

Following a thorough review of the consultation draft, we wish to offer feedback organized into two categories: (1) **Textual Modifications** aimed at enhancing precision and consistency, and (2) **Conceptual Clarifications** to support DIs' better understanding and implementation of the Core Principles.

I. Textual Modification

1. Principle 9 - Funding for the deposit insurer, Essential Criteria 12

Inconsistency: The first sentence acknowledges the possibility of a deposit insurer's proceeds being taxed, while the last sentence states, "*Any remittances to the government by the deposit insurer are limited to repayment of government-provided start-up funding and government-provided liquidity.*"

This could be perceived as a potential inconsistency.

Suggestion: To resolve this, we propose inserting:

"Deposit insurer proceeds shall be exempt from taxation in circumstances where no government funding or liquidity support is provided."

2. Principle 14 - Failure resolution, Essential Criteria 5

Current text: Resolution procedures follow a defined creditor hierarchy in which equity or other instruments of ownership take first losses and insured depositors are excluded from sharing losses.

Revised text: Resolution procedures follow a defined creditor hierarchy in which equity or other instruments of ownership take first losses and *insured deposits* are excluded from sharing losses.

Rationale: This adjustment clarifies that it is the insured deposits (not depositors) that are excluded from loss-sharing, as losses are absorbed by capital instruments, not depositors.

II. Conceptual Clarification

To aid our understanding and consistent application of the Core Principles, we would be grateful for further clarification on the following points:

1. Principle 7 - Membership

This principle mentions a lot about the insured deposit-taking institution and

their membership. To ensure consistent interpretation, could you kindly clarify the distinction between “*membership in a deposit insurer*” and “*insured deposit-taking institutions*”? We seek to better understand how a deposit-taking institution can be insured without membership in a deposit insurer.

2. Principle 9 - Funding for the deposit insurer, Essential Criteria 9

The term “resources” in the phrase “*replenishment of the deposit insurer’s fund of resources*” is unclear to us. We understand that there should be a replenishment of the fund, but we are wondering what does the fund of resources refer to? Could you clarify what constitutes “resources” in this context?

3. Principle 9 - Funding for the deposit insurer, Essential Criteria 10(c)

Regarding “the deposit insurer’s *exposure* to an insured deposit-taking institution is limited to what is strictly necessary for operational and *administrative reasons*”:

- a) What specific activities fall under “*administrative reasons*”?
- b) Could you provide examples of the “*exposure*” this criterion addresses?

4. Principle 12 - Dealing with parties at fault in a failure

The phrase “seek *legal redress*” suggests legal remedy for damages. Could you clarify why a “*relevant authority*” (which may not bear the cost of failure) would seek redress, given that the deposit insurer typically covers costs via the deposit insurance fund ?

5. Principle 13 - Early detection and timely intervention, Essential Criteria 3

Does the clause “*to perform their respective roles in the framework for early detection and timely intervention*” modify both “*the operational independence*” and “*power*”, or only the latter?

6. Principle 13 - Early detection and timely intervention, Essential Criteria 4

Regarding “*shared with the depositor insurer and other financial safety-net participants*”, we’d appreciate it if you could confirm whether information sharing is limited to DIs and financial safety-net participants, or if it extends to third parties?

7. Principle 14 - Failure resolution, Essential Criteria 3

Could you provide guidance on how “*material gap*” are defined? We are wondering whether it refers to regulatory vacuums or significant misalignments.

We sincerely appreciate the opportunity to contribute to the refinement of the Core Principles. Your insights on these points would greatly enhance our understanding and assist DIs globally in implementing these standards effectively. Our team remains available to discuss any of these proposals or questions further at your convenience.