

# IADI Core Principles for Effective Deposit Insurance Systems

Draft for Public Consultation

Comments should be submitted by 14 July 2025. For more information visit  
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## I. Introduction

The Core Principles for Effective Deposit Insurance Systems are the international standard for deposit insurance. They set out the key components of effective deposit insurance systems.

The first set of *Core Principles for Effective Deposit Insurance Systems* were jointly issued by the International Association of Deposit Insurers (IADI) and the Basel Committee on Banking Supervision (BCBS) in June 2009.<sup>1</sup> A *Compliance Assessment Methodology for the Core Principles* was completed in December 2010. The Core Principles and their compliance assessment methodology (together: 'Core Principles') are used by jurisdictions as a benchmark for assessing the quality of their deposit insurance systems and for identifying gaps in their deposit insurance practices and measures to address them. The Core Principles are also used by the International Monetary Fund (IMF) and the World Bank, in the context of the Financial Sector Assessment Program (FSAP), to assess the effectiveness of jurisdictions' deposit insurance systems and practices.

The Core Principles are reflective of, and designed to be adaptable to, a broad range of jurisdictional circumstances, settings and institutional structures. Jurisdictional authorities are free to put in place supplementary measures that they deem necessary to achieve effective deposit insurance in their jurisdictions. An assessment of compliance with the Core Principles can be a useful exercise for jurisdictions that are implementing, reviewing or actively reforming a deposit insurance system. The assessment of a deposit insurance system helps to identify strengths and weaknesses in the existing deposit insurance system and possible measures that deposit insurers and policymakers may adopt to enhance the current system and address any shortcomings.

The global financial crisis of 2007–09 brought to light significant policy lessons for deposit insurance systems. The crisis demonstrated that deposit protection has a key role in maintaining depositor confidence in the financial system. This framed the environment within which the Core Principles were revised in 2014. Subsequently in 2016, the Handbook for the Assessment of Compliance with the Core Principles<sup>2</sup> was published to serve as an interpretive guide to the Core Principles and provide additional guidance for assessing a jurisdiction's compliance with the Core Principles.

The Core Principles have again been revised ten years later, in 2024. This most recent update is informed by structural changes in the industry (e.g. digital innovation), the trend for increased involvement by deposit insurers in resolution and the lessons from the banking

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<sup>1</sup> In July 2008, the BCBS and IADI decided to collaborate on developing an internationally agreed set of core principles for deposit insurance using the IADI Core Principles for Effective Deposit Insurance Systems (February 2008) as a basis. A joint working group, comprising representatives from the BCBS's Cross-Border Bank Resolution Group (CBRG) and IADI's Guidance Group, was formed to develop a set of core principles to be submitted to the BCBS and IADI for review and approval. The consultative document, entitled *Core Principles for Effective Deposit Insurance Systems*, was published in March 2009 and the final standard was endorsed by the international community in June 2009.

<sup>2</sup> See IADI, [A Handbook for the Assessment of Compliance with the Core Principles for Effective Deposit Insurance Systems](#), March 2016.

turmoil in March 2023,<sup>3</sup> which marked the largest episode of systemic stress since the 2007 – 09 global financial crisis. The 2023 banking turmoil highlighted the importance of taking a holistic approach to safeguarding financial stability and the effective interactions of deposit insurance, resolution, and supervision while acknowledging the different architectures across jurisdictions. The 2024 update was guided by the following four objectives:

- (i) Promoting a holistic view of the financial safety-net and stressing the need for the effective interaction of all its components acknowledging different architectures across jurisdictions;
- (ii) Clarifying the interaction between deposit insurance and resolution frameworks to effectively deliver the public policy objectives of deposit insurance systems;
- (iii) Strengthening the Core Principles by including forward looking and aspirational elements; and
- (iv) Future-proofing the application of the Core Principles to deposit protection and deposit-taking institutions while remaining tech-neutral.

In line with the original mandate of 2008 for the development of the Core Principles (CPs) which called for the Principles to *"take close account of the broader characteristics of safety-net arrangements, including those of the regulatory and supervisory framework and of resolution procedures for failing institutions"*, this update of the Core Principles, as the 2009 and 2014 versions did, continues to closely consider the broader aspects of financial safety-net arrangements, including the frameworks for supervision and resolution. Consequently, certain Core Principles may overlap with provisions in the BCBS's Core Principles for Effective Banking Supervision (BCPs) and the Financial Stability Board's (FSB) Key Attributes of Effective Resolution Regimes for Financial Institutions. This overlap is intentional, seeks to reinforce the frameworks for supervision and resolution and to ensure comprehensive coverage and alignment, reflecting the diverse institutional arrangements and combinations of supervisory, deposit insurance, and resolution functions within one or more financial safety-net participant, and to underscore the importance of these functions interacting effectively.

In light of the FSB's mandate under its charter to support "cross-border crisis management, particularly with respect to systemically important firms", the IADI and its Core Principles fill a crucial gap by advancing good practices and providing guidance at the intersection between deposit insurance and the resolution of small and medium-sized banks, including those in non-G20 jurisdictions. Consequently, the IADI Core Principles capture the essential elements of an effective resolution regime for small and medium-sized banks with a particular focus on liquidation and depositor reimbursement, as well as on transfer and/or sale of assets and liabilities (also in liquidation under insolvency law), and the establishment of a bridge

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<sup>3</sup> IADI identified a number of lessons from the 2023 banking turmoil that informed the Core Principles review. These include, among others: 1) the adequacy of deposit insurance coverage, funding, and backstop arrangements, 2) the interaction of deposit insurance and resolution and how resolution tools can support the continuity of critical banking operations and depositor's access to their insured funds, and 3) digital innovation and the resulting impact on depositor behaviour and services they receive. See IADI, [The 2023 banking turmoil and deposit insurance systems: Potential implications and emerging policy issues](#), December 2023.

institution. These are powers often vested in deposit insurers with broader mandate within the IADI membership.

Effective deposit insurance practices should evolve over time with changes in the industry and as lessons are learned. The revised Core Principles include a new concept of 'additional criteria' in addition to the baseline expectations ('essential criteria'). Additional criteria are aspirational and voluntary best practices that may be appropriate for some deposit insurance systems. They exceed current baseline expectations for deposit insurance systems but may contribute to the robustness of deposit insurance frameworks.<sup>4</sup> The use of essential criteria and additional criteria will contribute to the continuing relevance of the Core Principles over time and across jurisdictions.

The Core Principles continuously evolve to enhance the effectiveness of deposit insurance practices worldwide. Each iteration builds upon the previous versions, aiming to strike a balance between promoting proven practices and ensuring the Core Principles remain a globally applicable standard. The iterative nature of the Core Principles allows for the incorporation of new insights, emerging trends, and lessons learned from practical implementation. By doing so, the Core Principles adapt to the evolving needs of deposit insurance systems so that they remain relevant, practical, and effective in supporting the stability and soundness of financial systems worldwide.

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<sup>4</sup> Additional Criteria are not relevant for assessments and not intended to be assessed against.

## II. Definitions of Key Terms

**“Additional criteria”** are aspirational and voluntary best practices that exceed current baseline expectations (i.e. Core Principles and Essential Criteria) to deposit insurance systems.

**“Blanket guarantee”** is defined as a declaration by authorities, that in addition to the protection provided by limited coverage deposit insurance or other arrangements, certain or all deposits (and perhaps other liabilities) will be protected in full.

**“Bridge institution”** refers to an entity that is established to temporarily take over and maintain certain assets, liabilities and operations of a failed insured deposit-taking institution as part of the resolution process.

**“Deposit insurance”** refers to the financial protection for depositors’ funds held in insured deposit-taking institutions against loss up to an insured amount in the event the institution is unable to meet its obligations to the depositors.

**“Deposit insurer”** refers to the specific legal entity responsible for providing deposit insurance or deposit guarantees to insured deposit-taking institutions. Reference to “deposit insurer” in the Core Principles should be read as referring to each deposit insurer, where multiple deposit insurers co-exist in Multiple Deposit Insurance Systems.

**“Deposit insurance system”** refers to the deposit insurer and its interactions with the financial safety-net participants that support deposit insurance functions and resolution processes.

**“Depositor preference”** means the legal framework grants some or all deposit liabilities a higher claim class than other general creditors against the proceeds of liquidation of an insolvent insured deposit-taking institution’s assets. These depositors must be paid in full before remaining creditors can collect on their claims. Depositor preference can take a number of different forms depending on the legal framework in force in a given jurisdiction.

**“Differential coverage system”** refers to a deposit insurance coverage system where different coverage levels apply (i)generally to different types of insured deposits; or (ii) upon occurrence of life events (individual temporary high balances); or (iii) upon circumstances linked to depositor protection or financial stability (system-wide temporary high limits).

**“Differential premium system”** (or “risk-based premiums”) refers to a premium assessment system which seeks to minimise moral hazard, discourage excessive risk taking, and increase fairness by differentiating premiums on the basis of criteria, such as the risk individual institutions pose to the deposit insurer.

**“Essential criteria”** are minimum baseline requirements for sound deposit insurance practices and are universally applicable to all jurisdictions.

**“Ex ante funding”** refers to financial contributions to the deposit insurer by its members, made on a regular basis and prior to a member’s failure. The regular collection of premiums payable by members of the deposit insurer, with the aim of accumulating a fund to meet future obligations (e.g. reimbursing depositors) and cover the operational and related costs of the deposit insurer, is the key component of ex ante funding.

**“Ex post funding”** refers to systems in which funds to cover deposit insurance obligations are only collected from insured deposit-taking institutions after a failure.

**“Financial safety-net”** refers to the wider set of functions and entities that work together to support financial stability.

**“Financial safety-net participants”** refer to entities that support financial stability . These generally include the deposit insurer, the supervisor, the regulator, the resolution authority, the lender of last resort, and a department of government (generally a Ministry of Finance (MOF) or Treasury responsible for financial sector policy).

**“Fit and proper”** refers to fitness tests that usually seek to assess the competence of managers and directors and their capacity to fulfil the responsibilities of their positions, while propriety tests seek to assess their integrity and suitability. Formal qualifications, previous experience and track record are some of the elements focused on by authorities when determining competence. To assess integrity and suitability, elements considered include criminal records, financial position, civil actions against individuals to pursue personal debts, refusal of admission to, or expulsion from, professional bodies, sanctions applied by regulators of other similar industries, and previous questionable business practices.

**“Insured deposit-taking institution”** (IDTI) refers to any entity that is subject to sound prudential regulation and supervision and an effective resolution regime, and which is licensed to take deposits which are insured under the jurisdiction’s legal framework.<sup>5</sup>

**“Liquidation”** refers to the winding-down (or “winding-up” as used in some jurisdictions) of the business affairs and operations of a failed insured deposit-taking institution through the orderly disposition of its assets, settling debts and distributing remaining funds to creditors and shareholders after its licence has been revoked. In some jurisdictions, “liquidation” is synonymous with “receivership.”

**“Liquidator”** refers to the person or legal entity that undertakes the winding-down of the failed insured deposit-taking institution and the disposition of its assets. In some jurisdictions, the liquidator is synonymous with the “receiver.”

**“Mandate”** of the deposit insurer refers to the set of official instructions describing its roles and responsibilities. These can be broadly classified into four categories:

- (i) A “pay box” mandate, where the deposit insurer is only responsible for the reimbursement of insured deposits;
- (ii) A “pay box plus” mandate, where the deposit insurer has additional responsibilities. This includes the case where the deposit insurer is not the (sole) resolution authority, but where it participates in the resolution decision-making process, supports the resolution authority

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<sup>5</sup> Institutions classified under a jurisdiction’s legal framework as an “insured deposit-taking institution” may differ in the legal forms they take. These may include private and public “commercial banks,” “financial cooperatives,” “credit unions,” “cooperative banks” or “savings unions.” The determination of “sound prudential regulation and supervision” of these institutions is made by ensuring that there is high compliance with the Core Principles for Effective Banking Supervision.



in carrying out its functions, or authorises the use of its funds to support resolution measures;

- (iii) A “loss minimiser” mandate, where the insurer actively engages in the selection and implementation of a range of resolution strategies for the benefit of insured depositors and in a manner that minimises costs or losses; and
- (iv) A “risk minimiser” mandate, where the insurer has comprehensive risk minimisation functions that include risk assessment/management, a full suite of early intervention and resolution powers, and in some cases prudential oversight responsibilities.

“Member Institution” refers to an “Insured deposit-taking institution” (IDTI) that is member in a deposit insurer.

“**Moral hazard**” arises when parties have incentives to accept more risk because the costs that arise from the risk are borne, in whole or in part, by others.

“**Public policy objectives**” refer to the goals which the deposit insurance system is expected to achieve.

“**Resolution**” refers to the exercise of resolution powers over a non-viable insured deposit-taking institution. Resolution may include liquidation and depositor reimbursement, transfer and/or sale of assets and liabilities also in liquidation under insolvency law, the establishment of a bridge institution and the write-down of debt, or conversion of debt to equity. The exercise of resolution powers may include or be accompanied by an insolvency proceeding with respect to the insured deposit-taking institution in resolution (for example, to wind up parts of that institution).

“**Resolution authority**” is defined as a public authority, that, either alone or together with other authorities, has resolution powers over insured deposit-taking institutions established in its jurisdiction (including resolution planning functions). The resolution authority may be the deposit insurer, or any other financial safety-net participant vested with resolution powers.

“**Subrogation**” is the legal substitution of one party (e.g. the deposit insurer) for another (e.g. the insured depositor) with reference to a lawful claim, demand, or right, so that the party which substitutes succeeds to the rights of the other in relation to the debt or claim, and its rights and remedies.

“**Target fund size**” refers to the size of the ex-ante deposit insurance fund, typically measured as a proportion of the assessment base (e.g. total or insured deposits), sufficient to meet the expected future obligations and cover the operational and related costs of the deposit insurer, as applicable.

### III. The Deposit Insurance System Within the Financial Safety-Net

This international deposit insurance standard applies to deposit insurance systems, which refers to deposit insurers and their interactions with the financial safety-net participants that support deposit insurance functions and resolution processes and thereby support financial stability and the protection of depositors.

The institutional set-up of financial safety-nets and the allocation of responsibilities and powers among financial safety-net participants, including supervision, resolution and deposit insurance vary by jurisdiction. Design options are myriad and include silo approaches, functional approaches, integrated models, as well as twin peak approaches.

The distinct mandates of financial safety-net participants result in different analysis and application of the core concepts of solvency and liquidity. Generally, central banks look at solvency and liquidity from a system-wide perspective and at how these impact monetary policy and economic / financial stability,<sup>6</sup> whereas supervisors are more likely to focus on the safety and soundness of individual financial institutions and the financial system as a whole.

Deposit insurers and resolution authorities focus on protecting depositors and maintaining confidence and stability in the financial system. Their interest in solvency and liquidity is from the perspective of minimising the cost and negative consequences of insured deposit-taking institution failures and ensuring early and effective resolution.

The legal mandates of deposit insurers vary significantly across jurisdictions. The mandate of the deposit insurer may be broad, encompassing responsibilities and tasks related to supervision, regulation and/or resolution; or the deposit insurance institution may be limited to the core deposit insurance function of compensating depositors; with other entities being tasked with supervision and resolution activities.

As a consequence, the interaction and coordination needed among the financial safety-net participants varies depending on the mandates of the deposit insurer and the other financial safety-net participants. There are a variety of tools available to protect depositors, including resolution powers other than liquidations and depositor reimbursement. These powers may be distributed among safety-net participants in a variety of ways.

Acknowledging this variety in institutional designs, the Core Principles differentiate between deposit insurers and the provision of deposit insurance in the narrow sense and the wider deposit insurance system. They set a benchmark that applies:

- (i) to deposit insurers globally, irrespective of the scope of their mandate, and include core expectations for the organisation and functioning of deposit insurance within the financial safety-net; and
- (ii) holistically to the deposit insurance system through the effective interaction of supervision, resolution, and deposit insurance.

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<sup>6</sup> Where the central bank is the lender of last resort, it may also monitor the liquidity and solvency of individual financial institutions.

The Core Principles for Effective Deposit Insurance Systems are structured as follows:

- (i) **Objectives:** Core Principle 1 sets out the overall public policy objectives for the deposit insurance system.
- (ii) **Principles generally applicable to deposit insurers:** Core Principle 2 to Core Principle 10 set out specific requirements for the provision of deposit insurance that are primarily applicable to the legal entity responsible for providing deposit insurance ('deposit insurer'). They include the mandate and powers of the deposit insurer, governance, membership, organisational structure, legal protections, recoveries, business continuity, as well as the design of deposit insurance, which includes coverage, funding and premium assessments.
- (iii) **Principles generally applicable to the deposit insurance system:** Core Principle 11 to Core Principle 18 set out requirements that acknowledge and emphasize the interaction of the deposit insurance functions with the functions of other financial safety-net participants. These functions and responsibilities may be vested in the deposit insurer or in a separate legal authority. The different functions are interdependent and interconnected and must work together effectively to meet the public policy objective of maintaining financial stability and protecting depositors. These Core Principles cover financial safety-net coordination, crisis management, early intervention, resolution and use of funds, and cross-border cooperation.

## IV. Institutional Arrangements

The Core Principles acknowledge that the same outcomes can be achieved through different organisational and institutional settings ('outcome-focused'). The assessment of the effective implementation of the Core Principles therefore needs to consider how individual financial safety-net functions work together effectively to achieve the outcomes set out in the Core Principles.

### 1. Structure and Organisation

There are significant differences across jurisdictions in the structure and organisation of the deposit insurer. Many deposit insurers are set up as separate administrative agencies or governmental entities, while others may be operated as departments of the government, central banks or supervisory authorities without separate legal personality. Additionally, deposit insurers may be structured as private sector not-for-profit organisations or industry associations of insured deposit-taking institutions. Yet others may be established as integrated single agency schemes ('integrated protection schemes'<sup>7</sup>) that combine the provision of deposit insurance with insurance policy holder and investor protection. To safeguard the operational independence of the integrated protection scheme the distinct insurance guarantee functions need to be appropriately segregated and conflicts of interest addressed. Irrespective of the deposit insurer's arrangements and whether it is administered privately or publicly, its mandate, powers, and responsibilities must be clearly defined and support the public policy objectives of the deposit insurance system.

### 2. Multiple Deposit Insurance Systems

Several jurisdictions have more than one deposit insurance system operating within their borders and catering to different institutions or offering different levels of protection for the same institutions; these arrangements are referred to as multiple deposit insurance systems (MDIS). In some cases, MDIS have also been established at the supra-national level or at the regional level within a single jurisdiction. In others, MDIS may allow one type of insured deposit-taking institution to obtain supplemental coverage from more than one organisation within the same jurisdiction.<sup>8</sup>

Differences in objectives, mandates and design features among MDIS can result in organisational complexities that can lead to inefficiencies and potential competitive concerns. Therefore, in jurisdictions where MDIS exist, appropriate information sharing and coordination arrangements need to be in place between the schemes. This is of particular importance for

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<sup>7</sup> Integrated protection scheme is defined as a system where a single agency, usually a pre-existing deposit insurer, adds or provides a guarantee or protection to investors in securities firms and/or policyholders of insurance companies in addition to depositors in deposit-taking financial institutions, for the loss of insured funds or unsatisfied claims in the event of a member institution's failure. See IADI Research Paper, [Integrated Protection Schemes](#), March 2015.

<sup>8</sup> It is not necessary for all insured deposit-taking institutions to be members of a single deposit insurance system. Different types of insured deposit-taking institutions can belong to different deposit insurance systems.

ensuring effective public awareness about the different systems. It is also important to ensure that any differences in coverage across institutions operating within that jurisdiction do not adversely affect the overall deposit insurance system's effectiveness and financial stability. MDIS often exist in jurisdictions with special deposit insurance systems for cooperatives or a specific Islamic deposit insurance system to insure Islamic banks.

### 3. Special Deposit Insurance System for Cooperatives

Financial Cooperatives play an important role in the financial system of many jurisdictions worldwide. They have certain unique characteristics that may impact the way deposit insurers intervene or how they are resolved. Umbrella organisations<sup>9</sup> of cooperative and/or institutional protection schemes<sup>10</sup> can play an important role within a deposit insurance system, notably when they have powers to deal with issues faced by an ailing financial cooperative at an early stage.

Notwithstanding the responsibilities of umbrella organisations and/or institutional protection schemes, the deposit insurer and other relevant financial safety-net participants must have the power and capacity to pro-actively deal with any emerging weaknesses in umbrella organisations, institutional protection schemes, and individual cooperatives within such organisations and schemes, including the power to intervene when necessary.<sup>11</sup>

### 4. Islamic Deposit Insurance

The growth of the Islamic financial services industry has encouraged the establishment of Islamic deposit insurance systems (IDIS) in some jurisdictions, for the protection of Islamic deposits in accordance with Islamic principles and rules. There is an increasing need to provide deposit insurance coverage for the Islamic banking sector, and to establish such systems. The Core Principles set out in this document are generally applicable to guide the establishment of an effective IDIS. However, they do not specifically take into account the unique design features of an IDIS, such as permitted investments for IDIS funds and elements of Shari'ah prohibitions

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<sup>9</sup> Umbrella organisations are central organisations that bring financial cooperatives together to enable them to offer a wider range of financial services and achieve their goals. They provide their members with a variety of services, including representing the cooperatives to the central bank and other banking system authorities, state, federal or provincial administrations, and international organisations. They may also offer financial assistance to their members when capital requirements are not met or when liquidity is needed, as well as legal, managerial and technical assistance, sometimes with a special focus on newly created financial cooperatives. They are typically self-regulatory organisations which monitor the conduct of their members and may have monitoring responsibility over them. IADI Guidance Paper, [Ways to Resolve a Financial Cooperative while Keeping the Cooperative Structure](#), December 2021.

<sup>10</sup> Institutional protection schemes are contractual or statutory liability arrangements for a group of deposit-taking institutions or financial cooperatives aimed at protecting the member institutions and, in particular, ensuring their liquidity and solvency to avoid failure. Objectives, mandates, powers and organisations of Institutional Protection Schemes may vary between jurisdictions. Institutional Protection Schemes can be embedded into a cooperative group or be standalone entities (external to a cooperative group). IADI Guidance Paper, [Ways to Resolve a Financial Cooperative while Keeping the Cooperative Structure](#), December 2021.

<sup>11</sup> IADI Guidance Paper, [Ways to Resolve a Financial Cooperative while Keeping the Cooperative Structure](#), December 2021.

on, among other things, interest, uncertainty, and gambling. The Core Principles for Effective Islamic Deposit Insurance Systems (CPIDIS) issued in July 2021 by IADI and the Islamic Financial Services Board (IFSB) provide additional guidance.

## V. Conditions Affecting the Effective Implementation of the Core Principles

A comprehensive assessment of a deposit insurance system needs to consider a jurisdiction's circumstances and framework conditions that have a direct impact on the effective implementation of the Core Principles. These include:

- (i) the degree of moral hazard;
- (ii) the design and effectiveness of the financial safety-net, including prudential regulation and supervision, crisis management, recovery and failure resolution, lender of last resort function and public backstop arrangements;
- (iii) the structure of the financial system;
- (iv) macroeconomic conditions;
- (v) the legal framework and judicial system, in general;
- (vi) creditor hierarchy and depositor preference; and
- (vii) the existence of an effective accounting, auditing, and disclosure regime.

Other issues can also have an impact on the assessment, depending on the jurisdiction and the magnitude of their emergence:

- (viii) the level of financial inclusion;
- (ix) the extent to which technological developments, such as fintech and digitalisation, have shaped the deposit-taking function in the financial system; and
- (x) climate change and environmental, social, and governance factors.

Conditions affecting the effective implementation of the Core Principles influences the deposit insurer's ability to fulfil its mandate. While the conditions outlined in this section are not formally assessed (and there is no corresponding compliance determination), they must be well understood to make a comprehensive assessment of the appropriateness and effectiveness of the design and operation of the deposit insurance system."

Relevant background on a jurisdiction's circumstances and framework conditions are found in the jurisdiction reports of international organisations such as the Financial Stability Board (FSB), the International Monetary Fund (IMF), the World Bank and the Organisation for Economic Co-operation and Development (OECD).

### 1. Moral Hazard

Moral hazard arises when parties have incentives to accept more risk because the costs are borne, in whole or in part, by others. The design, structure, and effectiveness of the financial safety-net framework impacts the degree to which moral hazard may arise. Protecting

depositors from the threat of loss (e.g. through explicit limited deposit insurance or the belief that insured deposit-taking institutions will not be allowed to fail) insulates them from the consequences of unsafe and unsound practices, and can lead to greater risk-taking by insured deposit-taking institutions than might otherwise be the case.

A robust and effective financial safety-net framework will help mitigate the effects of moral hazard. Numerous mechanisms exist to mitigate such effects, including the promotion of sound corporate governance and risk management practices at insured deposit-taking institutions; reducing incentives for shareholders and managers of insured deposit-taking institutions to take undue risks; holding those at fault in the failure of an insured deposit-taking institution accountable; effective market discipline; and robust prudential regulation and supervision, crisis management and recovery, and failure resolution regimes that are effectively enforced. Moreover, deposit insurance should be limited in scope and structured to cover the large majority of depositors, but still leave a substantial portion of the total value of deposits uncovered.

## **2. Financial Safety-Net Coordination and Cooperation**

To be effective, the deposit insurance system must work in synergy with the frameworks for prudential regulation and supervision, failure resolution, and the lender of last resort. A cohesive system design requires an understanding of the mutual interdependencies between these elements of the wider framework as well as explicit agreements in place that support cooperation, coordination, and information sharing during normal times and times of crisis.

### **Prudential regulation and supervision**

A robust framework for prudential regulation and supervision is a core component of the financial safety-net that supports the functions and effectiveness of the deposit insurance system. Additionally, robust prudential regulation and supervision are critical in mitigating the moral hazard that deposit insurance may give rise to.

Jurisdictions should have a system of prudential regulation, supervision and oversight that meets the relevant regulatory and supervisory standards (the Basel Committee on Banking Supervision's 'Core Principles for Effective Banking Supervision'). An effective system of prudential supervision, regulation, and oversight should provide for a forward-looking assessment of the risk profile of individual insured deposit-taking institutions, thereby enabling supervisors to identify, assess, and address risks emanating from individual institutions and the financial system as a whole; and have a framework in place for early intervention, including recovery plans.

In some jurisdictions, powers and tools exist that allow the deposit insurer to take certain actions to prevent the failure of an insured deposit-taking institution. Where such powers and tools exist, in some cases, their use prior to non-viability is subject to requirements and safeguards under law. For example, the use of deposit insurers' funds for preventative measures may require procedures to be in place to monitor affiliated risks and may require that the costs of the measures do not exceed the costs of fulfilling the statutory or contractual

mandate of the deposit insurer; and may link these measures to commitments by the institution with a view to securing access to insured deposits.

An effective system of prudential regulation, supervision and oversight, needs to be able to effectively develop, implement, monitor and enforce supervisory policies under normal and stressed economic and financial conditions.

The supervisor, working in conjunction with other financial safety-net participants, should identify, monitor, and assess: the build-up and transmission of risks, trends and concentrations within and across the financial system as a whole; any emerging or system-wide risks which could impact insured deposit-taking institutions and the financial system as a whole; and common behaviours by insured deposit-taking institutions, interlinkages, and interconnections that may adversely affect the stability of the financial system.

The supervisor should have an adequate range of techniques and enforcement tools to bring about timely corrective action and address unsafe and unsound practices or activities that could pose risks to institutions or to the financial system. Additionally, there should be in place a framework and clear process for the early identification of risk and intervention for handling institutions in the build-up to and during times of stress ensure that decisions to undertake resolution actions are made in a timely, coordinated, and orderly manner.

### **Crisis management, recovery, and failure resolution**

A robust crisis management, recovery, and resolution regime that aligns with international standards is another core component of an effective financial safety-net that supports the functions and effectiveness of the deposit insurance system. Effective crisis preparation and orderly resolution frameworks are required to minimise the adverse impact on depositors and on the broader banking and financial sectors. Moreover, all insured deposit-taking institutions within the financial safety-net should be subject to an effective resolution regime. The [FSB Key Attributes of Effective Resolution Regimes for Financial Institutions](#) are the umbrella standard for resolution regimes covering financial institutions of all types that could be systemic in failure.

The timely and effective management of individual failures help minimise the cost of institution failure management, protects depositors, and maintains financial stability. Early identification of risk and intervention measures can also promote financial stability by reducing the impact of a failure, improving recovery actions, and minimising the corresponding impact to the deposit insurance fund.

The recovery and resolution regime should provide the relevant authorities with a broad range of powers, options, and appropriate tools set out in law to resolve a financial institution that has no reasonable prospect of becoming viable and provide authorities with powers that:

- (i) maintain the continuity of critical functions by way of a sale or transfer of the shares in the institution or of all or parts of the institution's business to a third-party, either directly or through a bridge institution, and/or an officially mandated creditor-financed recapitalisation of the entity that continues providing the critical functions; and



- (ii) provide for the orderly closure and wind-down (or winding-up) of all or parts of an institution's business.

Deposit insurance and resolution mechanisms, including those involving liquidation and depositor pay-outs, need to work together in such a coordinated manner to achieve their objectives. Resolving an institution requires considerable planning and preparation before a potential failure. This should include the ability to share confidential information with each other to facilitate planning in advance to handle recovery and resolution situations and to manage such events when they occur. Additionally, effective crisis management frameworks, processes, and strategies for the timely and effective management of a system-wide crisis promote financial stability and depositor confidence. A comprehensive, consistent and coordinated approach within the financial safety-net ensure that each relevant authority understands and discharges their responsibilities in a crisis situation in a manner that maintains confidence in the financial system as a whole.

### **Lender of last resort function**

A robust financial safety-net framework includes an appropriate lender of last resort function to provide additional stability and liquidity for the financial system which also supports an effective deposit insurance system.

An effective and appropriate lender of last resort function, where the central bank or other public authority provides liquidity to solvent financial institutions facing severe liquidity stress, compliments a robust liquidity framework to promote stability and confidence in the financial system. In periods of financial stress or turmoil, insured deposit-taking institutions may face difficulties in obtaining funds needed for their daily operations or in meeting the demands of their customers and creditors in the short term. As a result, depositors may fear for the safety of their money, which may prompt depositor runs and threaten financial stability. An effective lender of last resort function may ease such liquidity pressures and provide necessary funding and stability for insured deposit-taking institutions to meet the needs of their customers and maintain their operations. Depositors may be less likely to rapidly withdraw funds from an insured deposit-taking institution, reducing the likelihood of depositor runs and contagion among insured deposit-taking institutions. Deposit insurers and other relevant financial safety-net participants may have additional time to plan for and if needed, implement crisis management and institution failure management strategies and tools.

### **Public backstop arrangement**

An effective deposit insurance system may include, as a last resort option after all other potential measures have been applied, pre-arranged, public backstop arrangements that could help to reinforce financial stability and ensure relevant financial safety-net participants are able to fulfil their obligations and mandates, thereby fostering confidence in the financial system. In periods of significant market stress and turmoil, such as experienced in the global financial crisis of 2007–09 and the 2023 banking turmoil, deposit insurance funds may face excessive demands due to the simultaneous failure of member institutions resulting in insufficient funds to fulfil obligations. Pre-arranged public backstops from public sources serve to support depleted or depleting deposit insurance funds and to increase the stability and liquidity of the

system. Such backstops may increase depositors' confidence, although the risks of moral hazard arising from the backstops may need to be taken into consideration.

While an effective public backstop is a component of an effective deposit insurance system, it should only serve as a complementary tool to robust funding arrangements and is not a substitute for establishing and maintaining sufficient, and readily available deposit insurance funds.

### 3. Structure of the financial system

The soundness and structure of a financial system influences the appropriate design features of a deposit insurance system. Any assessment of a deposit insurance system should consider the health and structure of the financial sector, and the range of possible demands on the deposit insurer. Elements for consideration include:

- (i) An assessment of the health of financial institutions based on an evaluation of capital adequacy, liquidity, liability structure and asset quality of the financial system. The resources of the deposit insurer, its ability to identify emerging threats, and its relationships with other financial safety-net participants must be strong. Similarly, the location or currency composition of deposits, and related coverage and reimbursement rules, will influence how resources are maintained by the deposit insurer.
- (ii) The structure of the financial system in terms of the number, concentration, type and characteristics of insured deposit-taking institutions, and types of deposits and depositors covered. This information has implications for the assessment of the strength and effectiveness of the deposit insurer. The extent of interconnectedness, competition and concentration within the system will all influence the possibilities for contagion and systemic shocks. The presence of poorly supervised member institutions can lead to unidentified risks to the financial system that materialise unexpectedly. New technologies and new entrants in the fintech market may profoundly impact and disrupt existing business models and market structures. The deposit insurance system should be designed to take account of these risks. Structural elements for consideration should include:
  - a. Concentration – the composition of the financial system and whether deposits are concentrated into a few large institutions or conglomerates, spread out among several smaller institutions, or a combination of smaller and large institutions. Concentration will impact the deposit insurers' (financial) resources, sources and use of funds, coverage, premium systems, and ability to reimburse depositors as soon as possible.
  - b. Types and characteristics – the presence of financial cooperatives, state-owned banks, state-sponsored banks, and other insured deposit-taking institutions that comprise the financial institutions. The types and characteristics of financial institutions will impact membership, intervention, failure management, and resolution. Additionally, the existence and robustness of prudential regulation and supervision, including the existence of unregulated financial institutions or affiliates should be considered.
  - c. Non-bank financial intermediation (NBFI) – the presence and size of the NBFI ecosystem and its possibility for spillover to the banking system. The design of the

deposit insurance system should consider the size and interconnectivity of the NBFIs ecosystem and the potential for it to pose financial stability risks, exacerbate financial stress, and impact insured deposit-taking institution liquidity and funding.

- (iii) Any pre-existing depositor protection arrangement (e.g. depositor preference and institutional protection arrangements) and the effect of these arrangements on the introduction or reform of a deposit insurance system.

#### 4. Macroeconomic conditions

Macroeconomic conditions influence the effectiveness and efficiency of markets, the ability of the financial system to intermediate resources, economic growth, and the overall stability and functioning of the economy and financial system. Stability in the overall economy is critical to ensure the proper functioning of financial markets, a resilient financial system, and an effective deposit insurance system. Persistent instability hampers the effective functioning and increases the fragility of markets, and such conditions affect the ability of financial institutions to absorb, mitigate and manage their risks. In periods of economic instability, market volatility can reduce confidence and lead to destabilising creditor runs (including depositor runs). Moreover, economic instability and uncertainties about future movements in relative prices, including asset prices and exchange rates, can make it difficult to determine the medium-term viability and value of an institution. Emerging risks, including the financial impacts that result from the economic effects of climate change and the transition to a lower carbon economy, may add to these uncertainties.

The deposit insurance system supports depositor confidence in the face of idiosyncratic insured deposit-taking institution failures. In the face of persistent macroeconomic instability, the effectiveness and success of the deposit insurance system may be limited. However, the Core Principles provide guidance on areas that a deposit insurance system will need to reinforce under those circumstances, to provide robust support to depositors. The system may require a variety of enhancements, including larger-than-usual reserves, more frequent reviews of membership and coverage, robust crisis management frameworks, effective public awareness programs, stronger emergency funding arrangements and close coordination and participation with other financial safety-net participants in reinforcing financial stability. Jurisdictions seeking to introduce and establish a deposit insurance system must consider the macroeconomic conditions and relative stability of the financial system and operating environment as the design features of the deposit insurance system will be reflective of such an environment. Additionally, the new system should be supported by the necessary, overall institutional reforms, or it could be discredited and fail to bolster depositor confidence.

#### 5. Legal framework and judicial system

Deposit insurance systems cannot be effective if relevant and comprehensive financial sector laws do not exist or if the legal regime is characterised by significant inconsistencies. A well-developed legal framework should incorporate a system of business laws, including corporate, insolvency, contract, creditor rights, consumer protection, anti-corruption/fraud and private property laws. These laws guide financial transactions and ensure that norms exist and are

enforced. The legal system should be supported by a well-functioning judiciary. For the deposit insurance system, the legal framework must lay out its appropriate powers and enable it to compel member institutions to comply with their obligations to the deposit insurer.

The legal system may have weaknesses that limit its effectiveness. For example, legal uncertainties can aggravate financial distress and lead to contagion or creditor flight. Weakness in the legal framework can undermine the effectiveness of the financial safety-net in general and the deposit insurance system in particular. Weaknesses may exist in laws governing property rights, creditor rights, insured deposit-taking institution insolvency and resolution. The impact of such weaknesses includes delays in decision-making, uncertainties about the finality of decisions, and informal dispute resolution, all of which can result in less than optimum recoveries in asset liquidation, thus increasing losses/costs to the deposit insurer and the deposit insurance system. Thus, a robust and effective legal framework is an essential element of an effective deposit insurance system.

## 6. Creditor hierarchy and depositor preference

The creditor hierarchy and more specifically the preferred treatment of depositors in the creditor hierarchy can have a profound impact on the costs incurred by the deposit insurer and the failure resolution regime more generally.

Depositor preference can take different forms. Specifically:

- (i) national (or domestic) depositor preference gives priority to deposit liabilities booked and payable within the domestic jurisdiction and does not extend to deposits in foreign branches abroad;
- (ii) eligible depositor preference gives preference to all deposits meeting the eligibility requirements for deposit insurance coverage;
- (iii) insured depositor preference gives preference to insured depositors (and the deposit insurer under subrogation);
- (iv) a two-tiered depositor preference concept, in which eligible, but uninsured deposits have a higher ranking than claims of ordinary unsecured, non-preferred creditors, and insured depositors have a higher ranking than eligible depositors; and
- (v) general depositor preference, in which all deposits have a higher ranking than claims of ordinary unsecured, non-preferred creditors, regardless of their status (insured/uninsured or eligible/not eligible).

Jurisdictions considering introducing depositor preference, or changing their existing depositor preference arrangements, should weigh the impacts, advantages and disadvantages in the context of their legal and judicial framework and financial system structure. While depositor preference may enhance recoveries for insured deposits, and thereby potentially lowering the losses for the deposit insurer subrogated to these rights, the type of depositor preference can impact the resolution options for a failing insured deposit-taking institution (allocation of losses) and limit the amount of deposit insurance resources available in non-payout resolution measures when these are given on a net basis (insured deposits minus expected

recoveries in liquidation). The merits and implications of depositor preference also depend on the particularities of the jurisdiction and structure of its market.<sup>12</sup>

## 7. Accounting, auditing, and disclosure regime

Sound accounting and disclosure regimes and timely access to reliable financial information are necessary for the effective evaluation of risks by the financial safety-net, including the deposit insurance systems. Accurate, reliable and timely information can be used by management, depositors, the market and authorities to make decisions regarding the risk profile of an institution, and thereby increase market, regulatory and supervisory discipline. A sound accounting and disclosure regime includes comprehensive and well-defined accounting principles and rules that command wide international acceptance.

A system of independent audits ensures that users of financial statements, including insured deposit-taking institutions, have independent assurance that the accounts provide a true and fair view of the financial position of the financial institution. They also ensure that reports are prepared according to established accounting principles, with auditors held accountable for their work. The lack of strong accounting and disclosure regimes makes risk identification difficult.

## 8. Financial inclusion

Although, in most jurisdictions, promoting financial inclusion does not fall explicitly within the mandate of the deposit insurer, deposit insurers should understand the level of financial inclusion in their jurisdiction and make efforts to stay abreast of financial inclusion initiatives and associated technological innovations occurring in their jurisdictions, particularly those affecting unsophisticated small-scale depositors. The involvement of deposit insurance in the promotion of financial inclusion, for example the extension of coverage to deposit-like stored value products, should be undertaken with the strong engagement of, and coordination with, supervisory authorities and other financial safety-net participants. The deposit insurer should understand the failure resolution process of any institution offering stored value products and any impediments to the prompt reimbursement of any covered products. The level of financial inclusion and planned initiatives will have an impact on public awareness campaigns, strategies and awareness goals, which may need to be bolstered in light of planned initiatives. In addition, public awareness campaigns should adequately address what types of deposits and money transfer vehicles are covered by deposit insurance and what types are not, to minimise potential confusion among small-scale depositors and financial service providers alike.

## 9. Fintech and digitalisation

Innovations in financial technology (fintech) and the digitalisation of finance has the potential to have heightened effects on a deposit insurance system. Fintech and the digitalisation of

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<sup>12</sup> See IADI, [Depositor Preference and Implications for Deposit Insurance](#), October 2020.

finance are disrupting the traditional business model of insured deposit-taking institutions and are changing both depositor behaviours and the way that financial services are provided. New products, new entrants and the use of new technology present both opportunities and risks for deposit insurers, insured deposit-taking institutions, and the financial system. Advances in technology have enabled insured deposit-taking institutions to gather deposits and deliver related services through third-party agents and electronic channels such as computers or smartphone applications. Digital payments (e.g. E-money products such as mobile money and electronic purses (represented by an open-system prepaid card), mobile point of sale services, online payments offered through insured deposit-taking institutions) can serve as alternatives to cash, cheques, and debit cards and can be harnessed by the deposit insurer to offer integrated, immediate, and end-to-end payment and settlement transfers for reimbursement purposes. Additionally, digitalisation may amplify traditional risks (e.g. liquidity, operational and strategic risks), while digital communication channels (e.g. social media) can more rapidly propagate financial stress, including heightened risk of a depositor run. Insured deposit-taking institutions may also increasingly rely on third parties for the provision of technology services, which creates additional points of cyber risk as well as potential system-wide concentrations and further highlights the importance of operational resilience. A sound and robust understanding of the opportunities, challenges, and implications of fintech and digitalisation is essential to understand how new technologies and trends impact a deposit insurance system.

## 10. Climate Change and Environmental, Social, and Governance (ESG) factors

Climate change and the measures necessary to address it may come with risks to economies, financial stability and deposit insurers. Both financial markets and financial safety-net participants are increasingly taking climate-related financial risks into consideration when developing products or policies.

Deposit insurers are not isolated from these risks and may be confronted with a number of challenges, including:

- (i) the potential risk of climate change for a deposit insurer's operational capacities;
- (ii) the impact of climate change on general financial stability risks;
- (iii) the potential effect of climate-related financial risks on insured deposit-taking institution default risks and on net resolution costs, and how to best take this into account in financial risk assessments and oversight; and
- (iv) whether and how to consider climate-related financial risks when managing deposit insurance funds.<sup>13</sup>

When acting in their capacity as fund managers, and to meet the standards set out in the Core Principles, deposit insurers are required to preserve capital and maintain liquidity in their fund. However, climate-related financial risks may expose deposit insurers' funds to additional risk factors. Whereas the consideration of these risks is not a widespread practice amongst deposit

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<sup>13</sup> See [IADI Policy Brief No 5 - Climate change fever – Can Deposit Insurers stay cool?](#) October 2021.

insurers, this may be a point of attention that requires further observation and analysis. A number of legal and practical hurdles may complicate a deposit insurer's consideration of Environment, Social and Governance (ESG) factors when managing its funds. Many of these may be due to the legal restrictions for fund investment and the ongoing development of markets for ESG related financial products.<sup>14</sup>

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<sup>14</sup> See [IADI Survey Brief No. 5 – The Role of Climate in Deposit Insurers' Fund Management – More than a financial risk management factor?](#) March 2023.

## The Core Principles

### Principle 1 – Public policy objectives

The principal public policy objectives for deposit insurance systems are to protect depositors and to contribute to financial stability. These objectives are formally specified and publicly disclosed. The design of the deposit insurance system reflects the system's public policy objectives.

#### Essential criteria

1. The public policy objectives of the deposit insurance system are clearly defined in legislation or documents supporting legislation and publicly disclosed.
2. The design of the deposit insurance system is consistent with the system's public policy objectives.
3. There is an effective process to hold the deposit insurance system accountable to the public by reviewing its effectiveness in meeting the public policy objectives. This involves both a regular internal and a periodic external review. Any review must take into consideration the views of key stakeholders.
4. If additional public policy objectives are incorporated, they do not conflict with the two principal objectives of protecting depositors and contributing to the stability of the financial system.



## Principle 2 – Mandate and powers

The mandate and powers of the deposit insurer support the public policy objectives of the deposit insurance system and are formally specified and publicly disclosed.

### Essential criteria

1. The mandate and powers of the deposit insurer are formally and clearly specified in legislation and publicly disclosed. They are consistent with stated public policy objectives of the deposit insurance system.
2. The mandate clarifies the roles and responsibilities of the deposit insurer and is aligned with the mandates of other relevant financial safety-net participants.
3. The powers of the deposit insurer support its mandate and enable the deposit insurer to fulfil its roles and responsibilities.
4. The powers of the deposit insurer include, but are not limited to:
  - a) assessing and collecting premiums, levies, or other charges;
  - b) reimbursing insured depositors;
  - c) managing its fund and its use;
  - d) obtaining timely, accurate, and comprehensive non-public information needed to fulfil its mandate directly from its members, from third parties holding the relevant information on behalf of a member, or from other financial safety-net participants;
  - e) compelling its members to comply with their legal obligations to the deposit insurer, or requiring another financial safety-net participant to do so on behalf of the deposit insurer;
  - f) entering into formal agreements with other financial safety-net participants regarding cooperation, coordination and information sharing in business-as-usual times and in times of crisis;
  - g) setting operating budgets, policies, systems, and practices; and
  - h) entering into contracts to execute its mandate.

## Principle 3 – Governance

The deposit insurer is operationally independent, well-governed, transparent, accountable and insulated from undue external interference.

### Essential criteria

1. The deposit insurer is operationally independent. It is able to use its powers without undue interference from external parties to fulfil its mandate. There is no government, central bank, supervisory or industry interference that compromises the operational independence of the deposit insurer.
2. The governing body of the deposit insurer is held accountable to a higher authority.
3. The deposit insurer has the capacity and capabilities to support its operational independence and the fulfilment of its mandate.
4. The deposit insurer is well-governed and subject to sound governance practices, including appropriate accountability, risk management and internal control frameworks, transparency, and disclosure regimes. The institutional structure of the deposit insurer minimises the potential for real or perceived conflicts of interest.
5. The deposit insurer has in place appropriate and sound corporate practices and an information technology infrastructure that can meet current and projected business requirements, including in stress scenarios, and which supports an integrated and comprehensive risk management framework.
6. The governing statutes or other relevant laws and policies governing the deposit insurer specify that:
  - a) the governing body and management are “fit and proper” persons;
  - b) there is a transparent process for the appointment and removal of the members of the governing body and head(s) of the deposit insurer. Members of the governing body and head(s) of the deposit insurer can be removed from office during their term only for reasons specified in law, internal statutes, or rules of professional conduct, and not without cause;
  - c) members of the governing body and the head(s) of the deposit insurer (except for ex officio appointees) is/are subject to fixed terms and the fixed terms are staggered; and
  - d) members of the governing body and employees are subject to high ethical standards and comprehensive codes of conduct to minimise the potential for real or perceived conflicts of interest.
7. The deposit insurer is subject to both regular internal and external reviews on the extent to which it meets its mandate, and to audits of its financial statements. The deposit insurer publishes relevant information on its activities, organisation, and financial position on a regular basis.

8. The composition of the governing body minimises the potential for real or perceived conflicts of interest.
9. The governing body holds regular meetings to oversee and manage the affairs of the deposit insurer.

## Principle 4 – Business continuity management

The deposit insurer has in place an effective business continuity framework to withstand, adapt to and recover from severe operational risk-related disruptions. It has business continuity plans in place that ensure that disruptions in its capability to perform its critical operations are minimised. The framework includes periodic reviews, testing, training, coordination and communication.

### Essential criteria

1. The deposit insurer has in place a business continuity management framework that includes plans, policies and procedures for ensuring that its critical operations can be maintained and in the event of disruption, recovered in a timely manner.
2. The business continuity management framework is periodically reviewed and tested based on scenarios of severe business disruption which might affect the deposit insurer.
3. The deposit insurer provides periodic training to employees on its business continuity management framework.
4. The business continuity management framework includes plans, policies, and procedures to appropriately address disruptions to any third-party provided service(s) needed to maintain the continuity or ensure the timely recovery of the deposit insurer's critical operations.
5. The deposit insurer has a coordination plan for ongoing communication with internal and external stakeholders during an operational disruption.

## Principle 5 – Legal protection

The deposit insurer and individuals who are currently working or have formerly worked for the deposit insurer in discharging the deposit insurer's mandate are protected by law from liability for decisions, actions taken or omissions made while discharging their duties in good faith.

### Essential criteria

1. Legal protection is specified in legislation and provided to the deposit insurer, its current and former directors, officers, senior managers, employees and any individual currently or previously retained or engaged by the deposit insurer, for decisions, actions taken or omissions made in good faith in the normal course of their duties.
2. Legal protection precludes damages or other awards against such individuals for actions taken carrying out their duties and covers costs, including funding defence costs as incurred (and not just reimbursement after a successful defence).
3. The operating policies and procedures of the deposit insurer require all individuals who benefit from legal protection to disclose real or perceived conflicts of interest and to adhere to relevant codes of conduct, to ensure that they remain accountable.
4. Legal protections do not prevent depositors or other individual claimants or insured deposit-taking institutions from seeking administrative or judicial review of the actions or omissions of the deposit insurer in public or administrative review procedures.

## Principle 6 – Recoveries

The deposit insurer has, by law, the right to recover its claims in accordance with the statutory creditor hierarchy.

### Essential criteria

1. The deposit insurer's role in the recovery process is clearly defined in law. The deposit insurer is clearly recognised as a creditor of the failed insured deposit-taking institution, including for reimbursed deposits by subrogation.
2. The deposit insurer has, in law, at least the same creditor rights and legal status as depositors in the liquidation of the failed insured deposit-taking institution.
3. In cases where the deposit insurer does not have the authority to act as a liquidator, in its capacity as creditor, it has access to information from the liquidator to monitor the liquidation process.
4. The management and disposition of assets of a failed insured deposit-taking institution is guided by commercial and economic considerations.
5. Those directly involved in the failure resolution process acting on behalf of the deposit insurer, third-party professional service providers or other financial safety-net participants are not allowed to acquire any assets of the resolved institution.

## Principle 7 – Membership

Membership in a deposit insurer is compulsory for all insured deposit-taking institutions.

### Essential criteria

1. Membership in a deposit insurer is compulsory for all insured deposit-taking institutions in order to accept insured deposits. No insured deposit-taking institution will become operational without membership in a deposit insurer. Insured deposit-taking institutions are subject to sound prudential regulation and supervision and effective resolution regimes.<sup>15</sup>
2. If an insured deposit-taking institution or group of such institutions is granted membership under exceptional circumstances and does not comply with all the supervisory and membership requirements, a credible plan is in place to address the deficiencies within a prescribed time frame.
3. The conditions, process, and time frame for attaining membership are explicitly stated and transparent.
4. If the deposit insurer is not responsible for granting membership, the law or administrative procedures describe a clear and reasonable time frame within which the deposit insurer is consulted or informed in advance and is given sufficient information about an application for a new licence.
5. When, outside a failure, an insured deposit-taking institution's licence is revoked or voluntarily surrendered, its membership in the deposit insurer is terminated and immediate notice is given to depositors to inform them that existing deposits will continue to be insured up to a specified deadline.
6. Arrangements are in place that allow for the coordinated termination by the deposit insurer of an insured deposit-taking institution's membership and the immediate withdrawal of its deposit-taking licence by the relevant authority. Upon termination, immediate notice is given to depositors to inform them that existing deposits will continue to be insured up to a specified deadline.

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<sup>15</sup> Institutions classified under a jurisdiction's legal framework as an "insured deposit-taking institution" may differ in the legal forms they take. These may include private and public "commercial banks," "financial cooperatives," "credit unions," "cooperative banks" or "savings unions." The determination of "sound prudential regulation and supervision" of these institutions is made by ensuring that there is high compliance with the Core Principles for Effective Banking Supervision.

## Principle 8 – Coverage

The level and scope of coverage is clearly defined. Coverage is limited, credible and covers the large majority of depositors but leaves a substantial proportion of the value of deposits exposed to market discipline. Deposit insurance coverage is consistent with the deposit insurance system's public policy objectives and related design features.

### Essential criteria

1. Insured deposits are clearly defined in law or regulation and reflect the public policy objectives. This definition is publicly available and includes the level and scope of coverage and any characteristics to be met for deposits to be insured. If certain types of deposits or depositors are ineligible for deposit protection, they are clearly specified and easily determined. The eligibility determination does not affect the speed of reimbursement.
2. The level and scope of coverage are limited and are designed to be credible, to minimise the risk of runs on insured deposit-taking institutions and do not undermine market discipline. The level and scope of coverage are set so that the large majority of depositors across insured deposit-taking institutions are fully protected while leaving a substantial proportion of the value of deposits unprotected. In the event that a substantial proportion of the value of deposits is protected, moral hazard is mitigated by strong regulation, supervision and resolution, as well as by the other design features of the deposit insurance system.
3. The deposit insurer applies the level and scope of coverage equally to all insured deposit-taking institutions.
4. If a differential coverage system is in place, the system:
  - a) allows for easy identification and distinction between the types of deposits and/or depositors to which different coverage levels apply;
  - b) is clearly disclosed in a manner that is transparent for depositors; and
  - c) clearly defines the conditions, events or circumstance leading to different coverage levels.
5. The deposit insurer does not incorporate any form of loss-sharing arrangement whereby depositors are covered for an amount that is less than 100 percent of their insured deposits ("co-insurance").
6. The definition of insured deposits, as well as the level, scope and characteristics of coverage, are reviewed periodically to ensure that they meet the public policy objectives of the deposit insurance system.
7. In the event of a merger or amalgamation of separate insured deposit-taking institutions that are members of the same deposit insurer, depositors of the merged or amalgamated institutions enjoy separate coverage (up to the maximum coverage limit) for each of the institutions for a limited but publicly stated period, as provided for in law or regulation. Merging institutions are required to notify the affected depositors in a timely manner of the merger and the date as from when the separate coverage will expire.



8. The residency status or nationality of depositors has no effect on coverage.
9. In situations where there are multiple deposit insurers operating in the same jurisdiction, any differences in coverage across insured deposit-taking institutions operating within that jurisdiction do not adversely affect overall deposit insurance system effectiveness and financial stability.
10. Foreign currency deposits are insured if they are widely used in a jurisdiction.
11. Where there is a blanket guarantee in place, there is a credible plan to transition from the blanket guarantee to limited coverage. Such a plan:
  - a) is based on an assessment of the economic environment that is conducted before a jurisdiction begins the transition from a blanket guarantee to limited coverage;
  - b) considers the effects of different jurisdictions' protection levels and related policies where there is a high level of capital mobility, and/or regional integration;
  - c) sets out a pace of transition to limited coverage that is consistent with the state of the financial industry, prudential regulation and supervision, the legal and judicial framework, and accounting and disclosure regimes; and
  - d) includes an effective communication strategy to mitigate adverse public reaction to the transition.

## Principle 9 – Funding for the deposit insurer

The deposit insurer has readily available funds and funding mechanisms, including assured liquidity funding arrangements, in place as necessary to meet its mandate. Responsibility for paying the cost of deposit insurance is borne by the members of the deposit insurer.

### Essential Criteria

1. Funding for the deposit insurer is provided on an ex-ante basis. Funding arrangements are clearly defined and established in law or regulation.
2. Funding the deposit insurer is the responsibility of the members of the deposit insurer.
3. If the deposit insurer uses differential premium systems:
  - a) the deposit insurer has access to relevant and timely information to facilitate thorough risk assessments;
  - b) the scoring/premium categories are significantly differentiated;
  - c) the system for calculating premiums is transparent to all members;
  - d) the ratings and rankings resulting from the system pertaining to individual insured deposit-taking institutions are subject to appropriate confidentiality restrictions; and
  - e) the premium system is regularly reviewed and updated as necessary to ensure it continues to effectively differentiate risks.
4. If a deposit insurer accepts premium payments in the form of payment commitments of insured deposit-taking institutions in a jurisdiction, the commitments must be fully collateralised, irrevocable, easily liquidated without substantial losses, and do not represent the primary source of funding for the deposit insurer.
5. Initial “start-up” or “seed” funding is permitted to help establish a deposit insurer. Any start-up funding provided by a government is to be fully repaid before the deposit insurer reduces any or all premiums.
6. The deposit insurer has extraordinary funding arrangements set up in advance, to ensure effective and timely access to funding. The arrangements are explicitly set out in law and as a minimum ensure that sufficient extraordinary funds are available for identified scenarios. The arrangements must include powers allowing the deposit insurer to charge members extraordinary contributions, and to access market funding directly or through arrangements with other financial safety-net participants.

7. Arrangements are in place that provide public backstop funding for the deposit insurance fund. The terms and conditions of the backstop funding arrangement are specified to allow effective and timely access when required and the cost of repayment is borne by members.
8. A target fund size is determined based on clear, consistent, and transparent criteria, which are subject to periodic review; and a reasonable time frame is set to achieve the target fund size.
9. Following a significant depletion of the deposit insurer's fund, the deposit insurer adopts an arrangement that ensures the timely, transparent and credible replenishment of the deposit insurer's fund of resources and that:
  - a) provides that costs to replenish the fund are borne by members;
  - b) sets out a timeline for reconstituting the fund that balances the need to restore the fund to its target level in a timely manner while not placing an excessive burden on members, especially during periods of financial stress and allowing for sufficient flexibility to address changing market conditions; and
  - c) sets out the mechanisms and measures available, including increased premiums, special assessments, prepayment of assessments to reconstitute the fund, taking into account industry conditions, possible demands on the fund, deposit balance trends, and other factors that may impact replenishment.
10. The deposit insurer has responsibility for the sound investment and management of its funds. The deposit insurer has a defined investment policy for its funds that aims at ensuring:
  - a) the preservation of fund capital and maintenance of liquidity;
  - b) that adequate risk management policies and procedures, internal controls, and disclosure and reporting systems are in place; and
  - c) the deposit insurer's exposure to an insured deposit-taking institution is limited to what is strictly necessary for operational and administrative reasons.
11. The deposit insurer has the option to hold funds in the central bank.
12. Should deposit insurer proceeds including premiums received, recoveries from failed insured deposit-taking institutions and interest accrued on investment funds be taxed by the government, it is at a rate which is neither punitive nor disproportionate to other corporate taxation, nor unduly hinders the accumulation of the deposit insurance fund. Any remittances to the government by the deposit insurer are limited to repayment of government-provided start-up funding and government-provided liquidity.

#### Additional Criteria

1. A deposit insurer implements a differential premium system where the deposit insurer, in coordination with relevant financial safety-net participants, is able to set premiums that are correlated with the level of risk of the insured deposit-taking institutions to the deposit insurance fund.

## Principle 10 – Public awareness

In order to protect depositors and contribute to financial stability, the public is informed about the benefits and limitations of deposit insurance on an ongoing basis and in the event of a failure of an insured deposit-taking institution.

### Essential criteria

1. The deposit insurer is responsible for promoting public awareness of deposit insurance on an ongoing basis and has in place a comprehensive public awareness programme that incorporates a variety of communication tools.
2. The objectives of the public awareness programme are clearly defined and consistent with the public policy objectives of the deposit insurance system and mandate of the deposit insurer.
3. The public awareness programme ensures the broad dissemination of information about:
  - a) the scope of coverage, including which types of financial instruments and depositors are covered by deposit insurance, which are not and what the characteristics are for financial instruments to be insured as deposit;
  - b) the level of coverage; and
  - c) which institutions are members and how they can be identified.
4. The law prohibits misleading or deceptive statements about who is a member of the deposit insurer or what is an insured deposit.
5. In the event of a failure of an insured deposit-taking institution, the deposit insurer notifies depositors promptly through an adequate variety of public communication channels:
  - a) where, how, and when insured depositors will be provided with access to their funds;
  - b) what information insured depositors must provide, and any process to follow, in order to obtain payment or access to their funds;
  - c) whether interim payments are being made; and
  - d) procedures whereby uninsured depositors can make claims to the liquidator for their uninsured portion.
6. The deposit insurer sets a long-term strategy and makes appropriate resources available to meet its public awareness objectives.
7. The deposit insurer works closely with insured deposit-taking institutions and other financial safety-net participants to ensure the consistency and accuracy of the information provided to depositors and to maximise awareness on an ongoing basis.
8. Law or regulation requires insured deposit-taking institutions to provide accurate information about deposit insurance in a format/language prescribed by the deposit insurer.

9. The deposit insurer monitors, on an ongoing basis, its public awareness activities and extent to which it reaches its awareness objectives. The deposit insurer arranges on periodic basis, independent evaluations of the effectiveness of its public awareness programme or activities.
10. In jurisdictions with branches or subsidiaries of foreign insured deposit-taking institutions, depositors are provided with clear information about the deposit insurer legally responsible for reimbursement, and the limits and scope of coverage.

## Principle 11 – Crisis preparedness and management

The deposit insurer has in place an effective framework with other financial safety-net participants to ensure they are at all times prepared to respond to the potential and actual failure of insured deposit-taking institutions.

### Essential criteria<sup>16</sup>

1. The deposit insurer develops and regularly tests its own crisis management plans, policies, and procedures.
2. The deposit insurer is a member of any institutional framework for ongoing communication and coordination involving financial safety-net participants related to system-wide crisis preparedness and management.
3. The deposit insurer has in place coordinated plans, policies and procedures with other financial safety-net participants which include:
  - a) the allocation of roles and responsibilities in a crisis;
  - b) effective arrangements for crisis preparedness and management; and
  - c) crisis communication plans that ensure comprehensive and consistent public awareness and communications.
4. The deposit insurer participates in regular contingency planning and simulation exercises related to system-wide crisis preparedness and management involving relevant safety-net participants.
5. The financial safety-net participants regularly review and test their crisis preparedness and management plans, policies and/or procedures in crisis simulations.

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<sup>16</sup> The assessment of Core Principle 11 may, for some jurisdictions, involve a degree of duplication with Precondition 30.6 of the Basel Core Principles for Effecting Banking Supervision (version April 2024) and the Key Attributes of Effective Resolution Regimes for Financial Institutions (version April 2024). To address any potential overlap, where an evaluation has been recently conducted on a given jurisdiction, assessors may rely on that evaluation and focus their own review on the actions taken by deposit insurers to address any identified shortcomings.

## Principle 12 – Dealing with parties at fault in a failure

The individuals that may be responsible for, or may have contributed to, a failure of an insured deposit-taking institution are held accountable for their actions or omissions. The deposit insurer, or other relevant authority, is provided with the power to seek legal redress against those parties at fault in the failure of an insured deposit-taking institution.

### Essential criteria<sup>17</sup>

1. The conduct of parties that may be responsible for, or may have contributed to, the failure of an insured deposit-taking institution, as well as the conduct of related parties and professional service providers, is subject to investigation by the relevant financial safety-net participant, criminal or investigative authority, or any other professional or disciplinary body, as applicable.
2. Insiders, related parties, and professional service providers acting for the failed insured deposit-taking institution are appropriately investigated and held accountable for any wrongdoing that led to or contributed to the failure of the insured deposit-taking institution.
3. The relevant authority takes the appropriate steps to pursue those parties that are identified as responsible for the failure of the insured deposit-taking institution. The responsible parties are subject to sanction and/or redress. Sanction or redress may include personal or professional disciplinary measures, criminal prosecution, civil proceedings for damages, and claw-back of variable remuneration.

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<sup>17</sup> The assessment of Core Principle 12 may, for some jurisdictions, involve a degree of duplication with Principle 11 – Corrective and sanctioning powers of supervisors of the Basel Core Principles for Effective Banking Supervision (version April 2024) and Principle 3.2 – Resolution Powers of the Key Attributes of Effective Resolution Regimes for Financial Institutions (version April 2024). To address any potential overlap, where an evaluation has been recently conducted on a given jurisdiction, assessors may rely on that evaluation and focus their own review on the actions taken by deposit insurers to address any identified shortcomings.

## Principle 13 – Early detection and timely intervention

The deposit insurer is part of an effective framework within the financial safety-net that provides for the early detection of, and timely intervention in, troubled insured deposit-taking institutions before they become non-viable.

### Essential criteria<sup>18</sup>

1. The deposit insurer is part of an effective framework that provides for the early detection of, and timely intervention in, insured deposit-taking institutions in financial difficulty before they become non-viable.
2. The framework for early detection and timely intervention includes a set of clearly defined qualitative and/or quantitative criteria that are used to trigger timely intervention or corrective action. The criteria:
  - a) are clearly defined in law and/or regulation;
  - b) include at a minimum safety and soundness indicators such as the institution's capital adequacy, asset quality, earnings, liquidity and sensitivity to market risk; and
  - c) are reviewed periodically as to their effectiveness and whether additional safety and soundness factors and emerging risks are sufficiently taken into account, and the procedure for this review is formalised.
3. The financial safety-net participants have the operational independence and power to perform their respective roles in the framework for early detection and timely intervention.
4. Relevant recovery and resolution planning information is shared with the deposit insurer and other financial safety-net participants in a timely and appropriate manner.<sup>19</sup>

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<sup>18</sup> The assessment of Core Principle 13 may, for some jurisdictions, involve a degree of duplication with Principle 8 of the Basel Core Principles for Effective Banking Supervision (version April 2024). To address any potential overlap, where an evaluation has been recently conducted on a given jurisdiction, assessors may rely on that evaluation and focus their own review on the actions taken by deposit insurers to address any identified shortcomings.

<sup>19</sup> See FSB [Key Attributes of Effective Resolution Regimes for Financial Institutions](#), Principle 11 on Recovery and resolution planning and Principle 12.1 on Access to information and information sharing (version April 2024).



## Principle 14 – Failure resolution

A resolution regime ensures the effective resolution of failing insured deposit-taking institutions in a manner that protects insured depositors against losses, minimises disruptions in their access to insured deposits, and contributes to financial stability.

### Essential criteria<sup>20</sup>

1. The resolution regime provides for a broad range of powers and options to resolve an insured deposit-taking institution that is no longer viable and has no reasonable prospect of becoming so. It includes options that facilitate the continuity of the deposit-taking functions and liquidation options that provide for the orderly closure and wind-down of all or parts of the business of the insured deposit-taking institution.
2. The period of time during which insured depositors are without access to their insured funds is minimised .
3. Where responsible for exercising resolution powers, the deposit insurer's powers are clearly defined and sufficiently broad. Where multiple financial safety-net participants are responsible for resolution, the legal framework provides for a clear allocation of objectives, mandates, and powers of those participants, with no material gaps, overlaps or inconsistencies.
4. Where responsible for exercising resolution powers, the deposit insurer has the operational independence, expertise, transparent processes, sound governance, resources, and the operational capacity to exercise those powers consistent with its mandate.
5. 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.
6. Where responsible for exercising resolution powers, the deposit insurer is protected against legal action that could constrain its implementation of, or result in a reversal of, resolution related measures taken within its legal powers and taken in good faith. The legal remedy for successful legal challenges is limited to financial compensation.
7. Where responsible for exercising resolution powers, the deposit insurer is guided by clear objectives, as well as cost and benefit considerations.
8. The deposit insurer does not discriminate against depositors on the basis of their nationality or residency status in the resolution process.

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<sup>20</sup> The assessment of Core Principle 14 may, for some jurisdictions, and when considering the resolution of insured deposit-taking institutions that are systemically significant or critical if they fail, involve a degree of duplication with Key Attributes 2 – Resolution Authority, 3 – Resolution Powers, and 5 –Safeguards of the Key Attributes of Effective Resolution Regimes for Financial Institutions (version April 2024). To address any potential overlap, where an evaluation has been recently conducted on a given jurisdiction, assessors may rely on that evaluation and focus their own review on the actions taken by deposit insurers to address any identified shortcomings

## Principle 15 – Reimbursement

In order to contribute to financial stability, the deposit insurer reimburses insured depositors as soon as possible in the event of the liquidation of the insured deposit-taking institution. Most<sup>21</sup> insured depositors are reimbursed within seven working days. There is a clear and unequivocal trigger for the reimbursement of the depositors' insured funds.

### Essential criteria

1. The deposit insurer reimburses insured depositors as soon as possible. Most insured depositors are reimbursed within seven working days of the reimbursement being triggered. Where this target cannot currently be met, there is a plan in place to do so with a clear and reasonable time frame for implementation and with clear and measurable deliverables.
2. In situations where reimbursement is triggered and extended delays in reimbursement expected, the deposit insurer may make interim payments to the insured depositors.
3. In order to reimburse depositors as soon as possible, the deposit insurer:
  - a) has access to depositors' records at all times, which includes the authority to require insured deposit-taking institutions to maintain depositor information in a format prescribed by the deposit insurer in order to expedite insured depositor reimbursement. Customer confidentiality provisions should not hinder the deposit insurers' access to depositors' records at all times;
  - b) has the authority to undertake advance or preparatory examinations including on-site and independently or in conjunction with the supervisory authority on the reliability of depositor records, and has tested member institution's IT systems and data to ensure the capability to produce such records; and
  - c) has a range of reimbursement options which may include cheque payments, electronic transfers, payment agents and agent banks<sup>22</sup>, cash payments, and digital payment methods.
4. The deposit insurer has the capacity and capability to promptly carry out the reimbursement process, including:
  - a) adequate resources and trained personnel (in-house or contractors) dedicated to the reimbursement function and supported with reimbursement documentation or manuals;
  - b) secure information systems to process depositor information; and
  - c) manuals that provide instructions on all pre- and post-closure activities.

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<sup>21</sup> The term "most" is used throughout this Core Principle to recognise the relevance of depositors' cooperation, where relevant, and that there may be some types of deposits or claims procedures which would make it operationally difficult to reimburse insured depositors within seven working days.

<sup>22</sup> These include entities de-facto fulfilling agent bank functions for the deposit insurer and/or the financial administrator.

5. The deposit insurer together with other relevant financial safety-net participants and external service providers or contractors where relevant, conduct regular scenario planning and testing of insured deposit-taking institution closures and reimbursements.
6. At regular intervals, and following the completion of each reimbursement process, the deposit insurer carries out a review to identify any elements in the reimbursement process that can be further optimised.
7. An independent party conducts a periodic audit of the entire reimbursement process to confirm that appropriate internal controls are in place.
8. If set-off of insured deposits against past due claims or matured loans is applied, such application does not delay prompt reimbursement of insured depositors' claims or undermine financial stability.
9. The deposit insurer has in place suitable arrangements with relevant clearing and settlement system agencies, agent banks or liquidators that address the treatment of transit items that are caught in the clearing and settlement process in an appropriate, consistent and timely manner.
10. In cases where the deposit insurer does not act as a liquidator, the liquidator is obliged by law or regulation to cooperate with the deposit insurer to facilitate the reimbursement process.

#### Additional criteria

1. Where the chosen resolution action involves the closure and liquidation of the insured deposit-taking institution, most insured depositors regain access to their insured deposits as soon as possible but within three working days of the reimbursement being triggered. All relevant financial safety-net participants cooperate to remove impediments to prompt reimbursement in the shortest delay.

## Principle 16 – Use of the deposit insurance fund in resolution

The conditions for the use of the deposit insurance fund to manage the resolution of failed insured deposit-taking institutions are clearly set out in law and publicly disclosed.

### Essential criteria

1. The deposit insurance fund may be used to support reimbursement and other resolution measures which protect depositors.
2. Where there are multiple funds in the financial safety-net available for resolution funding, their respective roles and use cases are set out in law and publicly disclosed.
3. Where a deposit insurer is not the resolution authority, its legal framework may provide the option for use of its funds for resolution of member institutions other than reimbursement of insured depositors. This use is subject to clear and formal terms and conditions, which include at a minimum the following:
  - a) the deposit insurer is informed in a timely manner of the resolution and involved in the resolution decision-making process from an early stage;
  - b) the deposit insurer confirms that the conditions set out in the legal framework for the use of its funds for non-reimbursement purposes are met;
  - c) the resolution measure limits the risk of exposure of the deposit insurer to contribute additional funding in respect of the same obligation;
  - d) net contributions from the deposit insurer for the resolution of member institutions do not exceed the estimated net costs the deposit insurer would otherwise have incurred in a reimbursement of insured depositors in a liquidation, net of expected recoveries; and gross contributions do not exceed total insured deposits in the failed insured deposit-taking institution;
  - e) the use of deposit insurance funds is subject to an ex post independent audit to review compliance with the terms and conditions and criteria for the use of the funds in resolution;
  - f) deposit insurance funds are used for the recapitalisation of resolved insured deposit-taking institutions only in exceptional circumstances and if equity or other instruments of ownership are written down fully to absorb losses.

## Principle 17 – Financial safety-net cooperation, coordination and information sharing

The deposit insurer is part of a formal framework within the financial safety-net for cooperation, coordination, and information sharing. The framework sets the individual and joint responsibilities of the financial safety-net participants and how these participants discharge these responsibilities in a coordinated and cooperative manner.

### Essential criteria

1. The framework for cooperation, timely and ongoing sharing of confidential information and the coordination of actions between the deposit insurer and other financial safety-net participants is effective, explicit, and formalised through legislation, regulation, memoranda of understanding, legal agreements, or a combination thereof.
2. The deposit insurer has in place rules for the protection of confidential information that impose adequate confidentiality requirements on its current and former employees and agents that receive or have received confidential information. The rules provide for effective sanctions and penalties for breach of confidentiality requirements.
3. The deposit insurer shares and receives appropriate information in line with its respective roles and responsibilities on a timely basis and before material supervisory actions are taken in respect of insured deposit-taking institutions. This includes information on the funding structures of insured deposit-taking institutions and on supervisory actions that relate to concerns about the solvency, performance, or viability of an insured deposit-taking institution.
4. In cases where the deposit insurer is not the resolution authority, appropriate cooperation, coordination and information sharing arrangements are in place between the deposit insurer and the resolution authority that address:
  - a) collaboration in the orderly resolution of a problem insured deposit-taking institution; and
  - b) if the deposit insurance fund can be used in resolution other than for reimbursement, the timely sharing of relevant confidential information needed in order to inform the decision on the choice of the resolution action and to determine whether the conditions for the use of the deposit insurance fund are met.
5. Where multiple deposit insurers operate within the same jurisdiction appropriate cooperation, coordination and information sharing arrangements among those deposit insurers are in place.

## Principle 18 – Cross-border cooperation, coordination and information sharing

Where there is a material presence of foreign insured deposit-taking institutions in a jurisdiction, formal cooperation coordination and information sharing arrangements are in place between deposit insurers and, where necessary, with other financial safety-net participants of the institutions' home and host jurisdictions, as needed to ensure that they are at all times prepared to respond to the potential and actual failure of insured deposit-taking institutions in a cooperative and coordinated manner.

### Essential criteria

1. Where there is a material presence of foreign insured deposit-taking institutions in a jurisdiction, cooperation, coordination, and information sharing arrangements between deposit insurers and, where necessary, with other financial safety-net participants of the institutions' home and host jurisdictions are in place that set out at a minimum:
  - a) the type and frequency of information to be shared on a regular basis, where applicable;
  - b) the circumstances in which information will be shared and type of information to be shared on an ad hoc basis;
  - c) mechanisms and processes for requesting and sharing information, including timeframes; and
  - d) confidentiality requirements that protect and preserve the confidentiality of all non-public information exchanged.
2. Where a deposit insurer is responsible for coverage of deposits in a foreign jurisdiction, formal bi-lateral or multi-lateral arrangements are in place that identify the respective roles and responsibilities of each financial safety-net participant in the home and host jurisdictions, including in ensuring effective deposit insurance coverage and public awareness, and in implementing any resolution and reimbursement actions.