PRESS RELEASE

International Association of Deposit Insurers

Press Release

IADI Guidance Paper “Ways to resolve a financial cooperative while keeping the cooperative structure”

The International Association of Deposit Insurers (IADI) is pleased to release a Guidance Paper titled “Ways to resolve a financial cooperative while keeping the cooperative structure”. The paper was prepared by the Resolution Issues for Financial Cooperatives Technical Committee chaired by Mr. Julien Reid of the Autorité des Marchés Financiers (AMF) in Québec Canada. The Technical Committee was established under the IADI Core Principles and Research Council Committee.

As financial cooperatives play an important role in the financial system of a large number of jurisdictions, IADI has developed this guidance paper to analyse ways to resolve a financial cooperative while keeping the cooperative structure, i.e. keeping members, assets and liabilities in the cooperative system.

Although it may be desirable to keep the cooperative structure of a financial cooperative after intervention, this should never be at the expense of financial stability, depositor protection or taxpayer exposure to losses. For this reason, this guidance is directed primarily to the resolution of non-systemic financial cooperatives.

The following guidance points are provided (selection):

Deposit insurers of financial cooperatives should have in place robust frameworks for early detection and timely intervention, unless such powers are assigned to other institutions or authorities. This increases the chances of keeping the cooperative structure. Also, all deposit insurers should participate in regular contingency planning and simulation exercises.

If deposit insurers co-exist with umbrella organisations or institutional protections schemes, the respective objectives, mandates and powers should be clearly defined in law, regulation or agreements. This could allow for intervention powers by umbrella organisations or institutional protections schemes to enable them to deal with issues faced by a weak FC at an early stage.

In jurisdictions where umbrella organisations or institutional protections schemes can be considered as a first line of defence, deposit insurers with a resolution function and a supervisory function should proactively deal with emerging weaknesses in these organisations. They should have internal contingency plans in place to determine how to deal with such weaknesses. In any case, deposit insurers should have the power to intervene when necessary.

The IADI Guidance Paper is now available on the Guidance Papers section of the IADI website.