



**Proceedings from the
13th IADI Annual Conference**

**“Updated Core Principles to Strengthen the Financial
Stability Architecture”
Port of Spain, Trinidad and Tobago
22-23 October 2014**

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Foreword

The International Association of Deposit Insurers (IADI)'s 13th Annual Conference was held on 22-23 October 2014. The events were hosted by the **Deposit Insurance Corporation, Trinidad and Tobago (DICTT)** at the Hyatt Regency Hotel, Port of Spain, Trinidad and Tobago, chaired by Mr. Arjoon Harripaul, General Manager of **DICTT** and Chair of the 2014 Conference Task Force.

The Conference was held with the theme **"Updated Core Principles to Strengthen the Financial Stability Architecture"** and the program featured presentations by internationally recognized experts and deposit insurance practitioners, regulators, policymakers and academics. The audience of more than 160 was truly international in scope, with 60 jurisdictions represented at the conference. The conference included an **International Exhibition on Deposit Insurance** with various different organizations providing information on their deposit insurance programs or services available to deposit insurers.

I would like to thank many people and organizations that contributed to this summary of the proceedings prepared by an international team of writers organized by the International Relations and Research Office of the Central Deposit Insurance Corporation (CDIC), Chinese Taipei. The following organizations and individuals contributed write-ups and other support to this summary.

- ◆ Bank Guarantee Fund (Poland): Oktawiusz Szubart and Krzysztof Broda;
- ◆ Central Deposit Insurance Corporation (Chinese Taipei): Yvonne Fan, Margaret Chuang, and Iris Chiu;
- ◆ Deposit Insurance Corporation of Japan: Aya Fujiki;
- ◆ Deposit Insurance Agency (Russian Federation): Nikolay Evstratenko;
- ◆ Saving Deposit Insurance Fund of Turkey: Ayla Kucukoglu Keles;
- ◆ Deposit Insurance Corporation (Trinidad & Tobago): Noel Nunes;

- ◆ Instituto para la Protección al Ahorro Bancario (Mexico): Citlali Vatant, Eugenia Kuri and Silvia Chávez;
- ◆ Malaysia Deposit Insurance Corporation: Sejal Jitendra Mehta; and
- ◆ Philippine Deposit Insurance Corporation: Ana Carmela L. Villegas.

Gail Verley

Secretary General

(**Date**)

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Executive Summary

Wednesday, 22 October 2014 (Day 1)

Opening Remarks

Jwala Rambarran, Chairman of Deposit Insurance Corporation, Trinidad and Tobago and Governor of Central Bank of Trinidad and Tobago, welcomed all the participants to Trinidad and Tobago and to the IADI's 13th Annual Conference. Mr. Rambarran noted that the revised Core Principles, which were expected to be finalized in Port of Spain, would raise the bar for more effective deposit insurance systems and support a more stable global financial architecture. He also talked about the relationship between DICTT and the Central Bank as well as the changing mandate of DICTT to assume more responsibilities including involvement in the resolution process, system oversight and risk-minimizing functions.

Keynote Speech I

Jerzy Pruski, President and Chair of the Executive Council of IADI and President of the Management Board of the Bank Guarantee Fund, Poland, elaborated on a background and driving forces of the Core Principles revision and update process. He noted that this process has been conducted in parallel with numerous regulatory changes in the domain of financial stability, which were introduced by the community of standard setters. He pointed out the importance of harmonization of standard setters' efforts in underpinning stability of financial systems and highlighted IADI's contribution to the effort guided by the updated Core Principles, which outline critical design features of deposit insurance systems, so deposit insurers continue to play a vital role in achieving and maintaining depositor confidence and financial stability. Mr. Pruski added that implementation and broad use of the updated set of the Core Principles are among the key challenges on IADI's agenda in coming years.

Session 1: The Core Principles and Bank Resolution

David Walker, Managing Director, Policy, Insurance and International Affairs, Canada Deposit Insurance Corporation,

introduced the background and objectives of the revising Core Principles and the Financial Stability Board (FSB) Key Attributes as well as made comparison of them. He also noted special considerations regarding moral hazard and bail-in issues. He reminded that depositor preference is not included in the Key Attributes and the Core Principles; however, various forms of deposit preference being increasingly adopted in many jurisdictions. Mr. Walker concluded by stating next steps of IADI and FSB. IADI will finalize the revision of Core Principles and develop the assessment framework tools. FSB will focus on the acceleration of reform initiatives to ensure progress in adoption resolution regimes consistent with the Key Attributes. He also stated that IADI and FSB will continue developing supporting guidance in areas of common interest.

Anna Trzecinska, Deputy President, Bank Guarantee Fund, Poland, presented the evolution of the Bank Guarantee Fund's (BFG) mandate in the context of gradually establishing a framework for a resolution authority. By elaborating on the history of BFG's evolution, she demonstrated how the institution has built up its competencies in a number of areas. Examples of such areas included: (i) development of an Early Warning System which became critical component of information about condition of the financial sector, (ii) development of IT ability based on the Single Customer View format, (iii) a conduct of on/off-site inspections for monitoring and supervising the economic and financial situation of member institutions, and (iv) building-up research and human resources with resolution-related capacities, all in order to be aligned with resolution authority mandate. Ms. Trzecinska concluded by discussing the progress made toward the implementation of a relevant legal framework which will facilitate the application of resolution tools in Poland.

David Hoelscher, Special Advisor to the Chairman, Federal Deposit Insurance Corporation, USA, began by stating the role of deposit insurance in the safety net and introduced the mandates of deposit insurers which varies widely across jurisdictions. Mr. Hoelscher talked about the current revisions of the Core Principles, which are more prescriptive and strengthen governance frameworks of deposit insurers and add new core principle on crisis management. In

closing, he stated that deposit insurer has a growing role in maintaining financial stability and safety net participants will coordinate more closely. With the changing role, deposit insurers need to have a strong analytic capacity as well as to understand resolution tools.

Keynote Speech II

Thomas Hoenig, Vice Chairman, Federal Deposit Insurance Corporation, USA, expressed his position that leverage ratio should serve as the primary measure of bank capital adequacy and risk-weighted capital should just supplement this indicator. Based on the data on global systemically important banks he made a conclusion that a large number of banks are currently undercapitalized and should use their earnings for increasing their capital. He also pointed out that long-term debt is not a capital as its holders can run in anticipation of bank problems/failures. Mr. Hoenig concluded by stating that essential topic today is how to make international financial system safer over time. In his view, the only stable source of capital is equity.

Session 2: Advancing the IADI Core Principles for Funding Resolutions and Deposit Insurance

Krzysztof Broda, Director of Strategic Projects Department, Bank Guarantee Fund, Poland, spoke on the essence and specific features of bail-in in comparison with other resolution tools or restructure measures reflected in FSB and BRRD bail-in definitions. He listed and commented the drivers for the bail-in influence on deposit insurers: financial stability net structure, deposit insurer mandate, resolution tool-kit and strategies, resolution funding model, and bail-in (resolution) risk. Mr. Broda pointed out safeguards for deposit insurers to mitigate identified risk of implementation of bail-in, including: efficient prevention and crisis management framework, participation in decision process in resolution, transparent framework of the contribution of deposit insurance systems to resolution funding, depositors' preference, credible deposit insurance funding mechanism based on ex-ante funds and backup solution.

Giuseppe Boccuzzi, General Director, the Interbank Deposit Protection Fund of Italy, stated that the new EU directives on

deposit guarantee schemes (DGSD) and bank recovery and resolution (BRRD) are important steps forward in establishing the Eurozone Banking Union. They envisage maximum harmonization of EU deposit guarantee schemes (DGSs) and resolution regimes based on common principles, objectives and instruments. Mr. Boccuzzi stressed that the new EU directives are consistent with the revised IADI Core Principles for effective deposit insurance systems but are more prescriptive. Mr. Boccuzzi concluded by stating that the main challenge for the European DGSs is that they remain national but will have to closely interact with the Eurozone's Single Resolution Authority, the European Central Bank and the European Banking Authority.

Juan Carlos Quintero, Deputy Director, Fondo de Garantias de Instituciones Financieras (FOGAFIN), Colombia, shared FOGAFIN's developments on resolution planning and funding. Likewise, he expanded on the issues that present the challenges on these matters and which will be addressed by FOGAFIN in the near future. He detailed the specific features of the Colombian model that have been developed and referred the next steps to be taken.

Keynote Speech III

Masanori Tanabe, Governor, Deposit Insurance Corporation of Japan (DICJ), Japan, shared his view on systemic risk based on the last Japanese banking crisis and stressed the clear difference between a financial crisis and a failure of an individual bank by its nature. He then explained the background to systemic risks, including the close interrelation between the financial system and systemic risks, and illustrated the structure of the financial system based on the modern network theory. He noted that resolution costs of an individual bank could be estimated in advance and should be funded in ex-ante basis. However, funding needs for a crisis would be impossible to estimate with reasonable accuracy beforehand, thus he pointed out the necessity of arrangements for collecting additional funds after resolution process. He also highlighted the benefits of DICJ to be responsible for both the ordinary resolution of an individual bank and a case of systemic crisis to ensure continuity and strong consistency with the normal resolution regime.

Keynote Speech IV

Christine Cumming, the first Vice President of the Federal Reserve Bank of New York, USA and Chair of Financial Stability Board, Cross Border Crisis Management, focused her presentation on bail-in, funding in resolution and communications between various authorities in the event of a failure of a financial institution. She reminded that FSB's strategy was to reduce or eliminate the too-big-to-fail problem. She also provided a brief of Fed's current status on their resolution and recovery planning process for G-SIFIs. In addition, she introduced the Bail-in mechanism and the recent work on funding in resolution. In closing, she briefly touched upon some of the important areas of work in progress. These includes a draft paper on resolution-related information sharing between home and host supervisors about financial firms whose operations in a host jurisdiction are locally systemic but small relative to the overall firm's size and activities.

Session 3: Assessment of Compliance with the IADI Core Principles

Ana Carmela L. Villegas, Senior Vice President, Deposit Insurance Sector, Philippine Deposit Insurance Corporation (PDIC), her presentation discussed the objectives of the self-assessment, the preparations made, the actual conduct of self-assessment, the post-self-assessment activities undertaken, and the lessons learned and challenges to be hurdled. In carrying out the self-assessment, PDIC's objective is to evaluate adherence to the Core Principles and in the process, identify legal, policy and program gaps that need to be addressed to have a more effective deposit insurance system. The presentation noted the complexity of assessing compliance against essential and additional criteria of the Core Principles and stressed the need to ensure support of management and the governing board, consult with external stakeholders, most importantly the other members of the financial safety net, form a highly qualified self-assessment team with relevant and practical experience from key operational and support areas, and determine constraints on resources and manpower, as essential elements in ensuring the success of any self-assessment activity.

Claire McGuire, Former Senior Financial Sector Specialist, World Bank, USA, started her presentation by explaining a brief background on the initiation of the Financial Sector Assessment

Program (FSAP) and its following development. Ms. McGuire then shared the process on how the Core Principles may be incorporated into a country's FSAP process. In conclusion, Ms. McGuire highlighted some of the benefits of incorporating the Core Principles into the FSAP process.

John M. Chikura, Chief Executive Officer, Deposit Protection board, Zimbabwe, explained how to conduct a Self Assessment Technical Assistance Program (SATAP) to provide an independent on-site review and validation, by a team of IADI experts, of self-assessments conducted by the jurisdictions to evaluate their Deposit Insurance System's compliance with IADI Core Principles. He outlined the elements for a successful self-assessment, as well as the required phases for conducting the SATAP, which is a good way to prepare for an FSAP review.

Thursday, 23 October 2014 (Day 2)

Keynote speech V

Michele Bourque, President and CEO, Canada Deposit Insurance Corporation (CDIC) focused her presentation on how CDIC applied IADI Core Principles to the ultimate challenges of transforming itself from an effective deposit insurer to a resolution authority for systemically important banks (SIBs) in Canada. She gave an overview of the Canadian banking sector and also described what efforts CDIC has been doing to strengthen its resolution mechanism for SIBs. Ms. Bourque concluded by saying that building preparedness has proven to be much more than just scaling up past existing preparedness model but has required new skill set, new process, new powers and many new relationships.

Session 4: Applying the Core Principles with Different Mandates, Settings and Structures

Ayla Kucukoglu Keles, Head of the Strategy Development Department, Saving Deposit Insurance Fund (SDIF), Turkey, spoke about the interaction with mandates of deposit insurers and IADI Core Principles and explained effective design features of SDIF and introduced general overview about the Turkish deposit insurance system. She explained in detail the IADI assessment process of

SDIF to demonstrate how closely the Turkish deposit insurance system is meeting with the Core Principles as a typical loss-minimizer. In this regard, she pointed out significant outcomes of the assessment study by discussing key findings and recommendations of the process. Ms. Keles concluded that SDIF broadly conforms to IADI Core Principles but having loss-minimizer mandate, SDIF has some improvement areas in current legal and organizational framework for deposit insurance system in Turkey.

Lorenzo Meade, Executive Secretary, Instituto para la Protección al Ahorro Bancario (IPAB), Mexico, shared Mexico's past experience with compliance and implementation of the Core Principles for Effective Deposit Insurance System, highlighting changes such as the Financial Reform Package, which provides for a special regime for the liquidation of insolvent banks. He provided examples of how IPAB had dealt with compliance issues and provided a short explanation of foreseen compliance issues with the updated Core Principles. He concluded by stating that regardless of possible challenges, Mexico maintains a robust deposit insurance system and resolution regime.

Alex Kuczynski, Director of Corporate Affairs, Financial Services Compensation Scheme (FSCS), United Kingdom, shared his view on how the updated Core Principles strengthen the financial stability architecture by first explaining the development of the revised Core Principles. He then introduced FSCS' mandate, funding mechanism and cooperation and coordination with the financial safety net players, etc. Finally, Mr. Kuczynski shared the FSCS self-assessment results and explained the aspects needed to further address and take necessary enhanced actions.

Keynote Speaker VI

Jwala Rambarran, Governor of Central Bank of Trinidad and Tobago and Chairman of Deposit Insurance Corporation, Trinidad and Tobago, shared their experiences in resolving the "too-big-to-fail" institutions in the 2009 CLICO (the largest insurance company) crisis. In addition, he explained that the Central Bank of Trinidad and Tobago adopted several measures including controlling inflation, promoting economic growth and reforming regulation and supervision on systemically important financial institutions (SIFIs)

which have made commendable progress in rebuilding public confidence and strengthening financial stability.

Session 5: Challenges in Applying the Core Principles in the Caribbean Region

Compton Bourne, Executive Director, Caribbean Centre for Money and Finance, University of the West Indies, Trinidad and Tobago, introduced major characteristics of the financial structure in the Caribbean region and explained the conglomerate nature of the industry with wide spread over the region. For key features of conglomerates, he also illustrated the wide ranges of activities, particularly non-financial sector investments by insurance conglomerates, and the growth in foreign currency exposure. Mr. Bourne concluded by outlining issues about financial conglomerates, namely institutional and systemic risks as well as the need for adequate capital management. He also noted the importance to continuously improve the financial stability system to cope with the increasingly complex and dynamic financial sector.

Antoinette McKain, Chief Executive Officer, Jamaica Deposit Insurance Corporation, provided an overview of the banking system in the Caribbean region and bank resolutions carried out over the last 30 years in some selected countries. Under this context, she shared the main challenges for the region and mentioned several issues that need to be resolved for carrying out effective bank resolutions. Some of the recommendations she mentioned are the establishment of deposit insurance schemes and strengthening the resolution and insolvency frameworks, among others.

Arjoon Harripaul, General Manager, Deposit Insurance Corporation, Trinidad and Tobago, introduced financial interconnectedness of the Caribbean region which led to increases in cross border capital flows and risk of contagion. He then explained a case study of resolving a large complex financial group happened in the Caribbean region and stated that the case also revealed some deficiencies of the financial sector throughout the region. He concluded by sharing the related enhancement measures taken by financial safety net participants in Trinidad and Tobago.

Closing Remarks

Arjoon Harripaul, on behalf of the DICTT, expressed his appreciation to all participants and presenters for their participation and sharing their experience as well as expertise on all aspects and concluded the event.

Conference Proceedings from the IADI Conference on “Updated Core Principles to Strengthen the Financial Stability Architecture”

Wednesday, 22 October 2014 (Day 1)

Opening Remarks

Jwala Rambarran, Chairman of Deposit Insurance Corporation, Trinidad and Tobago (DICTT) and Governor of Central Bank of Trinidad and Tobago

Jwala Rambarran began his remarks by welcoming all the participants to Trinidad and Tobago and to the 13th Annual Conference of IADI. Mr. Rambarran then mentioned that the global economy is struggling to grow out of the Great Recession, which erupted in 2008 and the impact of the economic crisis on families and jobs has not abated much.

He pointed out that the primary goal of deposit insurance is broader than before focusing more on strengthening stability of the financial system as a whole than on protecting small depositors. Mr. Rambarran also noted that the revised Core Principles, which were expected to be finalized in Port of Spain, would raise the bar for more effective deposit insurance systems and support a more stable global financial architecture.

Mr. Rambarran stated that DICTT was established in the mid-1980s when eight local financial institutions collapsed. Continually he noted that DICTT and the Central Bank have been in a marriage of convenience for nearly thirty years and they have been attempting to change the relationships to a true partnership based on mutual respect, trust and even affection over the past two years. He further mentioned that they are seeking to broaden the mandate of DICTT to assume more responsibilities to include involvement in the resolution process, system oversight and risk-minimizing functions.

Mr. Rambarran then highlighted that Trinidad and Tobago is the first country and first small island state to host IADI’s annual flagship event and that should signal the power of small states in the world financial system.

Keynote Speech I

Jerzy Pruski, President and Chair of the Executive Council of IADI and President of the Management Board of the Bank Guarantee Fund, Poland

Jerzy Pruski, in his keynote speech, underscored that while the crisis highlighted the importance of deposit insurance within the safety net structures; it also exposed a number of limitations in deposit insurance design features where optimization was critical if deposit insurance agencies were to play a greater role in support of global financial stability making a more substantial and decisive contribution. This helped to reveal areas where the Core Principles could benefit from revisions and consequently initiated a process of their update.

He noted that the process has been conducted in parallel with numerous constructive and important regulatory changes in the domain of financial stability, introduced by the community of standard setters, who collectively realized that addressing the post-crisis challenges with “old” standards would have delivered a suboptimal effect in light of new and emerging risks.

He stressed that a unique feature of the updated Core Principles is their flexibility in adapting to various deposit insurance circumstances, settings and structures, pairing effective protection of retail depositors with more multifaceted aspects of crisis management. This makes the resolution-related content of the updated Core Principles attractive and useful not only to deposit insurers with advanced mandate, but also crucial to pay-box models. Mr. Pruski added that implementation and broad use of the updated Core Principles are among the key challenges on IADI’s agenda in coming years. This would include promoting participation of deposit insurance systems in compliance assessments against the updated Core Principles as part of Financial Sector Assessment Programs (FSAPs), as well as expanding the use of the IADI Self-Assessment Technical Assistance Program, which not only supports the self-assessment exercises among jurisdictions but could also be a very helpful tool for deposit insurers in the form of developing a preparatory framework in anticipation of FSAPs.

Session 1: The Core Principles and Bank Resolution

David Walker, Managing Director, Policy, Insurance and International Affairs, Canada Deposit Insurance Corporation

David Walker started by introducing the background and objectives of the revising Core Principles for Effective Deposit Insurance Systems and the Financial Stability Board (FSB) Key Attributes of Effective Resolution Regimes (Key Attributes). The Key Attributes are a new umbrella standard for resolution regimes and influenced the development of the revised Core Principles (e.g. resolution powers, funding, and crisis preparedness).

Mr. Walker made a comparison of the Key Attributes and the revised IADI Core Principles with the focus on IADI funding safeguards. He also noted special considerations regarding moral hazard and bail-in issues. FSB's discussions indicate covered deposits to be excluded from the scope of bail-inable liabilities and some jurisdictions intend to exclude all uninsured depositors from Bail-in. He stated that depositor preference is not included in the Key Attributes and the Core Principles; however, various forms of deposit preference being increasingly adopted in many jurisdictions.

Mr. Walker concluded by stating next steps of IADI and FSB. IADI will finalize the revision of Core Principles and develop the assessment framework tools. FSB will focus on the acceleration of reform initiatives to ensure progress in adoption resolution regimes consistent with the Key Attributes. He also stated that IADI and FSB will continue developing the supporting guidance in areas of common interest.

Anna Trzecinska, Deputy President, Bank Guarantee Fund (BFG), Poland

In her presentation, **Anna Trzecinska** focused on the evolution of the Bank Guarantee Fund's (BFG) mandate in the context of gradually establishing a framework for a resolution authority. She stressed that since its establishment the mandate of BFG has been more than a pure pay-box system, even being empowered to provide financial assistance to covered entities once the risk of insolvency of such entities emerges. She added that these tools facilitated transition to resolution authority.

By elaborating on the history of BFG – from 1994 onwards – she demonstrated how the institution has built up its competencies in a number of areas. Examples of such areas included: (i) development of an Early Warning System which became critical component of information about condition of the financial sector, (ii) development of IT ability based on the Single Customer View format, (iii) undertakings as regards on/off site inspections for monitoring and supervising the economic and financial situation of member institutions, and (iv) building-up research and human resources with resolution-related capacities, all in order to be aligned with resolution authority mandate. She added that these changes has been conducted in line with best international practices, which had been reflected in the assessment of observance the Polish deposit insurance system against the Core Principles as part of FSAP review, where BFG was found to be compliant with 16 out of 17 applicable core principles.

Ms Trzecinska also stated the main legal driving forces to bring BFG closer to being a resolution authority. These included the EU legal initiatives (the Deposit Insurance Schemes Directive and the Bank Recovery and Resolution Directive) and the assignment of BFG with new resolution powers with respect to credit unions as a result of their inclusion into BFG’s coverage. She concluded by going onto the implementation progress of a national legal framework which will facilitate the application of resolution tools in Poland.

David Hoelscher, Special Advisor to the Chairman, Federal Deposit Insurance Corporation, USA

David Hoelscher began by stating the role of deposit insurance in the safety net and introduced the mandates of deposit insurer which varies widely across jurisdictions. He pointed out that deposit insurer’s role has expanded to focus more on financial stability, risk analysis and diagnosis, and resolution activities.

Mr. Hoelscher talked about the current revisions of the Core Principles, which are more prescriptive on adequacy of coverage, ex-ante funding and seven day payout target. The revisions also strengthen governance frameworks of deposit insurers and add a new core principle on crisis management. Besides, more safeguards were included, such as use of deposit insurance funding in

resolution, rule on information sharing, and post-mortem review following a bank failure.

Mr. Hoelscher emphasized the essential reforms for expanded mandate: to strengthen coordination within safety net, diagnostic capacity, funding structures, and staff needs of deposit insurers to meet the expanded skills. He concluded by stating that the deposit insurers have a growing role in maintaining stability and safety net participants will coordinate more closely. With the changing role, deposit insurers need to have a strong analytic capacity as well as to understand resolution tools.

Keynote Speech II

Thomas Hoenig, Vice Chairman, Federal Deposit Insurance Corporation, USA

Thomas Hoenig in his keynote speech (made via teleconference) pointed out that concentration of risks in the banking sector had increased after the global financial crisis. Based on the data on global systemically important banks (G-SIBs), he made a conclusion that risk-weighted capital adequacy ratio is a misleading indicator of bank' loss adsorbing capacity. In his view leverage ratio should be used as the primary measure of bank capital adequacy. And by using this indicator Mr. Hoenig stated that a large number of G-SIBs as well as other banks are currently undercapitalized, especially those having leverage ratio of 2 to 4 percent.

Mr. Hoenig stressed that in his view the main source of bank capital is bank earnings, and instead of paying large dividends banks should allocate more profit for increasing their Tier 1 capital. In response to the question of Ms. Michelle Bourque (Canada), he said that long-term debt should not be considered as a part of loss absorbing capacity as its holders can run in anticipation of bank problems/failures. In his view the only stable source of capital is equity.

In response to the question of Mr. Jerzy Pruski (Poland) Mr. Hoenig stressed that risk-weighted capital should be used as a supplement to the leverage ratio because the leverage ratio is not affected by internal models used by banks and is more widely used by market

participants for estimating bank viability. As to the level of liquidity ratio that is sufficient, Mr. Hoenig said that based on historic data 10 to 15 percent would be enough.

Mr. Hoenig concluded by stating that essential topic today is how to make international financial system more safe over time.

Session 2: Advancing the IADI Core Principles for Funding Resolutions and Deposit Insurance

Krzysztof Broda, Director of Strategic Projects Department, Bank Guarantee Fund, Poland

Krzysztof Broda shared the up-to-date output of IADI Subcommittee research on Bail-In implications for deposit insurance and funding.

The Subcommittee was set up by IADI based on the member interest expressed in the research planning survey in bail-in issues. Its purpose is to identify, analyse and discuss several key issues, challenges and risks related to the interaction between bail-in and deposit insurance systems.

Mr. Broda spoke on essence and specific features of bail-in in comparison with other resolution tools or restructure measures reflected in FSB and BRRD bail-in definitions. He listed and commented the drivers for the bail-in influence on deposit insurance systems, including: financial stability net structure, deposit insurer's mandate, resolution tool-kit and strategies, resolution funding model, and bail-in (resolution) risk.

Mr. Broda described that the specific and implicit risk of bail-in consist of issues related to legal risk, operational risk, business restructuring, liquidity management, funding costs and asset encumbrance. He explained how the risk of bail-in application could affect deposit insurance systems by cost increase, lower efficiency of fund use and deposit insurers' reputation. Mr. Broda pointed out safeguards for deposit insurance systems to mitigate identified risk of implementation of bail-in, such as efficient prevention and crisis management framework, participation in decision process in resolution, transparent framework of the contribution of the deposit

insurance systems to resolution funding, depositor preference, credible deposit insurance funding mechanism based on ex-ante funds and backup solution.

Giuseppe Boccuzzi, General Director, Interbank Deposit Protection Fund, Italy

Giuseppe Boccuzzi stated that the new EU directives on deposit guarantee schemes (DGSD) and bank recovery and resolution (BRRD) are important steps forward in establishing the Eurozone Banking Union that includes Single Supervisory Mechanism, Single Resolution Mechanism and, in the future, Single Deposit Guarantee Scheme. The new directives envisage maximum harmonization of EU deposit guarantee schemes (DGSs) and resolution regimes based on common principles, objectives and instruments that are included in the Single Rule Book.

Mr. Boccuzzi made a comparison of key elements of the new EU directives with the revised IADI Core Principles with the focus on the mechanisms for DGSs' funding and their role in bank resolution financing. He stated that while the Core Principles is a "soft law" instrument, the EU DGSD (which is binding) is consistent with this new international standard. As a "hard law" instrument the DGSD is more prescriptive and contains more technical details.

Mr. Boccuzzi concluded by stating that the main challenge for the European DGSs is that they remain national but will have to closely interact with the Eurozone's Single Resolution Authority, the European Central Bank and the European Banking Authority. Now all these agencies face a great number of practical issues to be resolved to make the Banking Union operational.

Juan Carlos Quintero, Chief Officer of Investments, Risks and Resolution Mechanisms, Fondo de Garantias de Instituciones Financieras (FOGAFIN), Colombia

Juan Carlos Quintero began his presentation with a short introduction on the Colombian DIA, which was established in 1985 with two main tasks: to provide capital to support the system as a whole and to organize the deposit insurance scheme, and referred to the actions taken and future challenges in regard to resolution planning and funding.

Regarding resolution planning, he emphasized the fact that they have been working on developing operational plans, which are basically protocols with detailed processes, and revising actual practices on certain resolution mechanisms (P&A, liquidation and payout) against what the law actually states and what needs to be amended. He illustrated the importance of having an adequate relation with the other financial safety net authorities, particularly when there is a resolution.

Mr. Quintero then shared the on-going work on resolution funding, which, in the case of FOGAFIN, should be readily available to address one-time failures but also to support certain systemic events. He pointed out the determination of a target resolution fund size that is still under study, and the ways to materialize it, which include, among other aspects, higher premiums, reinsurance schemes and contingent credit lines. He also referred to the work that is being done on asset allocation and on how to invest their funds.

Mr. Quintero concluded by summing up the next steps for FOGAFIN in regards to resolution planning, which include detailing the operational procedures and applying simulations to evaluate their efficiency, while continuing to incorporate best practices on the matter. Secondly, he expressed their aim to explicitly implement the target fund level and work on investment policies. Finally, Mr. Quintero pointed to the importance of linking resolution planning and funding to the objectives of deposit insurance systems. Acknowledging that deposit insurers cannot handle systemic events by itself, he questioned why there seems to be the common conception that the deposit insurers should not play a role in them.

Keynote Speech III

Masanori Tanabe, Governor, Deposit Insurance Corporation of Japan (DICJ), Japan

Masanori Tanabe shared his view on a systemic risk based on Japan's experience of severe financial crisis from the early 1990s to the middle of 2000s. He stressed that the clear difference between

a financial crisis and a failure of an individual bank by its nature. For the better understanding of a systemic risk, he explained its background, including the close interrelation between the financial system and systemic risks as the functions of the financial system themselves are systemic risk factors. Mr. Tanabe also illustrated the structure of the financial system, which is comprised of a relatively small number of large banks as hubs and a large number of small ones connected with them, based on the modern network theory. Since a structure of such a nature could easily transmit the malfunction of hubs through the whole network, it would be essential to make sure that those hubs, namely Global Systemically Important Banks are robust in the financial systems and applicable measures to end “too-big-to-fail” problems are in place.

Mr. Tanabe then discussed resolution of an individual bank and funding for a deposit insurance system. He outlined the general loss absorption mechanism including provisions and hierarchy of claims and pointed out that the amount of possible loss absorbed by the deposit insurance organization in normal times could be measured for certain confidence level, thus it would be important to build up an adequate level of deposit insurance fund in advance.

On the other hand, Mr. Tanabe explained that it would be almost impossible to estimate loss with reasonable accuracy in a time of crisis based on the experiences of the last Japanese banking crisis and pointed out the necessity of arrangements for collecting additional funds after resolution process. Finally, he highlighted that DICJ was responsible for the ordinary resolution of an individual bank in normal time but also undertook responsibility in times of crisis, in order to maintain continuity and strong consistency with the normal resolution regime. He also illustrated that DICJ was well-equipped with a full series of resolution measures as well as two types of funds available to provide the needed liquidity of resolution.

Keynote Speech IV

Christine Cumming, the first Vice President of the Federal Reserve Bank of New York, USA and Chair of Financial Stability Board, Cross Border Crisis Management

Ms. Cumming focused her presentation on bail-in, funding in resolution and communications between various authorities in the event of a failure of a financial institution. She reminded that FSB's strategy was to reduce or eliminate the too-big-to-fail problem. It is a two-pronged strategy: (i) reducing the probability of failure by having higher capital and liquidity requirements, and (ii) increasing the ability to put complex firms into resolution. She also touched upon the Key Attributes of Effective Resolution Regimes (Key Attributes) which is regarded as the core document on resolution and recovery matters as it sets out the powers resolution authorities should have and the importance of having these powers available within the toolkit.

Ms. Cumming reported that Fed is close to finishing its first full round of resolution planning which includes: (i) identification of high-level strategies; (ii) development of operational plan; (iii) resolvability assessment by Crisis Management Groups (CMGs); and (iv) signing of Cooperative Agreements between parties within the CMGs and senior-level discussions of the resolution plan and the resolvability assessment for each G-SIFI.

Ms. Cumming explained the basic idea of bail-in was to ensure that governments do not put monies into firms that fail but rather have some of the liabilities written-down or converted into equity in the resolution process. Bail-in also avoids the need for capital injection as equity is being created and has to be credible to the market as not to be destabilizing. She cited the experience of FDIC in the case of Washington Mutual where the market reacted with shock as they assumed that senior debt would be protected in a failure. She emphasized that this further underpins the importance of understanding bail-in and the need for bail-in to be exercised when the need arises.

Ms. Cumming expanded on each kind of liabilities that may seem appropriate for bail-in. These include: (i) subordinated and senior debt which are most clearly bail-inable; (ii) derivatives liabilities and short-term funding which are less suitable; and (iii) insured deposits which are viewed as the most undesirable to be bailed-in. Ms. Cumming also noted that there were discussions on where deposit insurance funds fit into the bail-in process. However, the floor would have to wait for the proposal to be released on the availability of

deposit insurance funds to be a factor in determining how much TLAC a firm would need. In her personal view, it would be better if such mechanism not be employed but rather emphasised on having the firms put enough loss absorbing capacity into their own institutions.

Her final point was on funding a resolution. Loss of funding capacity occurs in the run-up to failure and continues after. One of the reasons is that fund holders tend to pull back when the situation is worsening at a firm which creates a temporary gap. The other reason is that there would be a conversion of the some of the GLAC or TLAC, resulting into a new liability structure, which may again create a temporary gap. The Cross-Border Crisis Management (CBCM) Group have studied this situation and confirmed that there is often a need for a lot of liquidity in resolution. Some of the efforts of CBCM Group in this area include: (i) improving the ability to estimate funding gaps prior to resolution by working closely with the Basel Committee of Banking Supervision who carry out liquidity analysis and stress testing of liquidity; (ii) identifying ways for firms to strengthen the sustainability of their liquidity to last through a resolution; and (iii) develop principles to guide public sector funding when it is needed. In addition, much progress was also made in identifying temporary funding approaches that minimise moral hazard.

In closing, Ms. Cumming briefly touched upon some of the important areas of work in progress. These includes a draft paper on resolution-related information sharing between home and host supervisors about financial firms whose operations in a host jurisdiction are locally systemic but small relative to the overall firm's size and activities.

Session 3: Assessment of Compliance with the IADI Core Principles

Ana Carmela L. Villegas, Senior Vice President, Deposit Insurance Sector, PDIC

On the first part, the presentation discussed the basis for the self-assessment which is mainly "to evaluate adherence to the Core

Principles (CP) and in the process, identify legal, policy and program gaps that need to be addressed to have a more effective deposit insurance system”.

On the second part, the presentation focused on preparatory activities made prior to the self-assessment, which was diverse - from informing management and key stakeholders to sending PDIC officers to IADI assessment workshops in Basel and Kuala Lumpur. PDIC created an Internal Assessment Team (IAT) from top management chaired by an Executive Vice President to perform two important functions: conduct self-assessment and prepare PDIC for external self-assessment by an IADI Team of assessors. A Secretariat was likewise formed to provide technical and administrative support to IAT. The presentation stressed that critical during the preparatory stage was the review by IAT of each CP, the essential and additional criteria required and the five-grade scale rating system. For a more effective review process, IAT formulated a work plan and schedule, and formed three sub-groups (assigned with a set of inter-related Core Principles) which would assess extent of compliance, determine initial rating, and draft assessment write-ups among others.

On the third part of the presentation, the presentation discussed in detail the actual conduct of the self-assessment, emphasizing that the sub-groups held series of discussions to reach consensus on initial rating and write-ups to support the rating. The sub-groups’ outputs were subjected to plenary review of AT to arrive at final ratings and write-ups. The final output was presented to PDIC Executive Committee, Board of Directors and the Financial Sector Forum, consisting of PDIC, the Bangko Sentral ng Pilipinas (Central Bank), the Securities and Exchange Commission, and the Insurance Commission. The final output contained the assessment ratings for each CP, explanation for the ratings, gaps for CPs where PDIC is not fully compliant and the recommended corrective actions in the short and medium terms.

In the final part of the presentation, the self-assessment process adopted by PDIC was summarized as follows: (i) notification to PDIC Board of Directors; (ii) creation of self-assessment team (IAT) and its sub-groups, and the Secretariat; (iii) consultation with other safety net players and relevant stakeholders; (iv) sub-group

meetings, discussions, write-ups; and (v) plenary review and finalization. In conclusion, the presentation noted the complexity of conducting self-assessment against essential and additional criteria of the Core Principles and emphasized the need to ensure support of PDIC management and governing Board, consult with other safety net players and other external stakeholders, form a highly qualified self-assessment team with relevant and practical experience from key operational and support areas of the organization, and determine constraints on resources and manpower, as essential elements in ensuring the success of any self-assessment activity.

Claire McGuire, Former Senior Financial Sector Specialist, World Bank, USA,

Claire McGuire started her presentation by providing a brief background on the initiation of the Financial Sector Assessment Program (FSAP), which is a joint program between the World Bank (WB) and the International Monetary Fund (IMF) only for the developing countries. However, it is a singular program for the developed countries and it is conducted by IMF without the involvement of WB. IMF would produce the Financial System Stability Assessment (FSSA) report whilst the WB would provide for the Financial Stability Assessment (FSA) report.

Accordingly to Ms. McGuire, the Report on Observance of Standards and Codes (ROSCs) would be using the Core Principles to report the assessment of each principle and criteria. This will then result into a Detailed Assessment Report (DAR) and a shorter ROSC. As these DARs and ROSCs are resource and time intensive, they are not used in many FSAPs. Therefore, the IADI Core Principles for Effective Deposit Insurance Systems have only been used in five assessments thus far with one more in the pipeline. However, the Core Principles are used for the preparation of the Technical Notes on Crisis Preparedness and as a benchmark by many others. These Technical Notes are usually published and would contain a chart on the Core Principles, discussing the respective deposit insurance system's compliance to each of the Core Principles.

She then shared the process on how the Core Principles may be incorporated into a country's FSAP process. As a start, the deposit insurance should place a request, through the counterpart of that

country to IMF and WB, for a full ROSC and DAR. A ROSC will be completed by a dedicated assessor or team of assessors that will ask for detailed information before the on-site portion of a FSAP. She stressed that the entire process is an intense one for both the assessors and the requestor, as much time and manpower will be required in the preparatory work and during the assessment.

In conclusion, Ms. McGuire highlighted some of the benefits of incorporating the Core Principles into the FSAP process. The published documents provide an opportunity for interested parties to see how the deposit insurance system in a given country operates and can aid in the dissemination of good practices for deposit insurers. The necessary FSAP preparation for the deposit insurer also provides an internal in-depth review of deposit insurer's operations and completion of a self-assessment. The deposit insurer's full participation in the FSAP process also makes it clear that the deposit insurer is an equal partner in its country's financial sector regulatory scheme. As a result of having to cooperate in completing the FSAP process, opportunity rises for improvement in the collaboration and communication efforts among the safety net participants. Lastly but most importantly, the key messages on financial sector strengths and weaknesses, including any enhancements needed to increase the effectiveness of the deposit insurer, can be communicated in a comprehensive manner to the country's key decision makers.

John M. Chikura, Chief Executive Officer, Deposit Protection Board, Zimbabwe

John M. Chikura explained how to prepare and conduct a Self Assessment Technical Assistance Program (SATAP) in order to provide an independent on-site review and validation, by a team of IADI experts, of self-assessments conducted by jurisdictions who evaluate their Deposit Insurance System's compliance with the IADI Core Principles. This assessment takes into consideration the operating environment, as well as structural, legal and institutional features and provides feedback for quality assurance. Likewise, he pointed out that it is a good way to prepare for an FSAP review.

Mr. Chikura first outlined the elements for preparing a successful self- assessment, which includes a detailed work plan with a clear

purpose, objectives and specific timelines, as well as a team of members with defined roles and a mix of experience in line with the mandate of the deposit insurer. The work plan should consider a review of prior assessments, reports, laws and regulations, questionnaires for data gathering, an assessment template, data analysis and meetings with safety net players, including representatives from the deposit insurers.

Afterwards, Mr. Chikura referred to the main four phases to conduct a SATAP: i) update the assessment on the legal and regulatory framework to identify gaps and discuss the differences with the Core Principles; ii) review the practical application of laws, policies and procedures, as well as the impact and extend of their implementation; iii) asses the compliance of the deposit insurance system with each Core Principle, and iv) develop a final report and action plan that summarizes the legal and institutional framework, analyses the preconditions for an effective deposit insurance, presents the main conclusions and details compliance of each principle, which will be shared with the authorities.

To conclude, Mr. Chikura pointed out that a successful assessment should examine all aspects of the Core Principles and any weakness in the functions that may hinder the authorities' ability to protect financial stability.

Thursday, 23 October 2014 (Day 2)

Keynote speech V

Michele Bourque, President and CEO, Canada Deposit Insurance Corporation (CDIC), Canada

Michele Bourque focused her presentation on how the CDIC applied the IADI Core Principles to the ultimate challenges of transforming itself from an effective deposit insurer to a resolution authority for systemically important banks (SIBs) in Canada. Ms. Bourque first gave an overview of the Canadian banking sector which is stable but highly concentrated. CDIC's largest six banks, which are big, complex and international in scope, comprise more

than 90% of all assets in the banking sector, the equivalent of close to two times Canada's GDP. Ms. Bourque mentioned that though CDIC had many experience in dealing with bank failures since its inception in 1967, those failed banks were regional banks or relatively small non-complex institutions.

In consideration of the size, the scope, the complexity of SIBs in Canada, CDIC transformed itself in many ways, from an effective deposit insurer to an effective resolution authority such as being added with bridge bank power, enhancing the funding mechanism, strengthening risk assessment function and inter-agency coordination and reinforcing payout simulation. However, Ms. Bourque stated that those reforms were not enough if one of Canadian SIBs were to fail. In response, CDIC has endeavoured all efforts to perfect its resolution mechanism in alignment with international standards and guidance, including entering into information-sharing and coordination agreements with foreign resolution authorities, re-examining the adequacy of the funding model, building a new risk assessment function to focus on the understanding of SIBs from a resolution perspective, enhancing resolution preparedness for SIBs.

Ms. Bourque concluded by saying that the Core Principles clearly set out what is required to be an effective deposit insurer and building preparedness to resolve SIBs is the ultimate implementation of the Core Principles as they related to resolution. It has also meant relying on FSB Key Attributes guidance directed at systemic bank resolution. In sum, building preparedness has proven to be much more than just scaling up past existing preparedness model but has required new skill set, new process, new powers and many new relationships.

Session 4: Applying the Core Principles with Different Mandates, Settings and Structures

**Ayla Kucukoglu Keles, Head of Strategy Development
Department of Savings Deposit Insurance Fund (SDIF),
TURKEY**

Ayla Kucukoglu Keles spoke about the interaction with mandates

of deposit insurers and IADI Core Principles and explained effective design features of SDIF and introduced general overview about the Turkish deposit insurance system. She explained assessment experience of SDIF by presenting self-assessment (2011) and IADI assessment (2013) studies and their benefits and results. In this regard, she stated that public policy objectives and mandates of SDIF are clearly defined in Turkish legislation and SDIF generally has necessary powers to fulfil its loss-minimizer mandates.

Ms. Keles then explained significant outcomes of the assessment study by discussing key findings, recommended actions and challenges of the assessment process. She stated that the results of IADI assessment substantially support the challenges of being loss-minimizer. She also stated that although Turkey has a well-designed Financial Safety Net (FSN) structure to mitigate the risk of potential financial crisis, there exist certain improvement areas in early intervention, resolution and cross border issues. In this regard, she emphasized that the roles of other FSN players in activities of the deposit insurance system are also evaluated during the assessment process and their contribution is significant to improve the compliance level of the overall system.

Ms. Keles concluded that SDIF broadly conforms to the IADI Core Principles, but having loss-minimizer mandate, SDIF has some improvement areas in current legal and organizational framework for deposit insurance system in Turkey. She explained that with IADI assessment study, roles and specific needs of SDIF were well recognized and understood by all FSN members. She also stated that SDIF welcomed most of the recommendations of the assessment and already started necessary corrective actions based on its needs and priorities together with other FSN members to be fully compliant to the IADI Core Principles.

Lorenzo Meade, Executive Secretary, Instituto para la Protección al Ahorro Bancario (IPAB), Mexico

Lorenzo Meade shared Mexico's experience regarding compliance, application, and implementation of the Core Principles for Effective Deposit Insurance Systems. He began his remarks by providing an overview of the evolving role of the deposit insurance system in Mexico, indicating how different parts of the resolution and

liquidation regimes had been adopted in relation to the timeline of recent events regarding the financial sector and deposit insurance at an international level. He stressed the importance of the recent Financial Reform Package in Mexico, which provides for an insolvent bank liquidation process.

Mr. Meade then proceeded to explain recent developments in deposit insurance and responses to the financial crisis, in particular highlighting the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions and the updating of the IADI Core Principles. He then provided a general overview of the mandates and powers of IPAB and explained how IPAB dealt with compliance issues with the former Core Principles by modifying its mandate, expanding its powers and initiating research into issues such as differential premiums and target fund size determination.

Finally, Mr. Meade explained how the IPAB might stand up against the proposed updated Core Principles, foreseeing compliance issues in governance, cross-border issues, coverage, sources and uses of funds, and reimbursing depositors. He concluded by emphasizing that Mexico maintains an updated deposit insurance system and bank resolution regime, and that notwithstanding the possible challenges, these were not seen as material obstacles to a prompt and orderly bank resolution process.

Alex Kuczynski, Director of Corporate Affairs, Financial Services Compensation Scheme (FSCS), United Kingdom

Alex Kuczynski shared his view on how the updated Core Principles strengthen the financial stability architecture. Mr. Kuczynski began his presentation by explaining the development of the revised Core Principles including when the original version was issued, why it was needed to be revised, how the revised version was developed and what important benchmarks are included in the revised Core Principles. He also highlighted some enhanced focus stating in the revised Core Principles for Effective Deposit Insurance Systems including the period for reimbursement, the coordination framework among financial safety net players and funding issues.

Mr. Kuczynski then briefly introduced the Financial Services Compensation Scheme (FSCS) to the audiences. He stated that FSCS is an independent public body in charge of the integrated

protection schemes in the UK. The mandate of FSCS is classified as the type of paybox “plus” with seven-day payout requirement. Ex-post funding mechanism with the power of assessing to government borrowing is implemented to accumulate the protection fund and execute the reimbursement responsibilities. FSCS has signed the Memorandum of Understandings/protocols with the regulators, resolution authorities and HM Treasury to enhance the cooperation and coordination with the financial safety net players.

Finally Mr. Kuczynski shared the FSCS self-assessment results which included nine fully compliant, six largely compliant and one materially non-compliant (funding) and explained the aspects FSCS needed to further address and take necessary enhanced actions.

Keynote Speech VI

Jwala Rambarran, Governor of Central Bank and Chairman of Deposit Insurance Corporation, Trinidad and Tobago (DICTT)

Jwala Rambarran commenced his remarks by saying that the day Trinidad and Tobago was celebrating Divali, the Hindu festival of lights. He mentioned that Divalis message is particularly relevant given the current inflection point of the global economy and financial system. Mr. Rambarran then stated that IADI is the light of financial stability by helping to improve operations of deposit insurers and to strengthen the global financial architecture.

Mr. Rambarran shared the Trinidad and Tobago’s experience in the 2009 crisis, when the largest insurance company CLICO and the largest investment bank CIB collapsed. These two institutions were subsidiaries of the CL Financial Group, the largest conglomerate in the Caribbean region. He stated that the collapse of these two “too-big-to-fail” institutions was caused by extremely poor corporate governance, weak risk management practices, high leverage and a complex web of interconnectedness.

Mr. Rambarran then explained that the Central Bank of Trinidad and Tobago adopted several measures including controlling inflation, promoting economic growth and reforming regulation and

supervision on SIFIs which have made commendable progress in rebuilding public confidence and strengthening financial stability.

Session 5: Challenges in Applying the Core Principles in the Caribbean Region

Compton Bourne, Executive Director, Caribbean Centre for Money and Finance, University of the West Indies, Trinidad and Tobago

Compton Bourne introduced major characteristics of the financial structure in the Caribbean region, including the wide variety of financial institutions, non-uniform presence of its institutional presence in the region and the predominance of commercial banks and insurance companies in the domestic financial sector. He then explained the conglomerate nature of the industry with wide spread over the region. For example, RBC, one of the major Canadian banks, operates in 20 countries with 22% share in the banking assets in the region.

He also illustrated the wide ranges of activities for commercial banking and insurance conglomerates. In particular, insurance conglomerates activities include non-financial sectors, such as hotels, energy sector companies, agriculture and manufacture. Finally, he highlighted the growth in foreign currency exposure in Trinidad & Tobago, namely the total exposure to the USA increased over six-folds from 2010 to 2013.

Mr. Bourne concluded by outlining issues about financial conglomerates, namely institutional and systemic risks, as well as the needs for adequate capital management. He also noted that as financial sector was getting more complex and dynamic, it would be important to continuously improve the financial stability system as well.

Antoinette Mckain, Chief Executive Officer, Jamaica Deposit Insurance Corporation

Antoinette Mckain provided an overview of the banking system in the Caribbean region, where there is an important presence of foreign banks, mainly Canadian, and where regional banks are

highly interconnected and are also connected to non-bank financial institutions (insurance, investments, securities and real estate) through common ownership. She then referred to the main international standards which are key elements for an effective resolution regime as they provide mechanisms for early detection and timely intervention, create a special resolution regime, designate authorities for resolution powers, give a broad range of resolution options and create cooperation among relevant authorities.

Ms. McKain also shared the experience in bank resolutions over the last 30 years in some selected countries, such as Jamaica, Barbados, Trinidad & Tobago and Antigua, and described the mechanisms used and some of the issues encountered. She mentioned that there is an inadequate regulation and supervision, unsound banking practices, poor corporate governance, a weak legal framework and there has been an expansion of conglomerates in the region. She also emphasized the fact that there is no special insolvency regime properly established in the region and deposit insurers act as liquidator or receiver for winding-up banks but under the supervision of the Central Bank and/or the Minister of Finance.

Ms. McKain then highlighted the main challenges for the region: banking system structure, framework for cross border sharing information in progress, the impact of a bank resolution in the relatively small financial system, insolvency laws and laws governing the winding-up of banks not harmonized and not well suited to deal with serious cross-border issues, lack of protections schemes and inadequate regional collaboration among authorities.

Arjoon Harripaul, General Manager, Deposit Insurance Corporation, Trinidad and Tobago

Arjoon Harripaul began his presentation by introducing financial interconnectedness of the Caribbean region. He mentioned that regional financial and economic integration has been the central goal of policy makers in the Caribbean region for many years which led to increases in cross border capital flows and risk of contagion.

Mr. Harripaul then explained a case study of resolving a large complex financial group happened in the Caribbean region. He stated that due to the operations of its subsidiaries, the collapse of

the financial group had spilled over 15 Caribbean Common States and resulted in a major financial shock to this region. The case also revealed some deficiencies of the financial sector such as existence of an inadequate risk management, weak corporate governance system and uneven regulatory oversight.

Mr. Harripaul concluded by sharing the related enhancement measures taken by financial safety net participants in Trinidad and Tobago. He reported that the Ministry of Finance, the Central Bank, the Securities and Exchange Commission and DICTT are currently collaborating to form a National Financial Crisis Management Group which aims to take the necessary pre-emptive steps to respond appropriately in a financial crisis. To support the move, DICTT is reviewing its legislation to allow it to operate under an expanding mandate by investing enhanced resolution powers such as purchase and assumption, open-bank assistance and bail-in.

Closing Remarks

Arjoon Harripaul, General Manager, Deposit Insurance Corporation, Trinidad and Tobago

Arjoon Harripaul, on behalf of DICTT, expressed his appreciation to all attendees and presenters for their participation and sharing their experience and expertise. He also thanked the International Association of Deposit Insurers (IADI) for organizing the Annual Conference in Trinidad and Tobago.

Annex: Conference Program



13th IADI Annual Conference

“Updated Core Principles to Strengthen the Financial Stability Architecture”

Hyatt Regency Trinidad Hotel, Port-of-Spain, Trinidad, 22-23 October 2014

WEDNESDAY 22 OCTOBER – Room Regency Ballroom I, II & III

08:30 **Registration – Room Diamond**

09:00 **Keynote Speaker: Opening Remarks**

Jwala Rambarran, Chairman, Deposit Insurance Corporation, Trinidad and Tobago

09:30 **Keynote Speaker: Advancing the Role of the Deposit Insurer by Updating and Enhancing the Core Principles**

Jerzy Pruski, Chairman IADI

10:00 **Group Picture and Coffee/Tea Break – Foyer Level II**

10:30 **SESSION ONE: The Core Principles and Bank Resolution**

Moderator: *Yvonne Fan, Director of the International Relations & Research Office, Central Deposit Insurance Corporation, Chinese Taipei*

Consistency of the Core Principles with FSB’s Key Attributes of Effective Resolution Regimes

David Walker, Managing Director, Policy, Insurance and International Affairs, Canada Deposit Insurance Corporation

Governance/Resolution Mandates – Establishing a Resolution Authority

Anna Trzecińska, Deputy President, Bank Guarantee Fund, Poland

Expanding Role for Deposit Insurer within Crisis Management and Cross Border Resolutions

David Hoelscher, Special Advisor to the Chairman, Federal Deposit Insurance Corporation, USA

12:00 **Lunch – Room Port of Spain Ballroom**

13:00 **Keynote Speaker: Mitigating Moral Hazard and Strengthening Public Confidence in the Financial System**

Thomas Hoenig, Vice Chairman, Federal Deposit Insurance Corporation, USA

- 13:30 **SESSION TWO: Advancing the IADI Core Principles for Funding Resolutions and Deposit Insurance**
Moderator: *Andras Fekete-Gyor, Chief Executive Officer, National Deposit Insurance Fund, Hungary*
- Resolution Tools – Constraints and opportunities for use in bail-in**
Krzysztof Broda, Director, Bank Guarantee Fund, Poland
- The EU Regulatory framework: DGSD funding and mandates**
Giuseppe Boccuzzi, General Director, The Interbank Deposit Protection Fund of Italy
- Resolution Planning and Funding**
Juan Carlos Quintero, Deputy Director, Fondo de Garantías de Instituciones Financieras, Colombia
- 14.30 **Keynote Speaker: Systemic Risk and Resolution in Japan**
Masanori Tanabe, Governor, Deposit Insurance Corporation of Japan
- 15:00 **Coffee, Tea Break – Room Foyer Level II**
- 15:30 **Keynote Speaker: Crisis Management and Crisis Preparedness, Assessment of Deposit Insurance Systems**
Christine Cumming, 1st Vice President of the Federal Reserve Bank of New York, USA, Chair of Financial Stability Board, Cross Border Crisis Management
- 16:00 **SESSION THREE: Assessment of Compliance with the IADI Core Principles**
Moderator: *Vijay Deshpande, Advisor to the Director, Office of International Affairs, Federal Deposit Insurance Corporation, USA*
- Conducting a Self-Assessment**
Ana Carmela L. Villegas, Senior Vice President, Deposit Insurance Sector, Philippine Deposit Insurance Corporation
- Results of recent FSAP experience applying the IADI Core Principles**
Claire McGuire, Former Senior Financial Sector Specialist, World Bank, USA
- Preparing for and Conducting a Self-Assessment Technical Assistance Program**
John Chikura, Chief Executive Officer, Deposit Protection Board, Zimbabwe
- 17:30 **Day One Concludes**
- 19:30 **Conference Dinner – Pier 1, Chaguaramas (Assembly outside the Hyatt Regency V & VI, Level II)**

THURSDAY 23 OCTOBER - Room Regency Ballroom I, II & III

- 09:00 **Keynote Speaker: Resolving SIFIs: a deposit insurer's challenges**

Michele Bourque, President, Canada Deposit Insurance Corporation

09:30 **SESSION FOUR: Applying the Core Principles with Different Mandates, Settings and Structures**

Moderator: *Alejandro López, Chief Executive Officer, Seguro de Depósitos Sociedad Anónima, Argentina*

Panel Discussion of the representatives to review how closely they are meeting the Core Principles

Panel Discussants:

Ayla Kucukoglu Keles, Head of the Strategy Development Department, Savings Deposit Insurance Fund, Turkey

Lorenzo Meade, Executive Secretary, Instituto para la Protección al Ahorro Bancario, Mexico

Alex Kuczynski, Director of Corporate Affairs, Financial Services Compensation Scheme, United Kingdom

10:30 **Coffee / Tea Break – Room Foyer Level II**

11:00 **Keynote Speaker: Financial Stability Going Forward**

Jwala Rambarran, Governor, Central Bank, Trinidad and Tobago

11:30 **SESSION FIVE: Challenges in Applying the Core Principles in the Caribbean Region**

Moderator: *Noel Nunes, Senior Insurance & Planning Officer, DICTT, Trinidad and Tobago*

Financial Structure of the region (focusing on the extent of holding companies and multi-sector FI's)

Compton Bourne, Executive Director, Caribbean Centre for Money and Finance, University of the West Indies, Trinidad and Tobago

Challenges for regulatory/insolvency regimes to address

resolution

Antoinette McKain, Chief Executive Officer, Jamaica Deposit Insurance Corporation, Jamaica

Cross-border issues for the regional financial institutions: a case study of resolving a large complex bank

Arjoon Harripaul, General Manager, Deposit Insurance Corporation, Trinidad and Tobago

13:00 **Closing Remarks**

Arjoon Harripaul, General Manager, DICTT, Trinidad and Tobago

13:15 **Lunch – Room Port of Spain Ballroom**

19:30 **Evening Cocktails – Aria Lounge, Ariapita Avenue
(Assembly outside the Hyatt Regency V & VI, Level II)**

