

2025 Review of the IADI Core Principles for Effective Deposit Insurance Systems

Overview of Process and Key Changes

May 2025



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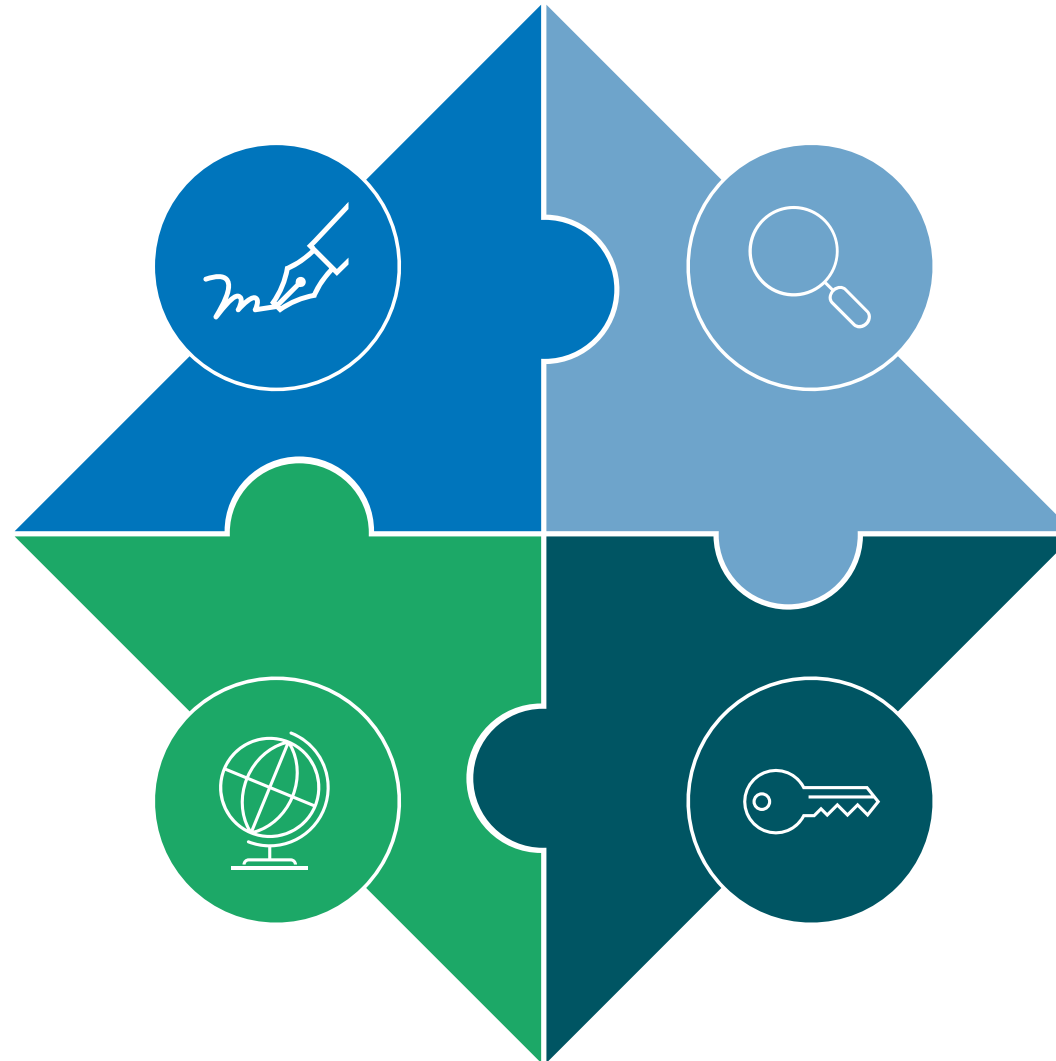
The IADI Standard on Effective Deposit Insurance Systems

Adoption and Revision of the Core Principles

Core Principles for Effective Deposit Insurance Systems adopted in 2009 and revised in 2014.

Global Benchmark for DI Effectiveness

Globally recognised standard that serves as a benchmark to evaluate the effectiveness of deposit insurance systems.



Assessment and Technical Assistance Tool

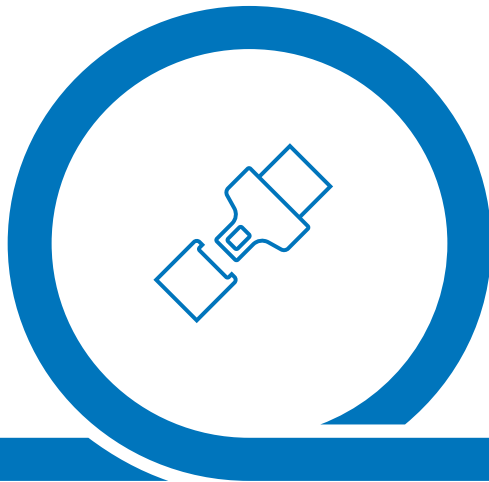
Used by the International Monetary Fund (IMF) and the World Bank for technical assistance and to assess the effectiveness of jurisdictions' deposit insurance systems and practices.

Key Standard for Sound Financial Systems

Included in the FSB Compendium of Standards as "key standard" for sound financial systems that represent minimum requirements for good practice that countries are encouraged to meet or exceed and that deserve priority implementation.

2. Interaction with other international standards

The IADI Core Principles, alongside the Basel Core Principles for Effective Banking Supervision and the FSB Key Attributes of Effective Resolution Regimes, form a comprehensive framework.



Promote the soundness of financial institutions



Protect depositors and maintain confidence in the financial system during bank failures



Resolve financial institutions that are systemically significant or critical when they fail in an orderly manner to preserve financial stability.

3. The 2025 Review

The 2025 review is the second review and addresses the following:

Digital innovation



Growing role of
deposit insurers in
resolution

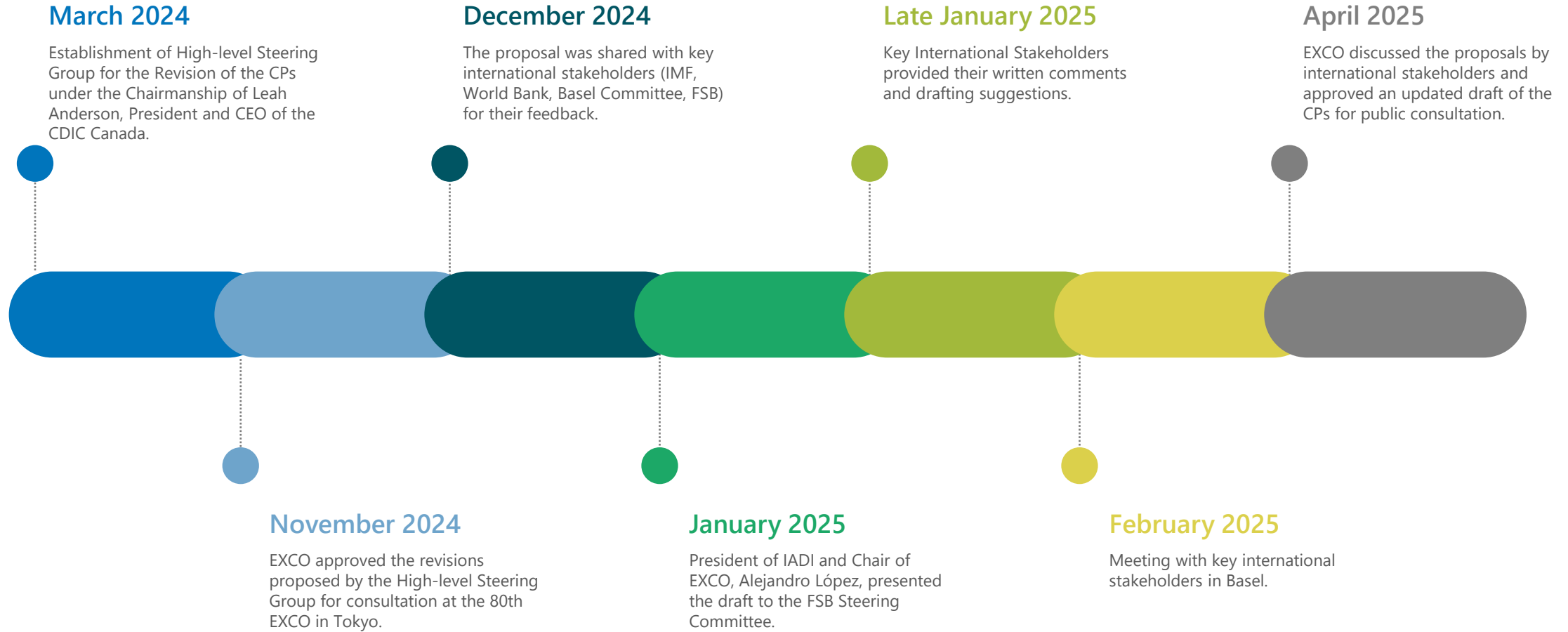


Lessons learned from
the banking turmoil in
March 2023



Consistency and
complementarity with the
Key Attributes and the
Basel CPs.

4. Process of the Review



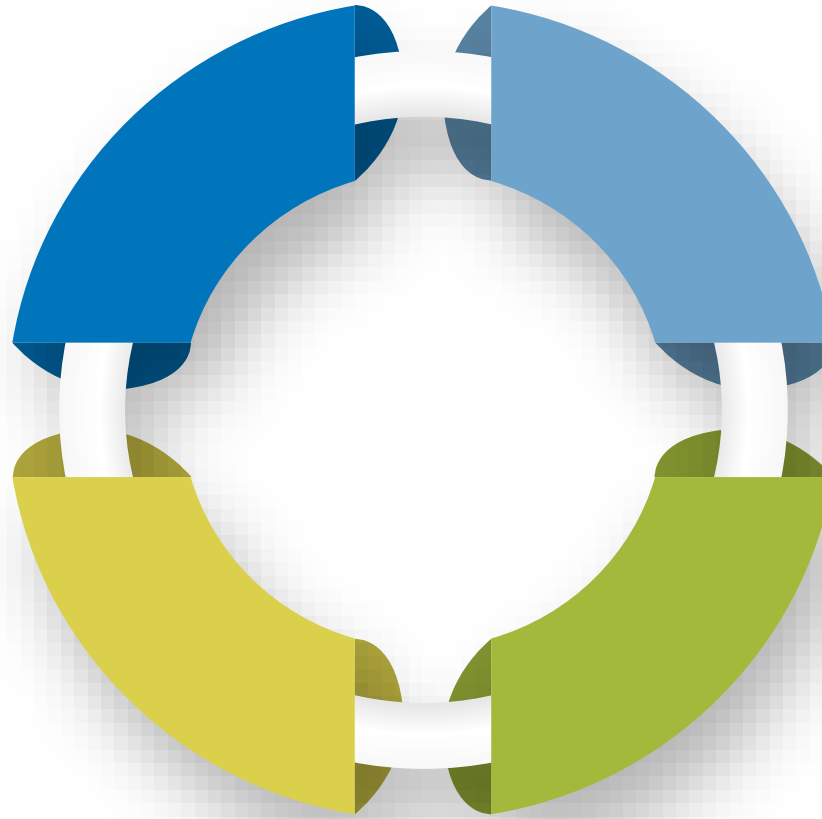
5. Objectives of the 2025 Review

Objective 1

Promote a holistic view of the financial safety-net and stress the need for the effective interaction of all its components acknowledging different architectures across jurisdictions.

Objective 2

Clarify the interaction between deposit insurance and resolution functions to effectively deliver the public policy objectives of deposit insurance systems.



Objective 3

Include forward looking and aspirational elements.

Objective 4

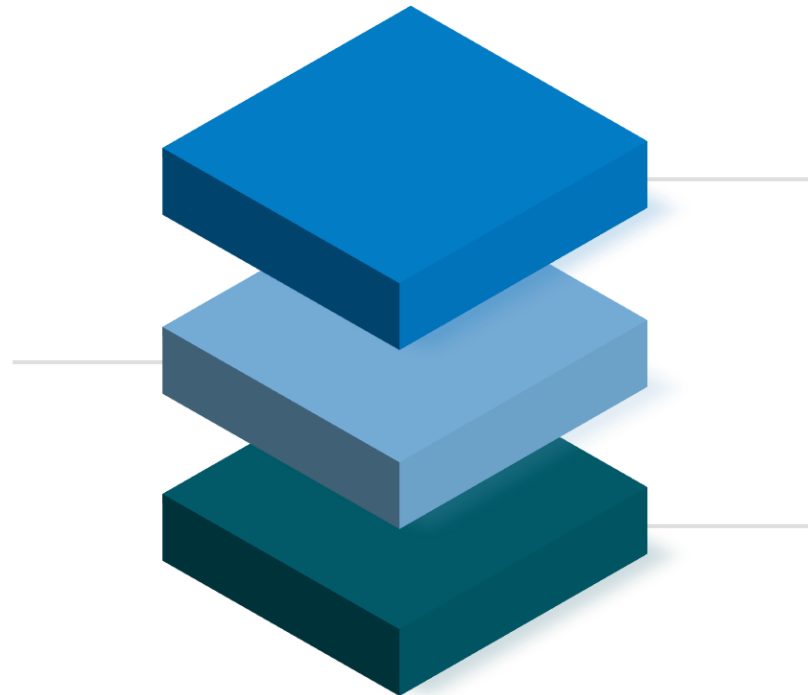
Future-proof the application of the Core Principles while remaining tech-neutral.

5.1. Holistic view of the financial safety-net

Reordering of Core Principles

Distinguish principles applicable to the:

- Deposit insurer defined as referring to the “entity responsible for providing deposit insurance or deposit guarantees to insured deposit-taking institutions”;
- Deposit insurance system (DIS) defined as referring to “the deposit insurer and its interactions with the financial safety-net participants that support deposit insurance functions and resolution processes



Stronger focus on cooperation, coordination, and information sharing in crisis management and resolution

Clarification on extraordinary funding and public backstop arrangements

5.1.1 Reordering of the Core Principles

CP 1 – Public Policy Objectives

Deposit Insurance System

- Requirements generally applicable to the DIS.
- Comprehensive framework to protect depositors and support financial stability.



Deposit Insurer

- Requirements generally applicable to the DI.
- Core expectations for organisation and functioning of deposit insurance.



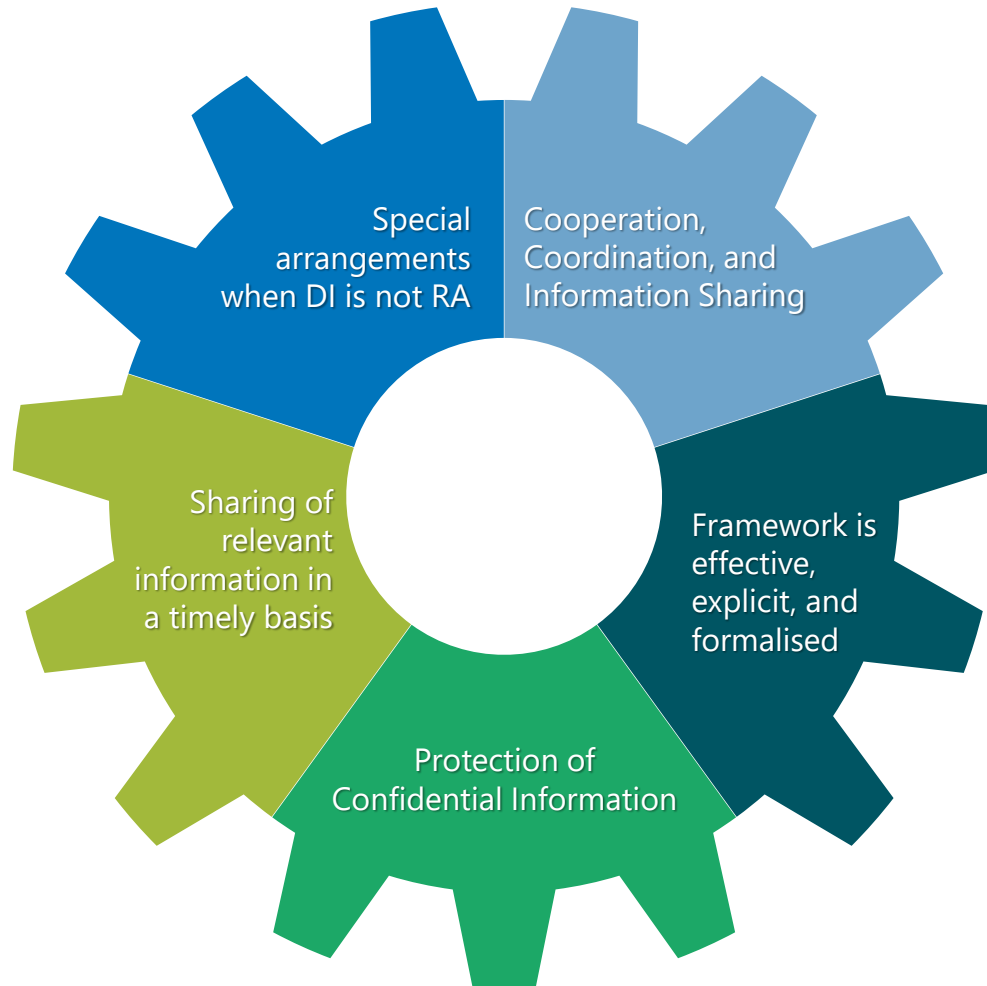
Principles generally applicable to the Deposit Insurers

- CP 2 – Mandate and Powers
- CP 3 – Governance
- CP 4 – Business Continuity Management
- CP 5 – Legal Protection
- CP 6 – Recoveries
- CP 7 – Membership
- CP 8 – Coverage
- CP 9 – Funding for the DI
- CP 10 – Public Awareness

Principles generally applicable to the Deposit Insurance System

- CP 11 – Crisis Preparedness and Management
- CP 12 – Dealing With Parties at Fault in a Failure
- CP 13 – Early Detection and Timely Intervention
- CP 14 – Failure Resolution
- CP 15 – Reimbursement
- CP 16 – Use of the Deposit Insurance Fund in Resolution
- CP 17 – Financial Safety-Net Cooperation, Coordination, and Information Sharing
- CP 18 – Cross-Border Cooperation, Coordination, and Information Sharing

5.1.2 Cooperation, coordination, and information sharing (CP 17)



- The deposit insurer is part of a formal framework within the financial safety net for cooperation, coordination, and information sharing.
- Framework to set out individual and joint responsibilities, and how participants discharge responsibilities in a coordinated and cooperative manner.
- Deposit insurer shares and receives relevant information in a timely manner and before material supervisory action is taken.
- Where the Deposit Insurer is not the Resolution Authority, appropriate arrangements are in place, e.g., regarding funding of non-reimbursement resolution measures.

5.1.3 Extraordinary funding and public backstop (CP 9)

Principles requiring extraordinary funding and backstop arrangements are already embedded in the current Core Principles.

The revision provides a clear distinction:

Extraordinary Funding Arrangements

- Pre-arranged for effective and timely access to funding in identified scenarios
- Extraordinary contributions from members and market funding

Public Backstop Funding Arrangements

- Terms and conditions specified for effective and timely access when required
- Repayment cost borne by members
- Not a substitute for sufficient and readily available deposit insurance funds

5.2. Interaction of deposit insurance and resolution

Captures essential elements of a resolution regime for small and medium-sized banks with powers and tools to maintain continuity and facilitate liquidation

Strengthening the deposit insurer's role in frameworks for early detection and timely intervention



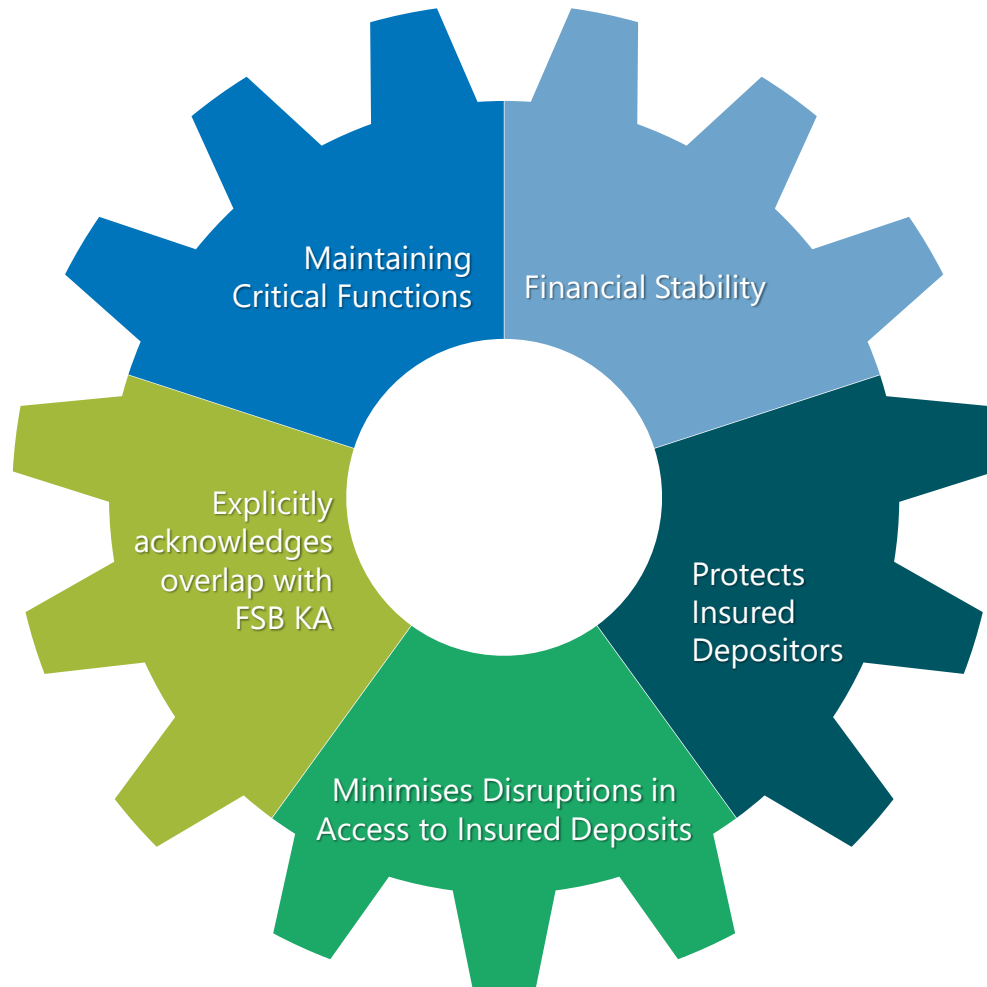
When the deposit insurer is not the resolution authority:
Clarification of modalities for use of the deposit insurer's funds for non reimbursement resolution

5.2.1 Early Detection and Timely Intervention (CP 13)



- DI is part of a financial safety-net framework for early detection and timely intervention
- **New Criteria:** Relevant recovery and resolution planning information to be shared with the deposit insurer and other financial safety net participants in a timely and appropriate manner.
- Reference to Basel Core Principles and FSB Key Attributes.

5.2.2 Small and medium sized bank resolution – Powers to maintain continuity and facilitate liquidation (CP 14)



- Legal framework to include a resolution regime with powers and tools to maintain continuity of the deposit-taking function and facilitate liquidation.
- Overall objective – minimise disruptions in access to insured deposits
- For deposit insurers that are responsible for exercising resolution powers:
 - Powers clearly defined and sufficiently broad;
 - Operational independence, sound governance, resources and operational capacity to exercise powers;
 - Guided by clear objectives and cost and benefit considerations.
- Acknowledges overlap with FSB Key Attributes regarding insured deposit taking institutions that are systemically significant or critical when they fail.
- Assessors may rely on that evaluation of FSB Key Attributes where relevant and available

5.2.3 Use of the deposit insurer's funds for non-reimbursement resolution (CP 16)

Where the deposit insurer is not the resolution authority, and the legal framework allows the use of its funds in resolution for purposes beyond reimbursing insured depositors, the use of deposit insurance funds must adhere to clear terms and conditions.

Deposit insurer confirms that conditions for use of its funds are met

Safeguards restrict the cost to the deposit insurer (net payout counterfactual)

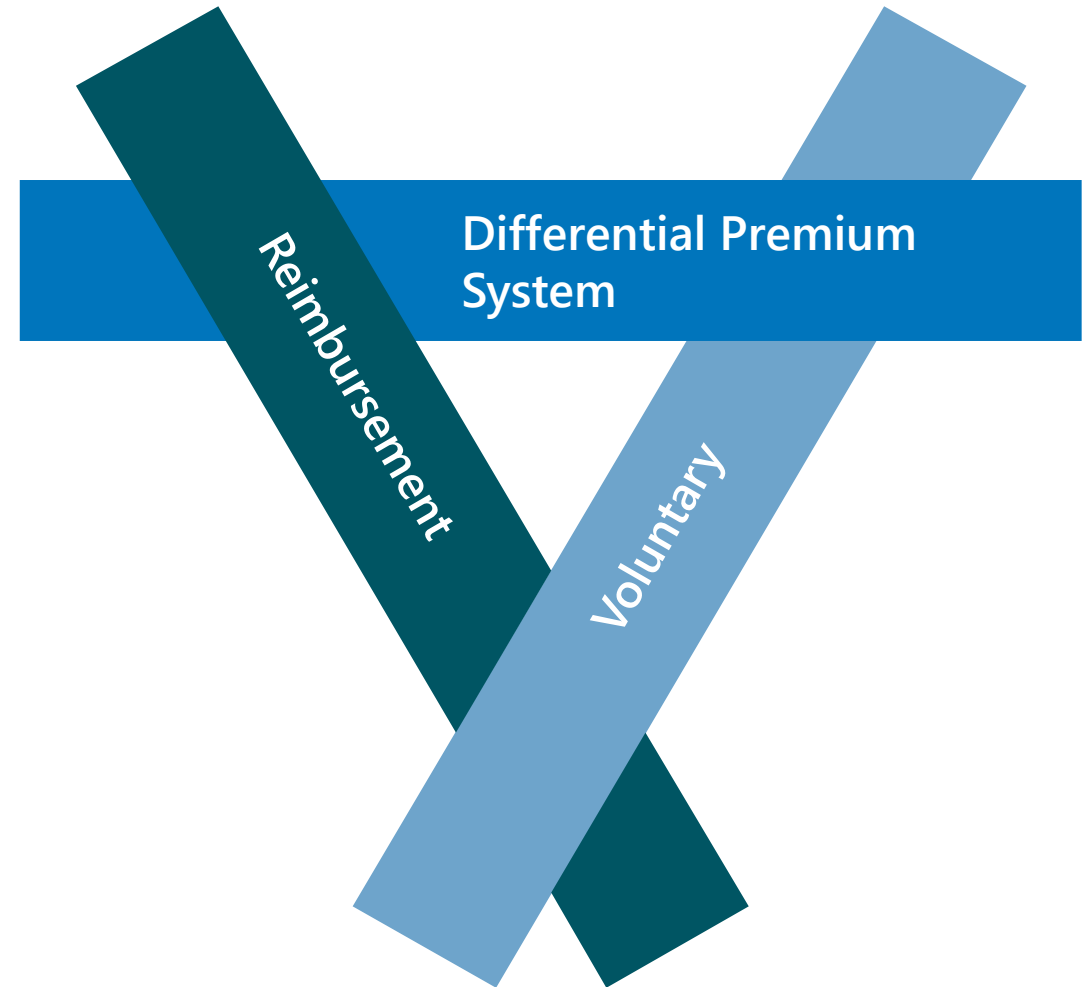
Recapitalisation of a resolved insured deposit taking institution only in exceptional circumstances subject to prior equity write-down

5.3. Forward looking and aspirational elements

Inclusion of “Additional Criteria” that are aspirational and voluntary best practices that exceed current baseline expectations (‘Essential Criteria’) aimed at contributing to the continuing relevance of the Core Principles over time and across jurisdictions.

Additional Criteria for:

- Differential Premium Systems
- Reimbursement



5.3.1 Additional Criteria for Differential Premium Systems (CP 9)

Essential Criteria

Only applicable if the deposit insurer uses differential premium systems:

- Access to relevant and timely information for thorough risk assessments.
- Scoring and premium categories significantly differentiated.
- The premium calculation system transparent to all members.
- Ratings and rankings of insured deposit-taking institutions remain confidential
- The premium system is regularly reviewed and updated to ensure effective risk differentiation.

Additional Criteria

Aspiration for all deposit insurers:

- Implement a differential premium system when the deposit insurer, in coordination with financial safety-net participants, is able to set premiums linked to the risk level of insured institutions to the deposit insurance fund.

5.3.2 Additional Criteria for reimbursement (CP 15)

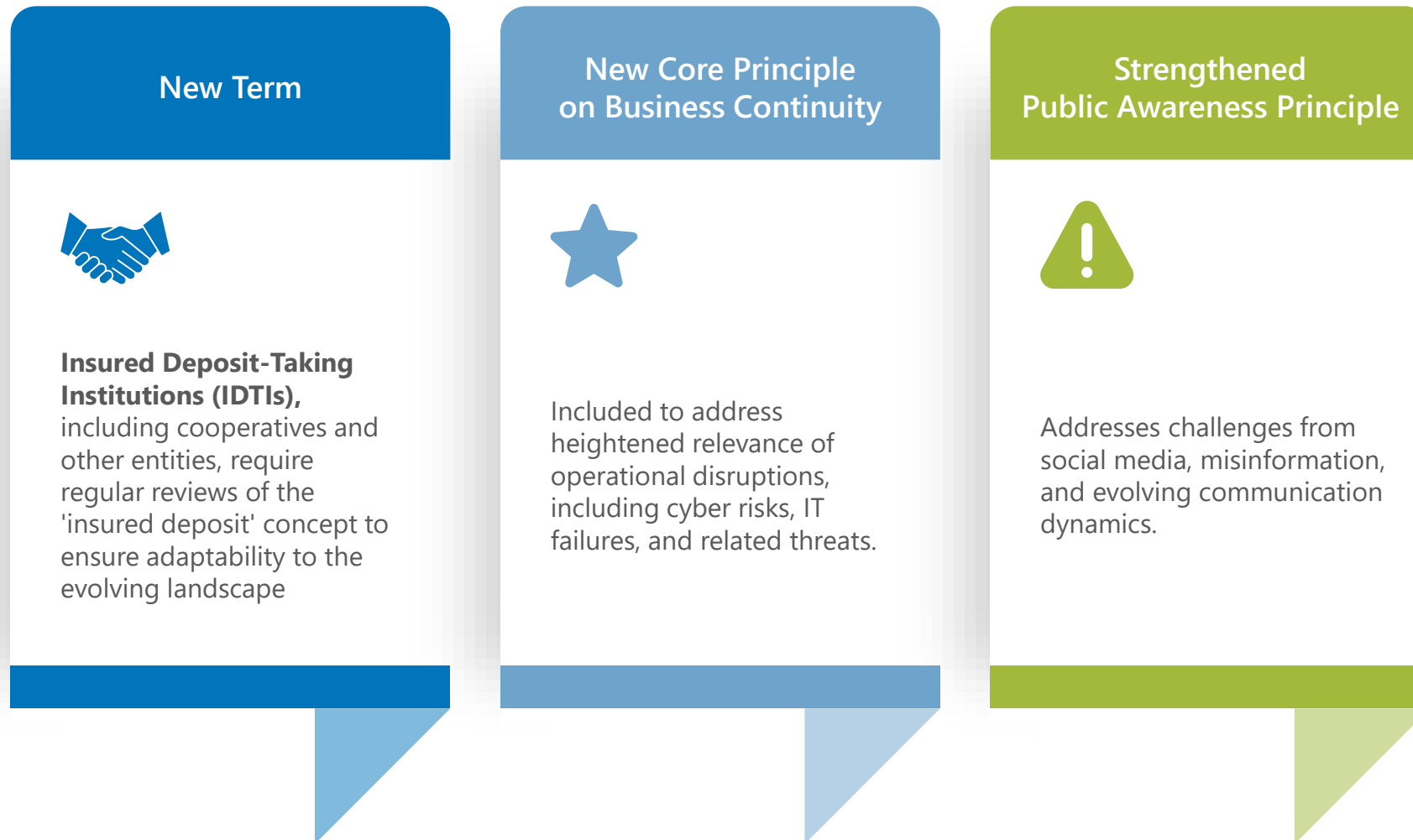
Essential Criteria

- The deposit insurer reimburses insured depositors as soon as possible.
- Most insured depositors are reimbursed **within seven working days of the reimbursement being triggered.**
- If the seven-day target cannot currently be met, a plan is in place to achieve it.
- The plan includes a clear and reasonable implementation time frame with measurable deliverables.
- In cases of reimbursement being triggered with expected extended delays, the deposit insurer may provide interim payments to insured depositors.

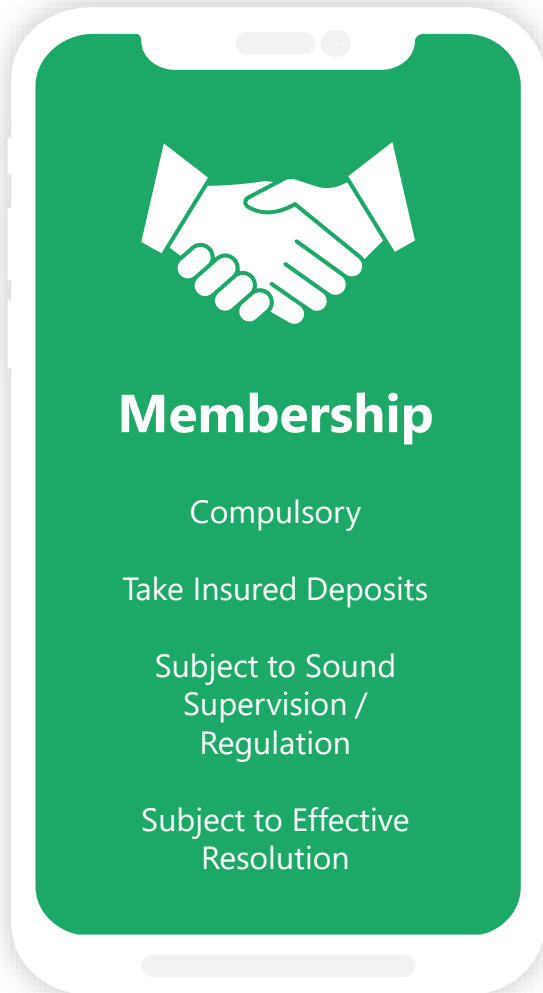
Additional criteria

- Most insured depositors regain access to their insured deposits promptly, **within three working days of reimbursement being triggered.**
- Financial safety-net participants collaborate to eliminate obstacles to ensure swift reimbursement.

5.4. Future-proof and tech-neutral



5.4.1 New term: “Insured deposit-taking institution”



Insured deposit-taking institutions" replaces the term "Banks."

- Defined as entities:
 - Licensed to take insured deposits under the jurisdiction's legal framework.
 - Subject to sound prudential regulation, supervision, and effective resolution regimes.
- "Sound prudential regulation and supervision" ensured through compliance with the Core Principles for Effective Banking Supervision.
- May vary in legal form and include private and public commercial banks, financial cooperatives, credit unions, cooperative banks, savings unions.
- The concept of "insured deposits" to undergo periodic review.
- The taking of insured deposits triggers compulsory membership in deposit insurer.

5.4.2 New Core Principle on Business Continuity (CP 4)

Maintenance and Recovery of Critical Operations



Periodic Testing



Training for Employees



Addresses Disruptions in Third-Party Provided Services



Plan for ongoing communication during disruptions



- Framework in place to withstand, adapt, and recover from severe operational risk-related disruptions.
- Framework requires testing, training, plans, policies, and procedures.
- Coordination plan for ongoing communication with stakeholders.

5.4.3 Strengthened Public Awareness (CP 10)

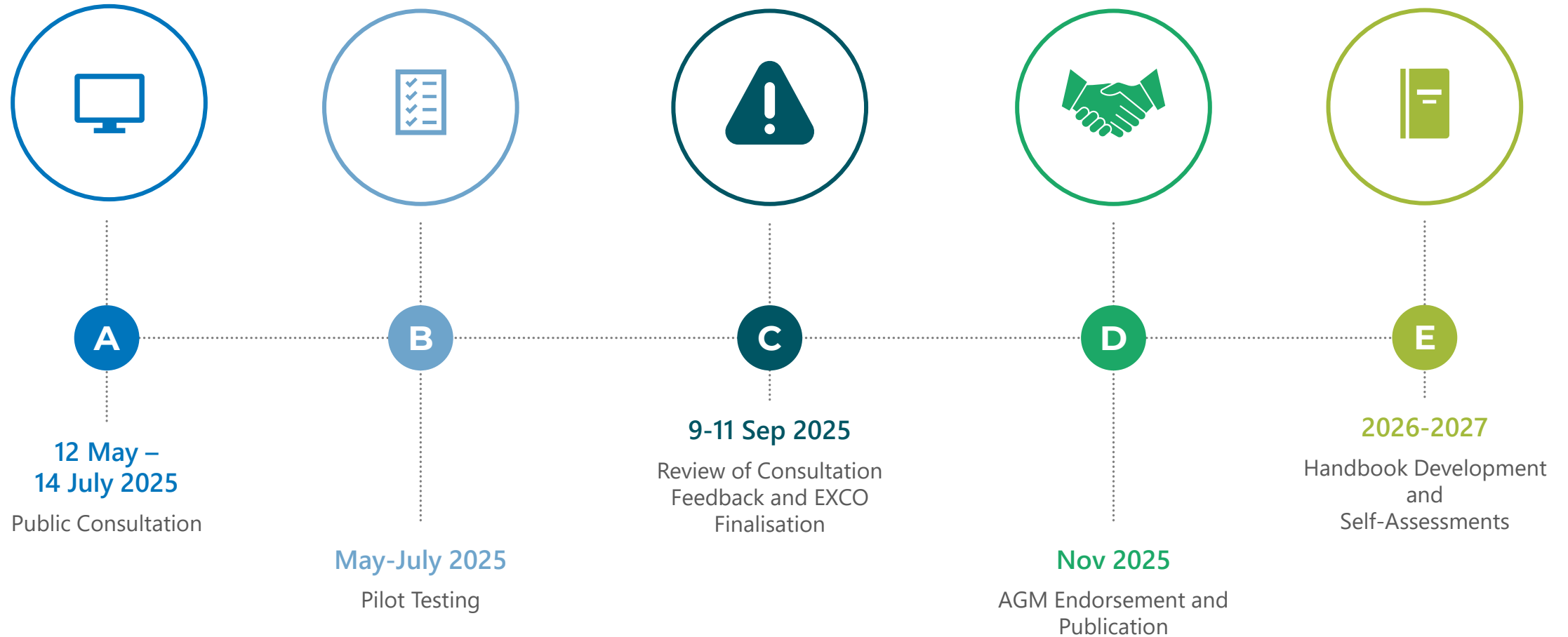


- Strengthened Public Awareness Principle.
- Responsive to innovation and new financial products
- Use of a variety of communication tools (e.g. social media) to reach the public effectively
 - New EC 4: Prohibits misleading or deceptive statements about who is a member or about what is insured.
- Clarifies public awareness is important in 'business as usual' and 'in crisis'.

6. Questions for consultation?

- Does the revised version of the Core Principles adequately promote a holistic view of the financial safety-net and effective interaction among deposit insurance, resolution, and supervision, while acknowledging the different architectures and diverse institutional structures of deposit insurance systems across jurisdictions?
- Does the revision provide sufficient clarity on the interaction between deposit insurance and resolution to effectively achieve the public policy objectives of depositor protection and financial stability?
- Are the revised Core Principles sufficiently forward-looking and aspirational to address emerging risks, trends, and challenges in the global financial sector, while remaining practical for implementation?
- Does the updated framework ensure that the Core Principles remain adaptable to technological advancements in deposit-taking and protection systems, while maintaining a technology-neutral approach?

7. Timeline and next steps



Access to the consultation:

<https://www.iadi.org/consultations/>

