magazines. Advertising through mass media is usually the most effective way to reach target audiences; however, high cost may be a deterrent. Deposit insurers may need to consider other communications approaches to meet their objectives.

2. Printed materials

Some deposit insurers circulate information through publications such as annual reports, strategic planning handbooks, and lists of Frequently Asked Questions. These publications can cover technical issues regarding deposit insurance as well as a corporate profile of the insurer, including business operations and corporate plans. Such publications are best suited to audiences such as professional bodies.

Annual reports also can be used to highlight the achievements of a deposit insurer, describe its governance practices, and disclose detailed business and financial information. Distribution channels are critical to the success of this type of publication.

Printed materials can be designed in different formats to meet the needs of various target audiences. Regardless of the format, the content must be written in lay language to meet the financial literacy levels of target audiences. The aim is to enable them to learn and remember key points

²² The DICJ survey showed that the most popular communication channels for deposit insurers are leaflets (21.1%), the Internet (15.8%), seminars (13.2%), television and radio (10.5%), video (7.9%), posters (7.9%), call centers (5.3%), and school textbooks (5.3%).

²³ Financial Stability Forum, 2001b, p. 5.

about deposit insurance. Such printed materials are mostly geared toward depositors.

Printed materials can be circulated through the branches of member institutions, distributed at seminars and workshops organized by deposit insurers, or provided to the public on request.

3. Websites

A website to directly communicate with the public is an important tool for an effective public awareness campaign. There are more than 100 deposit insurers around the world, more than 80 percent of which have a website. In addition to disseminating information, a website can be designed to allow online feedback and inquiries from the public on the deposit insurance system. Some websites can also provide an Internet environment suitable for people with special needs—for example, people with visual impairments.²⁴

E-learning modules and interactive forums on a website can be useful tools for public education.²⁵ Websites are also cost-effective, as deposit insurers can post updated information at any time. In the event of a bank failure, a website can be used to facilitate the payout process.

Websites have potential to reach a wide range of target audiences; however, in countries where Internet penetration is low, the usefulness of this avenue of communication may be limited.

4. Lectures and seminars

Some deposit insurers have used lectures and presentations to promote awareness of deposit insurance, with content customized to the needs of the audience. This type of communication works with senior managers and staff of insured institutions, professional bodies, and, sometimes, the general public. Lectures and seminars allow audiences to have direct access to deposit insurers and to provide immediate feedback.

The drawback of this tool is that it can reach only a small number of people at one time, and it is time-consuming and labor-intensive for deposit insurers whose target audiences are spread over large territories or that include multicultural populations.

24 For example, the website of the Central Deposit Insurance Corporation (Taiwan) is accessible by persons with visual impairments.

25 The National Deposit Insurance Fund of Hungary (NDIF) has an e-learning module and a “crisis website”. The crisis website is a pre-arranged module (micro-site) in standby and linked to the main site upon the crisis update is done, and remains in operation until the crisis/reimbursement has been completed. In addition, the website provides several functions related to reimbursement, including online credit reporting for depositors, details of the reimbursement process, and status of individual claims.

In countries with sufficient Internet penetration, webcasting can increase the number of people who can be reached by seminars.²⁶ Another option to increase the effectiveness of a seminar is to invite journalists, so they can disseminate the information in newspapers and magazines.

Some deposit insurers have noted that senior managers of member institutions should not be invited as guest speakers at deposit insurance seminars and workshops, as this might imply that these institutions have received the insurer's imprimatur.

5. Signs and logos

Signs and logos are common tools deposit insurers use to increase public awareness. The logo is a "seal of trust" that can be included in print and electronic communications and posted in banks to remind depositors that they have the protection of the deposit insurance system.²⁷ Some deposit insurers use logos to enhance their corporate image or to gain publicity; for example, by incorporating the logo into corporate souvenirs.

Displaying deposit insurance signs or logos is inexpensive and practical, and member institutions could be asked or required by law to display them. But this method may not reach all target groups; for example, students, whose visits to banks may be infrequent. Furthermore, signs and logos do not contain much information, so they should not be relied on to disseminate deposit insurance information.

A more effective method would be to distribute brochures at branches of member institutions. Branches are one of the best distribution channels for reaching target audiences.²⁸ Member institutions with large electronic message boards located at their branch offices could also be asked to provide scrolling text messages about deposit insurance.

26 Deposit insurers can disseminate information over the Internet by providing video or printed materials for interested parties to download from the insurers' websites. They can also record seminars or short video clips on DVDs and make them available in multilingual versions with closed captioning and subtitles.

27 The NDIF uses "Insured Deposit" as an emblem; it is incorporated into a seal and printed on each insured product of member banks. Following a board directive, all branches of member institutions must make copies of the brochure *Saving Your Savings Together* available to depositors.

28 In Russia, the deposit insurance logo is widely used by insured member institutions in their advertising campaigns and publications, as it helps them attract new depositors. However, some countries have strict rules about using information about deposit insurance or DIS membership. Different approaches to using deposit insurance information may be due to differences in the developmental phase of the country's deposit insurance system or different public policy objectives.

6. Product registers

As member institutions sell more deposit-like financial products, such as structured deposits, it is important that they tell depositors which deposits are covered and which are not covered by deposit insurance.²⁹ Some deposit insurers require member institutions to display product registers to help depositors differentiate between insured and uninsured products.³⁰

A register may include additional information, such as the name of the member institution, membership status, and contact information. Some deposit insurers even develop code numbers for financial products. These codes are listed in an index displayed on a billboard at member institutions' branch offices and on the deposit insurers' websites. For deposit insurers in countries with multicultural populations, product registers should be in the dominant language.

7. Toll-free lines

Toll-free telephone lines are useful for inquiries about a deposit insurance system. The public can reach deposit insurance officers directly for clarification. In the event of a bank run or closure of a member institution, a toll-free line offers an open channel for people to inquire about the safety of their deposits. Some deposit insurers have established call centers—some multilingual—to facilitate public access to deposit insurance information.³¹ Some countries have interactive voice responses, also with multilingual services, operating 24 hours a day.

E. Frequency and Timing

There are no hard-and-fast rules for the frequency and timing of public awareness activities. Budgets, objectives, and the type of promotional tools are among the factors that determine the extent and frequency of communication activities. Each deposit insurer must evaluate the level of public awareness in its own country and allocate its resources accordingly.

To effectively educate the public about deposit insurance systems, insurers should conduct activities on an ongoing basis. Campaigns can be at the national, regional, or district level. Deposit insurers should monitor

29 In Taiwan's amended Deposit Insurance Act of January 2007, all member institutions must disclose whether a financial product is insured or uninsured.

30 Financial Stability Forum, 2001b, p. 6.

31 For example, MDIC maintains a call center with a toll-free number to provide an open channel for depositors and employees of member institutions to contact MDIC. The call center provides responses in Malaysia's four major languages: English, Malay, Chinese, and Tamil.

perceptions and attitudes of the public to stay relevant and assess the need to reach out to new target audiences; for example, depositors who have recently joined the labor force.

The timing of a public awareness campaign is very important for a country that is transitioning from a blanket guarantee to a limited coverage system, or in the event of a bank failure. The public needs to be aware of critical information such as the date of the transition to a limited coverage system and the benefits and limitations of such a system. A bank failure requires an immediate public awareness campaign to assure depositors that their deposits are covered and their claims will be settled promptly.

F. Budgets and Resources

Budgets for deposit insurance public awareness programs should be determined on the basis of the desired level of visibility and awareness to be achieved and the strategies for doing so. The budget (as reflected in the annual business plan) should specify the type and frequency of public awareness campaigns and the communication tools to be used. At a minimum, the budget should cover disseminating the annual report and educational materials, servicing a website, and staffing a toll-free line.

Newly established deposit insurers should appropriate a larger budget for public awareness, comparable to merchandising a new brand to a broad target audience. Over time, a historical database can be developed for use as a benchmark to budget future public awareness activities, and the costs associated with developing and implementing a public awareness campaign can be more specifically identified.

Budgetary considerations will affect the decision of whether to outsource the campaign to a public relations consultant. Two major factors in outsourcing are confidentiality and cost. On the basis of available resources and skills, deposit insurers can determine which public awareness activities can be performed by an in-house team and which should be outsourced. Because deposit insurance is a specialized area, the insurer should coordinate closely with the public relations firm and monitor the services it provides, to ensure that the objectives of the campaign are achieved.

G. Evaluation

Evaluating the effectiveness of a public awareness campaign is a challenging task. Some experts in the field of social marketing suggest three categories for measuring effectiveness: (1) output measures, (2) outcome measures, and (3) impact measures.³²

32 Kotler and Lee, 2006.

Output measures are the simplest way to evaluate the effectiveness of public awareness activities, as numbers of marketing activities are easily quantifiable.³³ *Outcome measures* would include a detailed analysis of whether a public awareness program changes levels of financial/deposit insurance knowledge, attitudes, perceptions, or satisfaction. The most difficult measure is *impact evaluation*, as the effect of a public awareness program on depositors and financial institutions is not easily measured in the short term or during a period of financial calm.

The most practical approach is to conduct a survey before and after the implementation of a public awareness campaign, and then to compare the difference in levels of awareness.³⁴

The survey could be conducted by phone, mail, online, or through personal interviews. Longitudinal and periodic surveys serve different purposes. *Longitudinal surveys* focus on changes in a specific target group over a period of time. The outcomes can be used to improve or redesign future public awareness campaigns. *Periodic surveys* are used with large populations for the purpose of monitoring and evaluation. They are more time-consuming. It is not uncommon for deposit insurers to outsource evaluation to professional firms. Countries that have prepared such performance evaluations include Canada, Hungary, Mexico, the Philippines, Taiwan, and the United States.

VI. APPLYING SPECIAL STRATEGIES TO SPECIAL OCCASIONS

To maintain their credibility, deposit insurers must be cautious in dealing with events such as the transition from a blanket guarantee to a limited coverage deposit insurance system, bank runs, and the failure of a member institution.

A. Transitioning to Limited Coverage

Countries that are moving from an implicit deposit guarantee system to a limited coverage system should engage in public awareness activities early. Countries that have transitioned from an explicit blanket guarantee system to a limited coverage system attest that a strong public awareness program

³³ These measures might include, for example, the number of printed materials requested or distributed in a certain period, the reach and frequency of advertising on television, and the number of special events held and participants reached at these events. However, such output measures only count the activities; they do not evaluate the response of the target audience.

³⁴ Survey questions before implementation of a public awareness campaign could include the following: What is deposit insurance? Who and what does deposit insurance protect? What channels do respondents have to receive deposit information? After the campaign, the same or similar questions can be asked of the same group.

contributed immensely to the smooth transition. The campaign should focus on dissemination of accurate information on deposit insurance to member institutions, depositors, and the general public. Information should include the maximum coverage and the transition schedule, as well as any modifications to the schedule.³⁵ Public awareness campaigns should be implemented as far in advance of the transition as possible to enable the target audience to understand and accept it.³⁶

B. Bank Runs

Using the media effectively to disseminate positive messages and provide accurate information to the public in the event of a bank run is a vital aspect of crisis management. During a run, communication must have quick and wide reach. Deposit insurers should try to ease public anxiety through press releases and regular media updates. Insurers can distribute announcements regarding deposit protection at the branches and dispatch staff to the problem bank to answer questions and address concerns.

C. Failure of a Member Institution

In the event of failure of a member institution, deposit insurers should issue an official statement through various communication channels to maintain public confidence and inform depositors about reimbursement procedures, including how and when they can receive their deposits. The statement can be disseminated through television, radio, newspapers, the company website, and personal letters.

Deposit insurers should plan ahead for a public awareness program to deal with a failure. As part of their internal corporate readiness measures, insurers should develop standard operating procedures to cover emergency situations such as a bank run, an individual bank failure, or a systemic crisis. These procedures should include a dark site³⁷ for the company's website, as well as crisis communication plans. Crisis management and communication plans should also be developed with relevant safety net players.

D. Cross-Border Issues

Public awareness of cross-border issues related to deposit insurance is low. Some issues cannot be resolved without the cooperation of authorities and deposit insurers in different jurisdictions. A depositor may have different

35 Financial Stability Forum, 2001b, pp. 8–10.

36 Asia Regional Committee, 2005.

37 A dark site is web pages that contain all information relevant to depositors and on standby mode to be uploaded onto the website to be access by the public in the event a bank run or crisis occurs.

coverage in different jurisdictions (for example, if he or she holds a deposit in a bank that has branches in different countries), but it is difficult for deposit insurers to clearly convey this information to depositors.³⁸ Another concern is how depositors will obtain accurate information and receive quick reimbursement in the event of a cross-border bank failure.³⁹ This subject deserves further study.

VII. CONCLUSIONS

Although insurers in many countries are dedicated to improving awareness about deposit insurance, the current level of public awareness is low, and raising it is a challenge.

Effective deposit insurance is a pillar of a sound financial system. Public awareness of deposit insurance plays a significant role in ensuring that depositors, being assured of the safety of their deposits, have confidence in the safety and soundness of the financial system. For this reason, we recommend that deposit insurers organize public awareness programs to promote their deposit insurance systems.

The following are suggestions for developing an effective public awareness campaign:

- Allocate an adequate budget for the public awareness program.
- Conduct comprehensive quantitative and qualitative research to ascertain awareness levels, perceptions, attitudes, issues, and image of the brand.
- Set clear communication objectives and create clear, focused messages.
- Identify specific target groups, including the primary target audience.
- Analyze the potential effectiveness of various media and select an appropriate media mix.
- Implement the public awareness program, ensuring that all activities are integrated to convey a consistent message and the appropriate corporate image.
- Monitor and evaluate the effectiveness of the program.

Other key factors that can contribute to an effective public awareness campaign can be summarized as follows:

38 This issue is of particular concern in the European Union. Cross-border financial activities have been increasing in the EU economic area, not only among the mega-banks but also among small banks. Banks that export their home deposit insurance system to host countries pose fewer systemic issues but create more problems related to public awareness. Deposit insurance schemes may vary from country to country in terms of coverage level, scope of insurance, co-insurance, and depositor interest. It is becoming even more of a challenge for deposit insurers in both home and host countries to promote public awareness.

39 To deal with a possible cross-border payout in the future, the NDIF signed a memorandum of understanding with the Fonds de Garantie des Depots of France (FGD) in May 2007. NDIF will act as the agent deposit insurer of the FGD for compensation payments to be made by FGD to Hungarian depositors in a branch of a failed French bank that is located in Hungary.

- A public awareness program should be planned in advance, specifying the target audiences, selected channels, information to be disseminated, and financial and human resources.
- An adequate budget is required to implement a public awareness campaign, as well as support from the board of directors, management teams, and governments.
- Cooperation is required with other financial safety net players and member institutions.
- The insurer must commit to sustaining a long-term and consistent public awareness program on deposit insurance.

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ANNEX

Definitions of Key IADI Guidance Terms

IADI's objects state that the Association will: "...set out guidance to enhance the effectiveness of deposit insurance systems [and] such guidance shall take into account different circumstances, settings and structures." * For the purposes of this paper, we have set out the following definitions for the guidance IADI provides:

- **Core Principles** which are defined to be: *fundamental statements applied to a broad policy area.* Although principles focus on what is fundamental, they can also be applied broadly and provide a high degree of flexibility in implementation to suit individual country circumstances.
- **Supporting Guidance Points:** which help to clarify the principle(s) and can add additional information to help practitioners apply the core principles.

When developing guidance it is important to ensure that it assists countries in developing and enhancing their deposit insurance systems and, as much as possible, that this guidance should be adaptable to the overall culture, history, political, economic, legal and institutional environment.

* See *Statutes of the International Association of Deposit Insurers*, Article 2(b), Basel, October 2004.