IADI Revises its Core Principles for Effective Deposit Insurance Systems

The International Association of Deposit Insurers[1] has concluded the revision of its Core Principles for Effective Deposit Insurance Systems and the Compliance Assessment Methodology, and has submitted them to the Financial Stability Board (FSB) for inclusion in the FSB’s Compendium of Key International Standards of Financial Stability.

The original Core Principles for Effective Deposit Insurance Systems were officially issued in June 2009, following their endorsement by the FSB[2], and are currently used by the International Monetary Fund (IMF) and World Bank in the context of the Financial Sector Assessment Program (FSAP) reviews, as well as by individual jurisdictions to assess the effectiveness of their deposit insurance systems and practices.

Although the original Core Principles have served their purpose well, lessons learnt from the recent financial global crisis and developments in the regulatory landscape have shown that revision would maintain their use as a flexible, internationally applicable standard. As a result, IADI established a Steering Committee in February 2013 to undertake the revision. The Committee’s recommendations were submitted in January 2014 to a Joint Working Group (JWG) comprised of representatives from the Basel Committee on Banking Supervision (BCBS), European Commission (EC), European Forum of Deposit Insurers (EFDI), FSB, IMF, World Bank and IADI.

In fulfilling its mandate, the JWG has sought to achieve the right balance between raising the bar for more effective deposit insurance systems and retaining the Core Principles as a flexible, internationally applicable standard. The revised Core Principles strengthen the deposit insurance standards in several areas including reimbursement speed, coverage, funding and governance, adding more guidance on the deposit insurer’s role in crisis preparedness and management. The updated document also reflects the greater role played by many deposit insurers in resolution regimes while continuing to accommodate a diverse range of deposit insurance systems. On 21 October 2014, IADI’s Executive Council formally approved the revised Core Principles for submission to the FSB.

The revised Core Principles may be viewed here.

[1] The International Association of Deposit Insurers was formed in May 2002 to enhance the effectiveness of deposit insurance systems by promoting guidance and international cooperation. Members of IADI conduct research and produce guidance for the benefit of those jurisdictions seeking to establish or improve a deposit insurance system. Members also share their knowledge and expertise through participation in international conferences and other forums. IADI currently represents 79 deposit insurers. IADI is a non-profit organization constituted under Swiss Law and is domiciled at the Bank for International Settlements in Basel, Switzerland.

[2] The Compliance Assessment Methodology for the Core Principles was completed and submitted to the FSB in December 2010.