



Press release

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## International Association of Deposit Insurers

### Press Release / Announcement 11 October 2022

#### **IADI Congratulates the Recipients of the 2022 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel**

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The International Association of Deposit Insurers (IADI) extends its congratulations to Douglas W. Diamond (University of Chicago, IL, USA), Philip H. Dybvig (Washington University in St. Louis, MO, USA) and Ben S. Bernanke (The Brookings Institution, Washington DC, USA) on receiving the 2022 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.

Their discoveries improved how society deals with financial crises. A key finding in their research is why avoiding bank runs and collapses is vital and the beneficial role that can be played by effective deposit insurance systems.

In their seminal paper, in 1983 on “Bank runs, deposit insurance, and liquidity”, Diamond and Dybvig offered important theoretical foundations for offering deposit insurance. They demonstrated the role of banks as intermediaries between depositors (with an interest in liquidity) and borrowers (with an interest in taking out long-maturity loans). Due to this inherent liquidity risk, situations may arise where depositors start withdrawing deposits at volumes which even healthy banks cannot mobilise at short notice. Diamond and Dybvig demonstrate how such “bank runs” can lead to suboptimal equilibria, if a sufficient number of depositors start withdrawing funds. They proposed the introduction of deposit insurance and the use of lender of last resort to banks through the government to prevent such bank runs.

On the decision of the Royal Swedish Academy of Sciences, David Walker, IADI Secretary General stated:

*“The International Association of Deposit Insurers wishes to congratulate the recipients of the 2022 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. Their research on banks and financial crises, particularly their seminal work on the role of deposit insurance in promoting financial stability, has been fundamental in supporting IADI’s mission of contributing to the enhancement of deposit insurance effectiveness.”*

*Since our establishment twenty years ago in 2002, IADI has grown to include 92 Members, 9 Associates and 17 Partner organisations. In addition to producing research, guidance, training and technical assistance, the Association has developed Core Principles for Effective Deposit Insurance Systems and is the international standard setter for deposit insurance.”*

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IADI was incorporated on 6 May 2002 in Basel, Switzerland, with its key objective to contribute to the stability of financial systems by promoting international cooperation in the field of deposit insurance and to encourage wide international contact among deposit insurers and other interested parties. The Association is domiciled at the Bank for International Settlements (BIS) in Basel, Switzerland. IADI is part of the Basel process which comprises all the various groups and organisations hosted by the BIS that promote financial stability.

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