

July 13, 2025

Ms. Eva Hüpkes, Secretary General
International Association of Deposit Insurers
c/o Bank for International Settlements
Centralbahnplatz 2
CH - 4002 Basel
Switzerland

Re: Comments to the 2025 Revision of the Core Principles for Effective Deposit Insurance Systems

Dear Ms. Secretary General Hüpkes,

I respectfully submit my comments on the Draft for Public Consultation of the 2025 IADI Core Principles of Effective Deposit Insurance Systems [hereinafter 2025 Draft]. My feedback focuses on four key topics within the 2025 Draft: (1) accountability features, including audit requirements and reviews; (2) disclosure and transparency requirements; (3) the handling of assets from failed financial cooperatives; and (4) measures to avoid conflicts of interest in asset sale procedures.

First, audit requirements are crucial for establishing public trust and confidence in a deposit insurer, making them an essential part of a deposit insurance system. The 2025 Draft includes several accountability features, such as audit requirements and independent reviews. Specifically, refer to "Principle 1 - Public Policy Objectives" (accountability function), "Principle 13 - Early Detection and Timely Intervention" (periodic review of the framework), and "Principle 16 - Use of the Deposit Insurance Fund in Resolution" (ex post independent audit).

The effectiveness of these accountability measures hinges on their credibility. They must be designed and implemented in a way that ensures their reliability, aligning with the 2025 Draft's "Principle 10 - Public Awareness" objective, which aims to "build trust in the improvement of the deposit insurer."

To this end, audits and reviews of a deposit insurer's operations should be carried out by an independent party, with findings and reports made public. While maintaining the confidentiality of sources is essential, this should be the exception rather than the rule.

Therefore, I recommend adding an "Additional Criteria" section to the 2025 Draft, specifying that (1) an independent office should conduct audits, evaluations, investigations, and other reviews of deposit insurers' programs and operations, and (2) these reports should be publicly accessible.

As an example of an office that performs a similar accountability function, I would like to highlight the U.S. offices of the Inspector General. Their mission includes "conducting and supervising independent and objective audits and investigations related to agency programs and operations, promoting economy, effectiveness, and efficiency within the agency, preventing and detecting fraud, waste, and abuse in agency programs and operations, reviewing and making recommendations regarding existing and proposed legislation and regulations related to agency programs and operations, and keeping the agency head and the [legislative body] fully informed of issues in agency programs and operations" (See Inspector General Act of 1978 § 402(b)).

Second, "Principle 3 - Governance" requires that the operations of deposit insurers be transparent and emphasizes the importance of disclosing "relevant information on its activities, organization, and financial position on a regular basis." I recommend adding an "Additional Criteria" section to "Principle 3 - Governance" to clarify the specific matters subject to this disclosure requirement. For instance, U.S. deposit insurers are legally mandated to disclose "final orders issued regarding any administrative enforcement proceedings initiated by the deposit insurer, as well as any modifications or terminations of such final orders." (See Financial Institutions Reform, Recovery, and Enforcement Act of 1989, §§ 913; 204(f)(4)). Additional examples of matters subject to disclosure requirements can be found in the FDIC's Publicly Available Records (12 CFR §309.4) and NCUA guidelines on what records are available for public inspection and copying (12 CFR §792.02).

Third, financial cooperatives play a vital role in enhancing financial inclusion, especially in jurisdictions with high rates of "unbanked" individuals and families. Therefore, it is important to consider the preservation of the financial assets of failed financial cooperatives within the cooperative structure, alongside the "commercial and economic considerations" noted in Essential Criteria #4 of "Principle 6 – Recoveries." The IADI Guidance Paper titled "Ways to Resolve a Financial Cooperative While Keeping the Cooperative Structure" (December 14, 2021) provides insights on this matter. Thus, I recommend adding the following statement to Essential Criteria #4 of "Principle 6 – Recoveries": "In the case of financial cooperatives, all efforts should be made to retain the assets of a failed insured financial cooperative within the financial cooperative system."

Fourth, avoiding conflicts of interest in asset sale procedures is crucial for maintaining public trust and confidence in a deposit insurer. In this regard, Essential Criteria #5 of "Principle 6 – Recoveries" includes a strict prohibition against acquiring assets from resolved institutions by those directly involved in the failure resolution process on behalf of the deposit insurer, as well as by third-party professional service providers or other participants in the financial safety net.

However, using intermediaries to bypass this prohibition could also undermine public trust and confidence in the deposit insurer. Therefore, I recommend adding a statement to Essential Criteria #5 of "Principle 6 – Recoveries" that extends this prohibition to closely related persons and entities. For example, the ban could apply to "spouse, minor child, general partner, any organization in which the person [subject to the prohibition] serves as an officer, director, trustee, or employee, or any person or organization with whom the person [subject to the prohibition] is negotiating or has any arrangement concerning prospective employment," (See 18 USC § 208 - Acts Affecting a Personal Financial Interest).

If you have any questions or need clarification, please don't hesitate to reach out to me.

Sincerely,



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