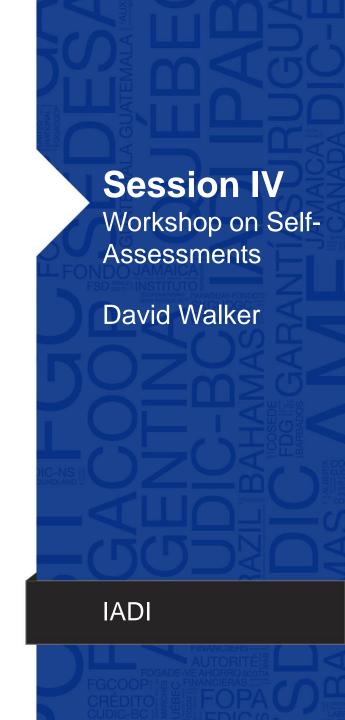


Foro de Seguro de Depósitos de las Américas Americas Deposit Insurance Forum







Session Outline

- Overview of the IADI Core Principles and self-assessment process
- II. Experiences of Fogafin (Colombia), COPAB (Uruguay) and IPAB (Mexico)
- III. Action Plan Development

IV. Challenges and next steps

I. Overview of the IADI Core Principles and Self-assessment Process

IADI Core Principles

- Core Principles for Effective Deposit Insurance Systems were approved by IADI and the BCBS in June 2009 and Methodology completed in December 2010.
- IADI revised Core Principles (CP) completed and endorsed by the FSB in November 2014. Handbook completed in 2016.
- An assessment of compliance with the CPs is a useful tool for jurisdictions that are implementing, reviewing or actively reforming a DIS.

Key objectives:

- 1) Improve the effectiveness of deposit insurance systems (DIS) in protecting depositors and contributing to financial stability...
- ...ensure the CPs are adaptable to a wide range of country circumstances, settings and structures, and
- mitigate moral hazard.

IADI CORE PRINCIPLES FOR EFFECTIVE DEPOSIT INSURANCE SYSTEMS



Key Characteristics

- Developed in 2009 and revised in 2014.
- Incorporates best practices of deposit insurers and views of organizations such as the BIS, IMF, World Bank and European Forum of Deposit Insurance.
- Reflects lessons learned in past financial crises.
- Are being utilized in deposit insurer self-assessments, IMF-WB FSAPs and FSB peer reviews.

16 Core Principles

- 1. Public policy objectives
- 2. Mandate and powers
- 3. Governance
- 4. Relationships
- 5. Cross-border issues
- 6. Crisis management
- 7. Membership
- 8. Coverage
- 9. Sources and uses of funds
- 10. Public awareness
- 11. Legal protection
- 12. Dealing with parties at fault
- 13. Early detection and intervention
- 14. Failure resolution
- 15. Reimbursing depositors
- 16. Recoveries

IADI CORE PRINCIPLES FOR EFFECTIVE DEPOSIT INSURANCE SYSTEMS

• CPs strengthened in 2014/16 to promote more credible deposit insurance systems and to better integrate with other reforms (e.g. FSB Key Attributes).

More Prescriptive

- Mandatory ex-ante funding
- 7-working day payout target
- Sufficient coverage

Strengthening Governance Frameworks

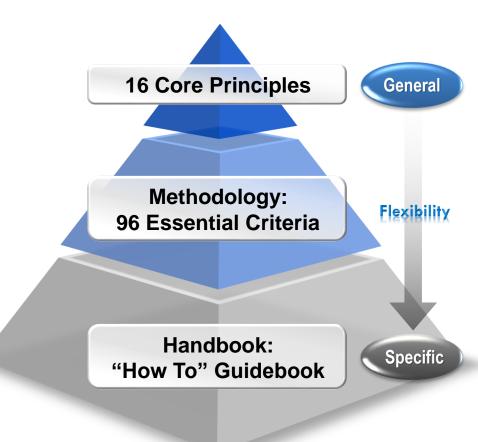
- Enhancing operational independence
- Improving accountability

New Crisis Management Principle

Emphasise contingency planning and coordinating framework

More Safeguards

- On use of DI funding in resolution
- Enhanced info. sharing/co-ordination



IADI Core Principles – Highlights

CP1. Public Policy Objectives

- Clearly defined and formally specified emphasizing depositor protection and contributing to financial stability.
- Review of the extent to which a deposit insurance system meets policy objectives conducted on a regular basis.

CP2/3. Mandates, Powers and Governance

- Recognizes deposit insurer mandates vary from "paybox" to "risk minimizers".
 Mandate clarifies roles and responsibilities of deposit insurer and is aligned with the mandates of the other safety-net participants.
- Deposit insurer is operationally independent, accountable and transparent. Powers support mandate.

CP4. Relationships with safety-net players

• Formal ongoing information sharing and coordination in place among deposit insurers and other safetynet participants. Rules ensure confidentiality.

CP5. Cross-border Issues

• Where there is a material presence of foreign banks in a jurisdiction formal information sharing coordination arrangements in place among deposit insurers.

CP6. Crisis Preparedness and Management

- Deposit insurer should have effective contingency planning/crisis management policies to ensure it is able to effectively respond to bank failures.
- Deposit insurer a member of institutional framework for coordination involving system-wide crisis preparedness and management.
- Deposit insurer participates in the development of pre / post crisis management communication plans involving all safetey-net participants.

CP7/8. Membership and Coverage

- Membership compulsory for all banks.
- Vast majority of individual depositors to be covered but majority of the value of deposits exposed to market discipline.

CP9. Funding

- Banks pay for deposit insurance.
- Deposit insurer must have ex-ante funding and assured access to emergency liquidity.
- Sound fund investment and management needs to be in place. Deposit insurer must authorize any use of its funds by other safety-net participants.

CP10. Public Awareness

- The public should be informed on an ongoing basis about the benefits and limitations of the deposit insurance system.
- The deposit insurer is responsible for promoting public awareness about the deposit insurance system.

CP11/12. Legal issues

• The deposit insurer and all those working on its behalf are protected from liability arising from actions taken in good faith.

CP13. Early detection and timely intervention

- The deposit insurer is part of the framework within the financial safety net that provides for the early detection of, and timely intervention in, troubled banks.
- The framework provides for intervention before non-viability.

CP14. Failure resolution

- An effective failure resolution regime should enable the deposit insurer to provide for the protection of depositors and contribute to financial stability.
- Legal framework includes special resolution regime.
- Resolution regimes follow FSB Key Attributes key features

CP15. Reimbursing depositors

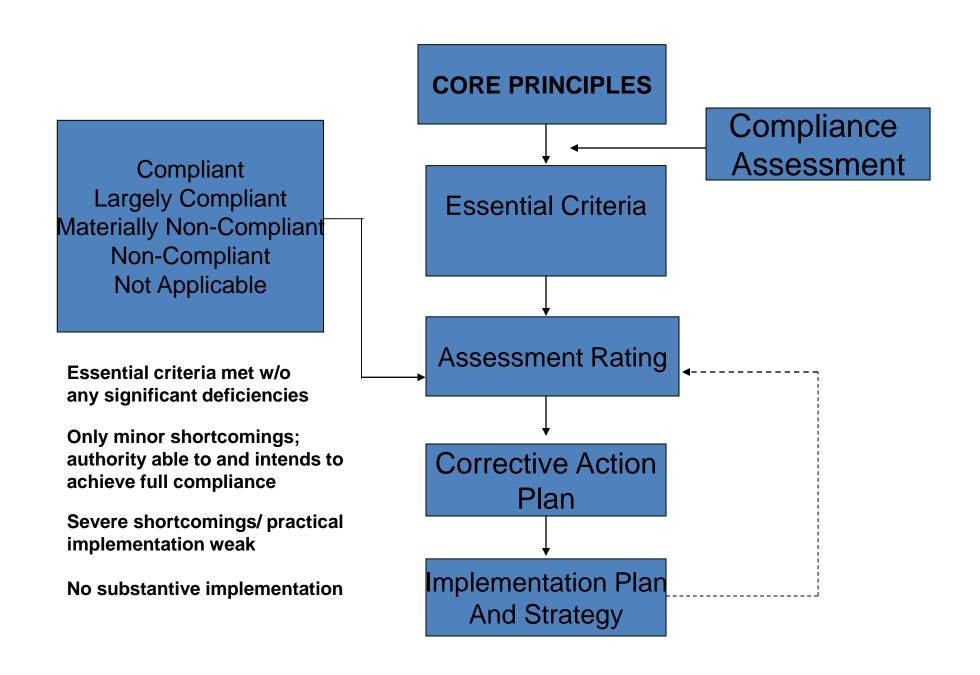
- Majority of insured depositors to be reimbursed within seven working days utilizing a variety of reimbursement options.
- Provisions to be made for making advance, interim or partial payments.
- Access to depositor records at all times; authority to undertake advance or preparatory exams.
- Scenario planning and simulations mandated.

CP16. Recoveries

- The deposit insurer should by law have the right to recover its claims in accordance with the statutory creditor hierarchy.
- Management and disposition of the assets of failed banks is guided by commercial and economic considerations.

Assessing the Core Principles

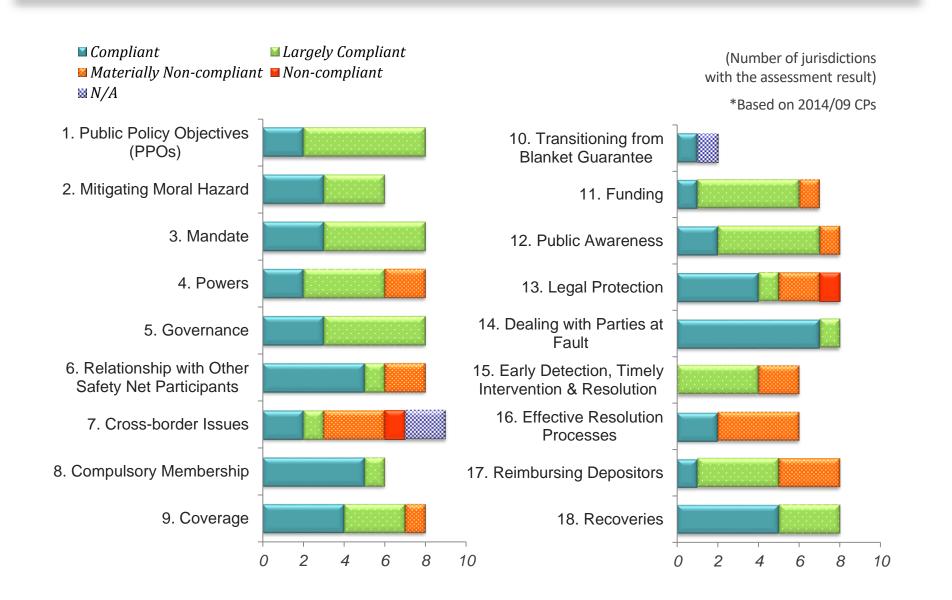
- An assessment of compliance with the Core Principles is a useful tool for jurisdictions that are implementing, reviewing or actively reforming a DIS.
- The assessment should identify strengths and weaknesses in the existing DIS, and form a basis for improvement or remedial measures by the deposit insurer (DI) and policymakers.
- An assessment should focus on the DIS and its relationship to the financial safety-net functions which support it.
- The methodology can be used in multiple contexts:
 - as part of the IMF and World Bank FSAP reviews;
 - self-assessments conducted by a DI including the IADI Standards Assessment and Reporting Program (SATAP);
 - as a basis for providing bi-lateral or multi-lateral technical assistance;
 - use by private third parties such as consulting firms hired to conduct assessments;
 and
 - peer reviews and thematic assessments conducted by the FSB.



Core Principle Assessments are Not Easy

- 1) Complex and multi-faceted
- 2) Diversity of mandates of deposit insurance systems a major challenge
- 3) Assessors need access to all relevant background documents (e.g. FSAPs, IMF Article IVs and FSB Peer Reviews).
- 4) Interaction of individual CPs a challenge -- need to avoid "double-jeopardy"
- 5) Grading not always straightforward judgement required
- 6) Quality control and consistency of assessments is a challenge

CP COMPLIANCE ASSESSMENTS – IADI WORLDWIDE MEMBER KEY "GAPS"



CP COMPLIANCE ASSESSMENTS - LATIN AMERICA

	CP1	CP2	СР3	CP4	CP5	CP6	CP7	CP8	CP9	CP10	CP11	CP12	CP13	CP14	CP15	CP16
Argentina	С	С	С	NC	NA	LC	С	С	С	MNC	MNC	NA	LC	С	С	С
Brazil FGC	С	MNC	LC	MNC	LC	MNC	С	LC	MNC	NC	NC	С	LC	MNC	MNC	MNC
Brazil FGCoop	С	С	С	MNC	NA	NC	С	С	С	NC	NC	С	LC	MNC	С	С
Colombia Fogafin	С	С	MNC	LC	NC	MNC	С	С	LC	С	NC	С	MNC	MNC	LC	LC
Ecuador	С	С	С	С	NA	С	LC	LC	С	С	LC	С	С	С	LC	LC
Honduras	С	С	С	LC	NA	NA	С	С	С	MNC	С	С	С	С	С	LC
Mexico	LC	С	MNC	С	LC	LC	LC	LC	NC	LC	С	С	С	LC	LC	С
Nicaragua	С	С	С	С	NA	MNC	С	С	С	С	MNC	С	С	MNC	LC	С
Paraguay	NC	MNC	LC	NC	С	NC	LC	LC	LC	MNC	MNC	LC	LC	NC	MNC	NC
Peru	С	LC	LC	MNC	NA	MNC	LC	LC	LC	MNC	NC	С	MNC	LC	LC	LC
Uruguay	LC	С	С	С	MNC	NC	LC	С	С	MNC	LC	С	LC	LC	С	С

Summary of LARC Results

Most significant areas of Compliance

- CP7-8 Membership / Coverage
- CP12 Dealing with Parties at Fault
- CP1 Public Policy Objectives
- CP5 Cross-border issues

Most significant areas of Non-compliance

- CP10 Public Awareness
- CP11 Legal Protection
- CP6 Crisis Management
- CP4 Relationships
- CP14 Resolution

Some Challenges and Next steps

- Promoting compliance with the CPs is a key strategic priority of IADI (e.g. SATAPs, FSAPS, training workshops)
- CP compliance is improving but significant gaps exist.
- Need for more deposit insurers to seek Core Principles review under FSAPs and Peer reviews.
 - To-date only 8 full CP assessments undertaken for IMF/WB FSAPs
- Need to develop better capability to monitor compliance and impacts of CPSs.
- Overtime the CP Handbook will need to be updated and revised by IADI:
 - ➤ to better track experiences in assessments conducted in jurisdictions;
 - > ensure assessments are "balanced" and grading consistent; and
 - > deal with unforeseen circumstances and situations.

II. Experiences of Fogafin (Colombia), COPAB (Uruguay) and IPAB (Mexico)...

Thank you! Gracias!

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