



International Association  
of Deposit Insurers

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## **Enhanced Guidance for Effective Deposit Insurance Systems:**

### **Public Awareness of Deposit Insurance Systems**

#### **Guidance Paper**

**Prepared by the Research and Guidance Committee**

**International Association of Deposit Insurers**

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## Executive Summary

The mission of the International Association of Deposit Insurers (IADI) is to contribute to the enhancement of deposit insurance effectiveness by promoting guidance and international cooperation. Its vision is to share its deposit insurance expertise with the world. As part of its work, the IADI undertakes research projects to provide guidance on deposit insurance matters.

Financial system stability is a key component of a healthy economy and contributes directly to economic growth and development. An effective deposit insurance system is one of the pillars of a sound financial system and public confidence in that system. Public awareness of deposit insurance—its existence and how it works—plays a significant role in underpinning a sound deposit insurance system.

Given the importance of public awareness to an effective deposit insurance system and to financial stability, IADI has set forth guidance through adoption of the *BCBS-IADI Core Principles for Effective Deposit Insurance systems*<sup>1</sup> and its accompanying assessment methodology. The *Core Principles* include guidance for public awareness under Principle 12. Principle 12 on public awareness states:

*In order for the deposit insurance system to be effective, it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system.*

Additional guidance is provided through a number of essential and additional criteria contained in the *BCBS-IADI Methodology for Assessing Compliance with the Core Principles*.

At the same time it issued the *Core Principles*, IADI also produced a Guidance Paper on Public Awareness of Deposit Insurance Systems. The Guidance Paper provided a number of supporting guidance points to supplement Core Principle 12. In addition, experience gained and lessons learned during the international financial crisis have led to the evolution of good practices in public awareness.

During 2011-12, the Financial Stability Board (“FSB”) undertook a *Thematic Review on Deposit Insurance Systems*.<sup>2</sup> The *FSB Review* made a number of observations regarding deposit insurer public awareness in the wake of the financial crisis. It observed that several FSB member countries have comprehensive public awareness programs using a wide range of tools to inform depositors. But, the FSB noted that it has not yet become common practice for deposit insurers to conduct regular monitoring of public awareness levels, potential information gaps, or perceptions among depositors. As a result, it is very difficult for deposit insurers to determine public confidence in the deposit insurance system. They noted the particular importance of public awareness in

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<sup>1</sup> See BCBS-IADI (2009).

<sup>2</sup> See FSB (2012).

situations where depositors could receive coverage from more than one deposit insurance system.

In closing, the FSB recommended that IADI should, in consultation with the BCBS and other relevant bodies where appropriate, update its guidance that pre-dates the financial crisis.

As a result, this IADI Guidance Paper sets out additional enhanced guidance to address those areas where public awareness could be enhanced and where the *Core Principles* could benefit from more precision to achieve effective compliance or to better reflect leading practices.

## **Enhanced Guidance**

Utilizing the experiences of IADI deposit insurers who conduct public awareness programs, a survey of practitioners, and academic literature, IADI has identified the following 9 supplemental guidance points aimed at updating and enhancing its guidance related to public awareness for the effective implementation of the *Core Principles*.

1. Deposit insurers should build credibility with depositors and stakeholders.
2. Deposit insurers should clearly define the principal target audiences and subgroups.
3. The deposit insurer should set a long-term strategy and make budget allocations to build and maintain the desired level of public awareness about deposit insurance among the target audience.
4. The deposit insurer should consider using external public relations, advertizing, and branding expertise to supplement internal expertise and maximize the effectiveness of the public awareness program.
5. The deposit insurer should conduct comprehensive quantitative and qualitative research to ascertain perceptions, attitudes, issues and images related to deposit insurance.
6. The deposit insurer should monitor and conduct regular, independent evaluations of awareness levels.
7. If a country is transitioning from a blanket guarantee to a limited coverage deposit insurance system, public awareness activities should begin as early as possible.
8. The deposit insurer should develop a crisis management contingency program in advance in order to address potential crises.
9. Member institutions should be required by law or regulation to provide information about deposit insurance.

## I. Introduction and Objectives

The mission of the International Association of Deposit Insurers (IADI) is to contribute to the enhancement of deposit insurance effectiveness by promoting guidance and international cooperation. Its vision is to share its deposit insurance expertise with the world. As part of its work, the IADI undertakes research projects to provide guidance on deposit insurance matters.

Financial system stability is a key component of a healthy economy and contributes directly to economic growth and development. An effective deposit insurance system is one of the pillars of a sound financial system and public confidence in that system. Public awareness of deposit insurance—its existence and how it works—plays a significant role in underpinning a sound deposit insurance system.

Given the importance of public awareness to an effective deposit insurance system and to financial stability, IADI has set forth guidance through adoption of the *BCBS-IADI Core Principles for Effective Deposit Insurance systems*<sup>3</sup> and its accompanying assessment methodology. The *Core Principles* include guidance for public awareness under Principle 12. Principle 12 on public awareness states:

*In order for the deposit insurance system to be effective, it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system.*

Additional guidance is provided through a number of essential and additional criteria contained in the *BCBS-IADI Methodology for Assessing Compliance with the Core Principles*:<sup>4</sup>

Essential criteria:

1. *The deposit insurer is responsible for promoting awareness of the deposit insurance system and how the system works, including its benefits and limitations on an ongoing basis.*
2. *The objectives of the public awareness program are clearly defined and consistent with the public policy objectives and mandate of the deposit insurance system.*
3. *The public awareness program or activities convey information about the following:*
  - a. *which financial instruments are covered by deposit insurance and which are not (e.g., whether the system covers foreign deposits);*

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<sup>3</sup> See BCBS-IADI (2009).

<sup>4</sup> See BCBS-IADI, (2010): 19-20.

- b. *which financial institutions offer insured deposits and how they can be identified;*
  - c. *deposit insurance coverage limits and the potential for losses on deposits in excess of those limits; and*
  - d. *the reimbursement process – how, when and where depositors may file claims and receive reimbursements in the event of a bank failure.*
4. *There is an effective contingency planning process for public awareness and communication that addresses plausible future scenarios and that involves the cooperation and coordination of other safety-net participants as appropriate.*
  5. *The deposit insurer works closely with member banks and other safety-net participants to ensure consistency in the information provided and to maximise awareness on an ongoing basis.*
  6. *The deposit insurer receives or conducts a regular evaluation of the effectiveness of its public awareness program or activities.*

Additional Criterion:

1. *The public awareness program is tailored to the needs of clearly defined target audiences and utilises a variety of communication tools. The desired level of visibility and awareness among the target audiences is a primary factor in determining the budget for the public awareness program.*

Contemporaneously with issuing the *Core Principles*, IADI also produced a Guidance Paper on Public Awareness of Deposit Insurance Systems. The Guidance Paper provided a number of supporting guidance points to supplement Core Principle 12. Furthermore, experience gained and lessons learned during the international financial crisis have led to the evolution of good practices in public awareness.

During 2011-12, the FSB undertook a *Thematic Review on Deposit Insurance Systems*.<sup>5</sup> The *FSB Review* made a number of observations regarding deposit insurer public awareness in the wake of the financial crisis. It observed that several FSB member countries have comprehensive public awareness programs using a wide range of tools to inform depositors. But, the FSB noted that it has not yet become common practice for deposit insurers to conduct regular monitoring of public awareness levels, potential information gaps, or perceptions among depositors. As a result, it is very difficult for deposit insurers to determine public confidence in the deposit insurance system. They noted the particular importance of public awareness in situations where depositors could receive coverage from more than one deposit insurance system.

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<sup>5</sup> See FSB (2012).

In closing, the FSB recommended that IADI should, in consultation with the BCBS and other relevant bodies where appropriate, update its guidance that pre-dates the financial crisis.

As a result, this IADI Guidance Paper sets out additional enhanced guidance to address those areas where public awareness could be enhanced and where the *Core Principles* could benefit from more precision to achieve effective compliance or to better reflect leading practices.

## II. Methodology

This paper was developed with input from IADI members, associates, and observers, as well as the experiences of deposit insurers who conduct public awareness programs. It also includes survey responses from the FSB *Thematic Review on Deposit Insurance* and from specific IADI members and draws on relevant academic literature.<sup>6</sup>

## III. Objectives of a Public Awareness Program

The ultimate goal of a public awareness program is to enhance the effectiveness of a deposit insurance system. The Financial Stability Forum ("FSF") Working Group on Deposit Insurance stressed in its report *Guidance for Developing Effective Deposit Insurance Systems* that educating the public about the benefits and limitations of a deposit insurance system is key to the effectiveness of the system.<sup>7</sup> Similarly, *Core Principle 12* stresses the necessity of the public knowing about a deposit insurance system in order for that system to be effective.

### A. Enhancing the Effectiveness of a Deposit Insurance System

An effective deposit insurance system has many features, including aligned mandates and powers, appropriate coverage, adequate funding, efficient resolution and reimbursement, transparency, accountability, and a credible image. However, the best system will not achieve its objectives if stakeholders are unaware of its existence or unclear about the terms and conditions of coverage.

A successful public awareness program should be designed to build public confidence in the deposit insurance system. Additional programs may be designed to achieve complementary and supportive objectives, including building

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<sup>6</sup> Research for this paper was carried out by the IADI Subcommittee on Developing General Guidance for Public Awareness of Deposit Insurance Systems. The subcommittee included participants from Taiwan (chair), France, Hungary, Malaysia, Mexico, the Philippines, Russia, Turkey, and Uruguay. It has since been revised, based on recommendations from the Financial Stability Board, and with input from IADI's Guidance Group and Research and Guidance Committee.

<sup>7</sup> Financial Stability Forum, 2001a, p. 29.

the credibility and authority of the deposit insurer, building visibility, enhancing public awareness of the benefits and limitations of the deposit insurance system, achieving stakeholder acceptance, and enhancing stakeholder awareness. A good public awareness program sends the right messages, educates its target audience, changes perceptions and behaviors, and builds a positive and credible brand image for the systems and insurers, thereby enhancing financial stability.

In planning a public awareness program, a deposit insurer can also develop its brand or corporate identity. Organizations have unique identities that are increasingly being developed as valuable assets. The benefits to deposit insurers of successful branding include goodwill, respect, and credibility as the organization for depositor protection.

### **1. Building acceptance**

Before introducing a deposit insurance system, an organization should familiarize stakeholders with the concept of deposit insurance and how it works, as well as the effectiveness of deposit insurance systems in promoting financial stability worldwide. During the pre-establishment phase, the organization should provide information on deposit insurance systems to lawmakers and others to facilitate the establishment of such a system and the related legislation.<sup>8</sup> Policymakers should consider public consultations with key stakeholders. Public feedback can help policymakers tailor the system to local conditions and adopt effective practices that are in use elsewhere.<sup>9</sup> In addition to enhancing public awareness, a public consultation process is a consensus-building mechanism.

From the beginning, a newly established deposit insurance organization should promote awareness about the deposit insurance system and highlight its benefits and limitations. The public must understand how the system works so there are no expectation gaps.<sup>10</sup> Awareness also enhances public confidence, which is especially critical in countries with a history of financial crises or bank failures.

### **2. Enhancing the level of stakeholder awareness**

Public awareness must be sustained. Deposit insurers can increase the level of public awareness by providing more information and extending or broadening

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<sup>8</sup> The Central Bank of Malaysia, which managed the project to establish the deposit insurance system in Malaysia, featured general articles about deposit insurance in its annual report for two consecutive years.

<sup>9</sup> Before Hong Kong officially developed a deposit insurance system, the Hong Kong Monetary Authority undertook two rounds of public consultations on how to enhance deposit protection in Hong Kong.

<sup>10</sup> In order to increase awareness of the deposit insurance system, Mexico decided to deploy a long-term public awareness campaign, divided into three stages: 1) Launching: This stage sought to reposition the Instituto para La Protección al Ahorro Bancario ("IPAB") as an institution with a mandate to protect bank savings; 2) Maintenance – this stage centred on further emphasizing the benefits and scope of the deposit insurance system, and 3) Reinforcement – this stage focused on publicizing the IPAB's work as well as its role as the institution responsible for resolving banks.



the target audience. Public awareness can also help in building a corporate image of professionalism and efficiency.

Engagement and feedback must be ongoing to ensure that the public awareness program remains relevant and effective. It is also vital that deposit insurers use the right channels to reach their target audiences and that they sustain an effective level of connection. Awareness should be regarded as a long-term commitment, and funded, supported and staffed accordingly.

Internal communication is also important. Employees of deposit insurance organizations can help promote the brand image in their communications with external audiences<sup>11</sup> Effective internal communication aligned with the public awareness program will ensure consistent and appropriate messages.

### **3. Building public confidence in the deposit insurance and banking system**

Public awareness programs should be a constant part of the deposit insurer's plans. The objectives of these programs might include building the credibility, authority, and reputation of the deposit insurer as a well-managed and well-governed organization capable of fulfilling its depositor protection mandate and making deposit insurance payments in the event of a bank failure. Levels of awareness can go down quickly. As a result, the deposit insurer needs have a continuing presence.

While a good public awareness program complements and reinforces the operations of a deposit insurance system, it is not a panacea. Public confidence is largely built through depositors' experience with the insurer, either directly or through what they hear in the media. Prompt payouts help reinforce public confidence.<sup>12</sup> But, this relationship can easily be destroyed by one faulty or inefficient payout experience, no matter how effective the public awareness campaign has been. This underscores the importance of media relations in reporting positive messages about the deposit insurer. Even if the public has had positive experiences with payouts, deposit insurers should also continue to sustain public awareness programs in order to maintain the desired level of visibility with target audiences.<sup>13</sup>

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<sup>11</sup> A brand is created in the mind of a stakeholder. Some experiences can be controlled—such as retail environments, advertizing, products/services, and websites. Others—such as media comment and word of mouth—cannot be. Strong brands arise from consistent experiences that combine to form a clear overall brand experience ([www.brandchannel.com/education\\_glossary.asp](http://www.brandchannel.com/education_glossary.asp)).

<sup>12</sup> In 2011, the National Bank of Hungary introduced two initiatives. All member banks are obliged to show an "Insured up to €100,000" emblem on every product and on- and off-line deposit advertisement. In addition the NDIF sent satisfaction questionnaires to all depositors reimbursed by the Fund in its last two payout cases. The questionnaire focuses on satisfaction with the service of NDIF, including handling of inquires and complaints, as well as with the actual statutory coverage level and payout timeframe.

<sup>13</sup> Bijlsma and van der Wiel (2012) found that despite the capable performance of the Dutch deposit insurance system during the 2008-2009 financial crisis, a significant number of responds to a survey underestimated coverage levels for

## **B. Reinforcing Consumer Protection**

Public awareness may be promoted from the perspective of consumer protection. As a bank customer, a depositor has the right to be informed and educated about matters related to deposit insurance as they affect access to savings not covered under the deposit insurance limit. It is important both to reassure the majority who will be fully covered and warn the minority who will have funds at risk.

In order to reinforce consumer protection, some deposit insurers have already shifted the focus of their public awareness campaigns from promoting awareness of the deposit insurance system to promoting safe banking practices to protect depositors. This shift in focus entails the provision of accurate information and the financial education of depositors. A well-informed public is less susceptible to rumors, and public confidence in the safety of deposits is a powerful force in preventing bank runs. Also, consumers who are financially informed and know their rights can impose additional discipline on the banking system.<sup>14</sup>

Consumer protection is a broad concept that involves other financial safety net players, especially in countries that do not have a single agency in charge of consumer protection programs. Coordination and collaboration among safety net players is crucial.

## **IV. IV. Organizing an Effective Public Awareness Campaign**

In designing a public awareness campaign, the following are among the key considerations: What are the target audience groups and subgroups? What should the core messages be? What frequency and timing will be the most effective?

### **A. Strategy**

Enhancing public awareness is an ongoing challenge. It is difficult to achieve a high level of public awareness within a short period of time. Even if a deposit insurer achieves a high level of awareness (perhaps as the result of intensive exposure or a wave of bank failures), it is difficult to sustain such awareness for a long period of time. As a result, deposit insurers should set out a long-term strategy and plan based on achieving a desired level of awareness, before launching a public awareness campaign. Based on that strategy and plan, different elements of a campaign—such as target audience, messages, tools and budgets—can be decided accordingly. The strategy should be reviewed on an ongoing basis, at least annually, in order to ensure it fits the objectives of the

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their deposits and overestimated the time it would take for the deposit insurance system to pay their money back.

<sup>14</sup> Lai, 2007

public awareness program as well as those of the deposit insurance system as a whole.

## **B. Target Audience**

To structure key messages and choose the communication channels and tools, deposit insurers must first identify the principal target audience groups and subgroups, and understand their profiles—their various risk tolerances, attitudes, and perceptions, and the specific issues and barriers related to each group. The insurer should conduct quantitative (e.g. surveys) and qualitative research (e.g. focus groups) at the design stage of the campaign to determine awareness levels and perceptions about the deposit insurance system and the insurer itself.

### **1. General public and depositors**

The principal target audience for a public awareness campaign should be depositors and the general public. This audience might include different demographic groups. For example, age groups, such as retirees and students<sup>15</sup> whereby early deposit insurance education for students could assist with financial literacy.<sup>16</sup> Some deposit insurers have incorporated deposit insurance education into educational curricula in their countries.<sup>17</sup> Other audiences could include consumer advice centers.

### **2. Institutional depositors**

Institutional depositors, such as deposit brokers and others, are not normally the targets of public awareness campaigns. However, the importance of these depositors should not be overlooked.<sup>18</sup> They can mitigate potential bank risk by depositing uninsured portions of their deposits in different financial institutions and, acting together, can influence the liquidity of the financial market and promote market discipline.

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<sup>15</sup> Upon studying a biennial survey carried out by the Bank of Italy, Bartiloro (2011) found that public awareness of the Italian deposit insurance system increased with education, work status, wealth and income of the respondents.

<sup>16</sup> Russian, Philippine, and Taiwanese respondents to the IADI Public Awareness of Deposit Insurance Systems survey indicated that students are targeted as important future depositors.

<sup>17</sup> Some deposit insurers provide information about the deposit insurance system to departments in colleges and universities, and encourage them to include this subject in the curriculum. Some cooperate with education authorities to integrate basic financial education into the curriculum or in extracurricular activities. The aim is to build a habit of saving and responsible depositing. Campaigns are designed to inform young people of their basic rights and responsibilities as depositors.

<sup>18</sup> Jack Biggs and J. Hambric wrote that large depositors are one of four target categories for public education on deposit insurance (Biggs and Hambric, 2006). Other three categories are small depositors, member bank senior management and member bank line managers.

Institutional depositors must assess the performance of the financial institutions in which they place their deposits. They can influence the behavior of financial institutions by dealing with less risky financial institutions or diversifying their portfolios. Because of their influence, institutional depositors should be included as target audiences in public awareness campaigns.

### **3. Member institutions**

The financial institutions that make up the deposit insurance system are important players in disseminating information—they offer a prime channel to reach the target audience. Member institutions also have significant resources, in addition to those available to the deposit insurer.

Effective deposit insurers promote the confidence of the public and contribute to the stability of a country's financial system; thus, financial institutions benefit from deposit insurance.<sup>19</sup> Moral hazard can be mitigated if member institutions understand the functions of an effective limited coverage deposit insurance system.<sup>20</sup>

Member institutions can become effective partners with deposit insurers in promoting public awareness to two important target groups: front-line employees and senior management. Front-line employees interact daily with depositors; if they understand the deposit insurance system themselves, they can disseminate accurate information to depositors. Well-trained employees who can answer deposit insurance-related questions help maintain confidence among depositors. Senior managers, who are likely to interact with corporate customers, can help disseminate deposit insurance information to institutional depositors. The deposit insurer should work with institutions to provide information or training, and monitor the awareness levels of bank staff (e.g., by carrying out mystery shopping exercises). Deposit insurance education for managers should also include briefings on reporting requirements, premium payment requirements, reporting forms, and the related informational requirements.<sup>21</sup>

### **4. Media**

The media are not only channels for promoting deposit insurance but also important target audience groups. It is critical to build strong, long-term partnerships with them. They must be knowledgeable about the benefits and limitations of deposit insurance so they can inform the public. A well-informed media can provide balanced reports, counter negative messages about deposit insurance, and help disseminate important information when failures occur and reimbursement processes are carried out.

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<sup>19</sup> Sabourin, 2007.

<sup>20</sup> Moral hazard is defined in the IADI glossary as "the incentive for additional risk taking that is often present in insurance contracts and arises from the fact that parties to the contract are protected against loss" (available at <http://www.iadi.org/glossary.html>).

<sup>21</sup> Biggs and Hambric, 2006.

In a crisis or any possible run, these services can prove invaluable. Deposit insurers should prepare a press kit with accurate information and should constantly update the media on new developments. A continued public relations campaign that exploits tactical opportunities to promote awareness can also be useful. Regular interaction will result in a two-way feedback system and the communication of accurate information.

## **5. Legislators and other authorities**

Legislators and other authorities involved in the design and establishment of deposit insurance systems should be given adequate information to ensure that the final system is suited to the needs of the country. This information would include salient features of deposit insurance systems, international best practices, and the rationale and implications of every design feature for the deposit insurance system and the financial system. Well-informed legislators are in a position to support amendments to deposit insurance legislation or the development of new policies.

## **C. Responsible Parties**

The deposit insurer should be the primary party responsible for promoting public awareness about deposit insurance. A law or regulation requiring the deposit insurer to promote public awareness of deposit insurance can help codify this obligation. However, the insurer should work closely with other financial safety net players, member institutions, and the media to maximize resources and widen the reach of the program.

Financial safety net players share a common objective of maintaining financial stability. It would be helpful if bank supervisors promoted the concept of deposit insurance as part of their broad policy objectives. Similarly, deposit insurers and bank resolution authorities play complementary roles within the financial safety net, particularly in the eyes of the depositors of a failed bank. Collaboration initiatives could therefore include joint public awareness campaigns, coordinated on rotation or as agreed by the parties involved. All players would agree on news releases and public speeches related to the issues, to avoid contradictory or inconsistent messages.

Member institutions should play an active role in communicating the benefits and limitations of a deposit insurance system. Depositors have a special relationship with their banks and rightly expect them to provide accurate information. Some deposit insurers build on this relationship by organizing seminars or workshops or training modules to educate employees of member institutions on the features, benefits, and limitations of deposit insurance systems. As mentioned earlier, well-trained employees can promote awareness about deposit insurance and raise depositor confidence. However, member institutions should be regulated on the use of their membership representation to market deposit products.<sup>22</sup>

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<sup>22</sup> Some countries place strict restrictions on how insured member institutions can use deposit insurance information. For example, under the EU Deposit Guarantee Schemes Directive, firms are not allowed to advertise

Deposit insurers in one jurisdiction can also help insurers in other jurisdictions by sharing the experiences and the results of their respective campaigns.

## **D. Content**

The scope and limits of coverage are important information that should be conveyed to the public.<sup>23</sup> But, public awareness programs should cover all deposit insurance information that affects the interests of depositors.<sup>24</sup>

The content of a public awareness campaign should take into account the stage of development of the deposit insurance system and the specific needs of the country. In countries with multicultural and multilingual populations, information should be conveyed in various languages or in the language spoken by the majority.

## **E. Communication Tools**

Deposit insurers should aim for a wide but targeted reach in the most cost-effective manner. To achieve these goals, the insurer must determine the best times and places to reach its target audience. Deposit insurers should also pay attention to new marketing trends and tools in order to choose the most effective tools possible.

A variety of communication tools should be used to achieve the greatest penetration, cutting across different backgrounds and levels of society. Factors to take into consideration in determining an effective mix of tools are literacy levels, population size, demographic characteristics of specific target audiences, and budgetary constraints.<sup>25</sup> The strategy used should also fit the tools chosen.<sup>26</sup>

For consistency, an integrated communications plan should be in place. An effective internal communication program is also required before launching a public awareness campaign.

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the protection scheme so as to affect "the stability of the banking system or depositor confidence." In Canada, CDIC issued a "Deposit Insurance Information By-law" in December 1996 that stipulates how insured member institutions should disclose deposit insurance information and display deposit insurance signs in certain areas at every branch office.

<sup>23</sup> A survey was conducted by the Deposit Insurance Corporation of Japan (hereinafter, DICJ survey) in April 2006. Valid responses were received from deposit insurers or the competent authority in Canada, China, India, Korea, Malaysia, the Philippines, Taiwan, the United States, and Vietnam. The survey showed that the most commonly publicized messages concern the scope (55.5%) and limit (44.4%) of deposit insurance coverage.

<sup>24</sup> Deposit insurance system information includes the benefits and limitations for depositors and for the national financial system, corporate profiles and contact information of deposit insurers, scope of coverage, reimbursement, and claims procedures.

<sup>25</sup> Financial Stability Forum, 2001b, p. 5.

<sup>26</sup> For example, in a television commercial, it is better to focus on one message (such as "coverage limits" or "corporate image") given the limited time available with this tool.

## **1. Mass media**

Mass media includes television, radio, newspapers, magazines, indoor and outdoor advertising, and digital media. Advertising through mass media is usually the most effective way to reach target audiences; however, high cost may be a deterrent. Deposit insurers may need to consider other communications approaches to meet their objectives.

## **2. Printed materials**

Deposit insurers may circulate information through publications such as annual reports, strategic planning handbooks, published budgets, industry or consumer newsletters, and lists of Frequently Asked Questions. These publications can cover technical issues regarding deposit insurance as well as a corporate profile of the insurer, including business operations and corporate plans. Such publications are generally best suited to audiences such as professional bodies.

Annual reports also can be used to highlight the achievements of a deposit insurer, describe its governance practices, and disclose detailed business and financial information. Distribution channels are critical to the success of this type of publication.

Printed materials can be designed in different formats to meet the needs of various target audiences. Regardless of the format, the content must be written in lay language to meet the financial literacy levels of target audiences. The aim is to enable them to learn and remember key points about deposit insurance. Such printed materials are mostly geared toward depositors.

Printed materials can be circulated through the branches of member institutions, distributed at seminars and workshops organized by deposit insurers, or provided to the public on request.

## **3. Websites and digital media**

A website to directly communicate with the public is an important tool for an effective public awareness campaign. There are more than 100 deposit insurers around the world, more than 80 percent of which have a website. In addition to disseminating information, a website can be designed to allow online feedback and inquiries from the public on the deposit insurance system. Some websites can also provide an Internet environment suitable for people with special needs—for example, people with visual impairments.<sup>27</sup>

E-learning modules and interactive forums on a website can be useful tools for public education.<sup>28</sup> Similarly, with the rise of mobile communications,

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<sup>27</sup> For example, the website of the Central Deposit Insurance Corporation (Taiwan) is accessible by persons with visual impairments.

<sup>28</sup> The National Deposit Insurance Fund of Hungary (NDIF) has an e-learning module and a “crisis website”. The crisis website is a pre-arranged module (micro-site) in standby and linked to the main site upon the crisis update

applications for smart phones and mobile devices can be effective tools for reaching depositors.<sup>29</sup> Websites are also cost-effective, as deposit insurers can post updated information at any time.<sup>30</sup> In the event of a bank failure, a website can be used to facilitate the payout process.

Websites have potential to reach a wide range of target audiences; however, in countries where Internet penetration is low, the usefulness of this avenue of communication may be limited.

Awareness can also be promoted through websites of other businesses (e.g., aggregation or comparison sites) or by buying digital advertising on other firms' websites.

Deposit insurers should also keep up-to-date with social media; this is an evolving area, but the deposit insurer should monitor social media for opportunities to promote awareness. This can include monitoring and contributing to blogs, and posting relevant information on sites, such as facebook and Twitter. Social media could be an effective means for deposit insurers to disseminate information during failures or times of crisis and to gauge public perceptions of its brand and services. The deposit insurer could also use social media to correct public misperceptions about deposit insurance and help forestall rumors and false information in times of crisis.

#### **4. Lectures and seminars**

Some deposit insurers have used lectures and presentations to promote awareness of deposit insurance, with content customized to the needs of the audience. This type of communication works with senior managers and staff of insured institutions, professional bodies, graduate students, and, sometimes, the general public. Lectures and seminars allow audiences to have direct access to deposit insurers and to provide immediate feedback.

The drawback of this tool is that it can reach only a small number of people at one time, and it is time-consuming and labor-intensive for deposit insurers, especially those whose target audiences are spread over large territories or that include multicultural populations.

In countries with sufficient Internet penetration, webcasting can increase the number of people who can be reached by seminars.<sup>31</sup> Another option to increase

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is done, and remains in operation until the crisis/reimbursement has been completed. In addition, the website provides several functions related to reimbursement, including online credit reporting for depositors, details of the reimbursement process, and status of individual claims.

<sup>29</sup> In Korea, the Korea Deposit Insurance Corporation built a website optimized for mobile devices in an effort to provide access to deposit insurance information.

<sup>30</sup> In Mexico, the IPAB's website was recently redesigned so that visitors may have a better browsing experience and in order to simplify the search for information. These changes include graphics and fonts that facilitate reading and help make the site more user-friendly.

<sup>31</sup> Deposit insurers can disseminate information over the Internet by providing video or printed materials for interested parties to download from



the effectiveness of a seminar is to invite journalists, so they can disseminate the information in newspapers and magazines.

## 5. Signs and logos

Signs and logos are common tools deposit insurers use to increase public awareness. The logo is a “seal of trust” that can be included in print and electronic communications and posted in banks to remind depositors that they have the protection of the deposit insurance system.<sup>32</sup> Some deposit insurers use logos to enhance their corporate image or to gain publicity; for example, by incorporating the logo into corporate souvenirs (for example, pens, made available to the public).

Displaying deposit insurance signs or logos is inexpensive and practical, and member institutions could be asked or required by law to display them. But this method may not reach all target groups; for example, students, whose visits to banks may be infrequent. As such, the signs should also appear on websites. Furthermore, signs and logos do not contain much information, so, while they promote awareness, they should not be relied on to disseminate deposit insurance information.

A more effective method would be to distribute brochures at branches of member institutions.<sup>33</sup> Branches are one of the best distribution channels for reaching target audiences.<sup>34</sup> Member institutions with large electronic message boards located at their branch offices could also be asked to provide scrolling text

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the insurers’ websites. They can also record seminars or short video clips on DVDs and make them available in multilingual versions with closed captioning and subtitles.

<sup>32</sup> The NDIF uses “Insured Deposit” as an emblem; it is incorporated into a seal and printed on each insured product of member banks. Following a board directive, all branches of member institutions must make copies of the brochure *Saving Your Savings Together* available to depositors.

In the US, Insured institutions are required to display the FDIC logo in their institution and on official documents. Additionally, the FDIC has an extensive set of educational and outreach programs designed to promote public awareness about deposit insurance, improve financial education and ensure that information on deposit insurance is accurately disseminated by insured depository institutions. The FDIC is dedicated to ensuring consumers have access to basic banking and financial services and works to bring all Americans—especially unbanked and underserved populations—into the financial mainstream.

<sup>33</sup> In Mexico, banks, have developed several informational brochures explaining the benefits and scope of deposit insurance, which are distributed in their branches and by mail with account statements.

<sup>34</sup> In Russia, the deposit insurance logo is widely used by insured member institutions in their advertising campaigns and publications, as it helps them attract new depositors. However, some countries have strict rules about using information about deposit insurance or DIS membership. Different approaches to using deposit insurance information may be due to differences in the developmental phase of the country’s deposit insurance system or different public policy objectives.

messages about deposit insurance, or those with in-branch radio asked to carry advertisements or features on deposit insurance.

## **6. Product registers**

As member institutions sell more deposit-like financial products, such as structured deposits, it is important that they tell depositors which deposits are covered and which are not covered by deposit insurance.<sup>35</sup> For integrated schemes (e.g. where deposit protection is combined with other financial products such as life insurance and investor protection), where different limits may apply among products, the scheme and firms should make clear the differences in protection. Some deposit insurers require member institutions to display product registers to help depositors differentiate between insured and uninsured products.<sup>36</sup> A register may include additional information, such as the name of the member institution, membership status, and contact information. Some deposit insurers even develop code numbers for financial products. These codes are listed in an index displayed on a billboard at member institutions' branch offices and on the deposit insurers' websites. For deposit insurers in countries with multicultural populations, product registers should be in the dominant language.

## **7. Toll-free lines**

Toll-free or local rate telephone lines are useful for inquiries about a deposit insurance system. The public can reach deposit insurance officers directly for clarification. In the event of a bank run or closure of a member institution, a toll-free or local rate line offers an open channel for people to inquire about the safety of their deposits. Some deposit insurers have established call centers—some multilingual—to facilitate public access to deposit insurance information.<sup>37</sup> Some countries have interactive voice responses, also with multilingual services, operating 24 hours a day.

## **F. Frequency and Timing**

There are no hard-and-fast rules for the frequency and timing of public awareness activities. Budgets, objectives, and the type of promotional tools are among the factors that determine the extent and frequency of communication activities. Each deposit insurer must evaluate the level of public awareness in its own country and allocate its resources accordingly.

To effectively educate the public about deposit insurance systems, insurers should conduct activities on an ongoing basis. Public awareness is a long-term commitment. Campaigns can be at the national, regional, or district level.

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<sup>35</sup> In Taiwan's amended Deposit Insurance Act of January 2007, all member institutions must disclose whether a financial product is insured or uninsured.

<sup>36</sup> Financial Stability Forum, 2001b, p. 6.

<sup>37</sup> For example, MDIC maintains a call center with a toll-free number to provide an open channel for depositors and employees of member institutions to contact MDIC. The call center provides responses in Malaysia's four major languages: English, Malay, Chinese, and Tamil.

Deposit insurers should monitor perceptions and attitudes of the public to stay relevant and assess the need to reach out to new target audiences; for example, depositors who have recently joined the labor force.

The timing of a public awareness campaign is very important for a country that is transitioning from a blanket guarantee to a limited coverage system, or in the event of a bank failure. The public needs to be aware of critical information such as the date of the transition to a limited coverage system and the benefits and limitations of such a system. A bank failure requires an immediate public awareness campaign to assure depositors that their deposits are covered and their claims will be settled promptly.

## **G. Budgets and Resources**

Budgets for deposit insurance public awareness programs should be determined on the basis of the desired level of visibility and awareness to be achieved and the strategies for doing so. The budget (as reflected in the annual business plan) should specify the type and frequency of public awareness campaigns and the communication tools to be used. At a minimum, the budget should cover disseminating the annual report and educational materials, servicing a website, and staffing a toll-free line.

Newly established deposit insurers should appropriate a larger budget for public awareness, comparable to merchandising a new brand to a broad target audience; though it is important always to maintain adequate levels of funding. Over time, a historical database can be developed for use as a benchmark to budget future public awareness activities, and the costs associated with developing and implementing a public awareness campaign can be more specifically identified.

Budgetary considerations will affect the decision of whether to outsource the campaign to a public relations consultant. Two major factors in outsourcing are confidentiality and cost. On the basis of available resources and skills, deposit insurers can determine which public awareness activities can be performed by an in-house team and which should be outsourced. Because deposit insurance is a specialized area, the insurer should coordinate closely with the public relations firm and monitor the services it provides, to ensure that the objectives of the campaign are achieved.

## **H. Evaluation**

According to the FSB, only nine of its member countries evaluated the effectiveness of their public awareness programs on a regular basis.<sup>38</sup> Those countries were Canada, Hong Kong, Indonesia, Japan, Korea, Russia, the United Kingdom and the United States.

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<sup>38</sup> FSB, 2012: 27.

**Table 1: Public Awareness Programs in FSB Member Countries<sup>39</sup>**

<b>Jurisdiction</b>	<b>Type of Communication Program</b>	<b>Evaluation</b>
Argentina	Websites, bank documents, and advertising by banks	None
Australia	APRA website; ASIC website (Moneymatters)	None
Brazil	Website, media reports	None
Canada	Web site, TV and print advertising, outreach, call centers, brochures, and membership decals posted in banks	Quarterly surveys
France	FGD websites, banks provide information, FGD provides oral and written information	None
Germany	Through credit institutions (legal obligation), DGS websites, supervisors' website	Federal Financial Supervisory authority controls how financial institutions provide information and analyzes complaints from depositors.
Hong Kong	Integrated public awareness program through mass media advertising campaigns and public education and outreach programs	Opinion surveys conducted twice a year
India	Annual reports, booklets, website information	None
Indonesia	Communication policies, website information, advertising, brochures and stickers	Annual surveys
Italy	Member banks, pamphlets	None
Japan	Pamphlets, information posters in banks, websites, mass media announcements, official speeches, university lectures	Annual surveys
Korea	Advertisements in media, public places, public transportation and websites, other PR materials	Telephone survey every year
Mexico	Website, public awareness campaigns, booklets, media outreach, and advertising,.	Surveys in June and November 2011
Netherlands	website and publications from consumer organizations	Ad hoc research
Russia	Public awareness, website, monitoring media, written information for distribution, press	Regular (annual) public surveys, monitoring of media for assessing

<sup>39</sup> FSB, 2012: 59.

	releases, toll-free calls, letter to depositors	positive and negative comments
Singapore	Media announcements and conferences, advertising, scheme member platforms, consumer guides, DIA website, call centers, community platforms.	Public surveys every two years
Spain	Central bank website	None
Switzerland	Official website and information provided by banks	Ad hoc surveys
Turkey	Notices in banks, websites, quarterly reports	None
United Kingdom	Advisory panel for banks, advertising, leaflets, annual report, websites, information published in banks	Regular research and evaluations of market reactions
United States	Information posted in banks, FDIC website, call centers, public awareness campaigns, online consumer assistance, FDIC consumer news, participation in seminars and videos.	FDIC monitors the effectiveness of campaigns on an on-going basis

As the FSB notes, it is difficult for the deposit insurer to assess the effectiveness of the deposit insurance system in maintaining depositor confidence, if the insurer does not conduct ongoing monitoring of public awareness levels, potential information gaps, or the perception of the deposit insurance system by depositors.<sup>40</sup>

Evaluating the effectiveness of a public awareness campaign is a challenging task. Some experts in the field of social marketing suggest three categories for measuring effectiveness: (1) output measures, (2) outcome measures, and (3) impact measures.<sup>41</sup>

*Output measures* are the simplest way to evaluate the effectiveness of public awareness activities, as numbers of marketing activities are easily quantifiable. These measures might include, for example, the number of printed materials requested or distributed in a certain period, the reach and frequency of advertising on television, levels of press and media coverage, and the number of special events held and participants reached at these events. However, such output measures only count the activities; they do not evaluate the response of the target audience.

*Outcome measures* would include a detailed analysis of whether a public awareness program changes levels of financial/deposit insurance knowledge, attitudes, perceptions, or satisfaction. The most difficult measure is *impact evaluation*, as the effect of a public awareness program on depositors and

<sup>40</sup> FSB, 2012; 32.

<sup>41</sup> Kotler and Lee, 2006.

financial institutions is not easily measured in the short term or during a period of financial calm. This can be done, however, by survey and by monitoring depositor behavior at times of stress.

The most practical approach is to conduct an independent survey before and after the implementation of a public awareness campaign, and then to compare the difference in levels of awareness. Survey questions before implementation of a public awareness campaign could include the following: What is deposit insurance? Who and what does deposit insurance protect? What channels do respondents have to receive deposit information? After the campaign, the same or similar questions can be asked of the same group.

The survey could be conducted by phone, mail, online, or through personal interviews. Longitudinal and periodic surveys serve different purposes. *Longitudinal surveys* focus on changes in a specific target group over a period of time. The outcomes can be used to improve or redesign future public awareness campaigns. *Periodic surveys* are used with large populations for the purpose of monitoring and evaluation. They are more time-consuming. It is not uncommon—and indeed it is a best practice—for deposit insurers to outsource evaluation to professional firms. Countries that have prepared such performance evaluations include Canada, Hungary, Mexico, the Philippines, Taiwan, the United Kingdom, and the United States. In addition to evaluating the effectiveness of public awareness programs, deposit insurers should also evaluate the cost and efficiency of those activities in order to identify ways to apply their resources in as impactful a way as possible.

## **V. APPLYING SPECIAL STRATEGIES TO SPECIAL OCCASIONS**

To maintain their credibility, deposit insurers must be cautious in dealing with events such as the transition from a blanket guarantee to a limited coverage deposit insurance system, bank runs, and the failure of a member institution.

### **A. Transitioning to Limited Coverage**

Countries that are moving from an implicit deposit guarantee system to a limited coverage system should engage in public awareness activities early. Countries that have transitioned from an explicit blanket guarantee system to a limited coverage system attest that a strong public awareness program contributed immensely to the smooth transition. The campaign should focus on dissemination of accurate information on deposit insurance to member institutions, depositors, and the general public. Information should include the maximum coverage and the transition schedule, as well as any modifications to the schedule.<sup>42</sup> Public awareness campaigns should be implemented as far in advance of the transition as possible to enable the target audience to understand and accept it.<sup>43</sup>

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<sup>42</sup> Financial Stability Forum, 2001b, pp. 8–10.

<sup>43</sup> Asia Regional Committee, 2005.

## **B. Bank Runs**

Using the media effectively to disseminate positive messages and provide accurate information to the public in the event of a bank run is a vital aspect of crisis management. During a run, communication must have quick and wide reach. Deposit insurers should try to ease public anxiety through press releases and regular media updates. Insurers can distribute announcements regarding deposit protection at the branches and dispatch staff to the problem bank to answer questions and address concerns.

## **C. Failure of a Member Institution**

In the event of failure of a member institution, deposit insurers should issue an official statement through various communication channels to maintain public confidence and inform depositors about reimbursement procedures, including how and when they can receive their deposits. The statement can be disseminated through television, radio, newspapers, the bank's website, digital media, and personal letters.

Deposit insurers should plan ahead for a public awareness program to deal with a failure. As part of their internal corporate readiness measures, insurers should develop standard operating procedures to cover emergency situations such as a bank run, an individual bank failure, or a systemic crisis. These procedures should include a dark site for the company's website, as well as crisis communication plans. Crisis management and communication plans should also be developed with relevant safety net players. It is important to have coordinated plans with other safety-net players. Scenario planning, contingency, testing, and simulations can help with these plans.

## **D. Cross-Border Issues**

Public awareness of cross-border issues related to deposit insurance is low. Some issues cannot be resolved without the cooperation of authorities and deposit insurers in different jurisdictions. A depositor may have different coverage in different jurisdictions (for example, if he or she holds a deposit in a bank that has branches in different countries), but it is difficult for deposit insurers to clearly convey this information to depositors.<sup>44</sup>

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<sup>44</sup> This issue is of particular concern in the European Union. Cross-border financial activities have been increasing in the EU economic area, not only among the mega-banks but also among small banks. Banks that export their home deposit insurance system to host countries pose fewer systemic issues but create more problems related to public awareness. Deposit insurance schemes may vary from country to country in terms of coverage level, scope of insurance, co-insurance, and depositor interest. It is becoming even more of a challenge for deposit insurers in both home and host countries to promote public awareness.

Nonetheless, the FSB stresses the acute need for public awareness in cases where depositors are simultaneously protected by multiple systems (whether a local or foreign scheme) and in cases where the same banking group operates with different franchises whose depositors come under a single maximum aggregate protection limit. One method to provide clarity to depositors is to offer a website whereby a depositor can click on the name of a financial product or the type of institution from which it was purchased, along with the jurisdiction in which it was booked, and receive the name and contact details of the scheme that would provide compensation in the event of a failure.<sup>45</sup> Clear information must also be made available to depositors by institutions, themselves. This can be implemented with clear disclosure requirements.

## VI. CONCLUSION

Effective deposit insurance is a pillar of a sound financial system. Yet, deposit insurance is unlikely to work if the public does not know about it or if the information or perceptions the public has are incorrect. Public awareness of the deposit insurance system therefore plays a significant role in ensuring that depositors are aware that their insured deposits are safe. In turn, this knowledge can help contribute to financial stability.

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<sup>45</sup> In Canada, for example, the Canada Deposit Insurance Corporation insures deposits in banks, trust and loan companies, and cooperative credit associations; whereas deposits at provincially chartered credit unions are insured by provincial deposit insurance agencies. A number of "deposit-like" products are also offered by life insurance companies and insured by a life insurance compensation scheme. A website, called *Canadian Consumer Protection for Financial Institution Failures*, allows a user to submit the type of financial product he or she owns or the institution from which it is purchased, and the website will respond with the organization that insures it and contact details for that organization.



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