

SUMMARY OF THE CDIC INTERNATIONAL DEPOSIT INSURANCE SURVEY (IDIS) RESULTS

Introduction

The Canada Deposit Insurance Corporation has now received responses for the second edition of its internet-based International Deposit Insurance Survey (IDIS) Questionnaire. CDIC would like to thank all those countries and deposit insurance systems that have participated in the survey.

The purpose of the survey was three-fold. First, we designed the survey to gather information about deposit insurance organizations around the world. Second, we will share the information internationally, and by doing this, we aim to help policymakers and practitioners who are establishing or reforming their own deposit insurance systems to draw on the different approaches being used round the world. Third, the survey contains a body of qualitative and quantitative data that can facilitate practitioner-focused research.

We distributed the survey May 15th, 2008. It contains 167 questions covering the following areas of deposit insurance:

- 1) Background Information
- 2) Objectives, Mandates & Powers
- 3) Governance Arrangements
- 4) Human Resources & Infrastructure
- 5) Information Sharing & Interrelationship Between Safety-Net Players
- 6) Membership
- 7) Coverage
- 8) Funding & Fund Management
- 9) Reimbursing Depositors
- 10) Public Information & Awareness
- 11) Risk Assessment & Intervention
- 12) Failure Resolution
- 13) Claims, Recoveries & Estate Management
- 14) Other Issues

Summary of Results

Out of the approximately 100 limited explicit deposit insurance systems currently in place around the globe, we have received submissions (full or in part) from the following 62 systems:

1. Argentina
2. Bahamas
3. Bosnia and Herzegovina

4. Brazil
5. Bulgaria
6. Canada
7. Chile
8. Colombia
9. Costa Rica
10. Cyprus
11. Czech Republic
12. Denmark
13. Ecuador
14. El Salvador
15. Finland
16. Greece
17. Hong Kong
18. Honduras
19. Iceland
20. Indonesia
21. Isle of Man
22. Israel
23. Italy
24. Jamaica
25. Jordan
26. Kazakhstan
27. Kenya
28. Korea
29. Lithuania
30. Luxembourg
31. Macedonia
32. Malaysia
33. Mexico
34. Morocco
35. Nicaragua
36. Nigeria
37. Philippines
38. Paraguay
39. Peru
40. Poland
41. Portugal
42. Quebec (Canada)
43. Romania
44. Russian Federation
45. Singapore
46. Slovakia
47. Slovenia
48. Spain
49. Sweden

50. Switzerland
51. Taiwan
52. Tanzania
53. Thailand
54. Trinidad and Tobago
55. Turkey
56. Uganda
57. United Kingdom
58. Uruguay
59. United States
60. Venezuela
61. Vietnam
62. Zimbabwe

The following is a brief summary of the survey results. The full reports and individual country summaries will soon be available at: www.iadi.org.

Objectives, Mandates & Powers

The most common policy objectives of the deposit insurance systems surveyed were to protect depositors and contribute to financial system stability. Other objectives mentioned included: enhancing the orderly resolution of financial institution failures, enhancing public confidence in the financial system, crisis prevention, protecting payment systems, administering assets from previous financial crises, providing incentives for sound risk management, ensuring that all banks contribute to resolving the cost of failures and financial crisis, and contributing to the reduction of financial crime.

Deposit insurer mandates varied significantly from country to country. They ranged from relatively narrow "paybox" mandates concentrating on the reimbursement of depositors of failed institutions to systems with broader mandates including risk assessment, risk management, failure resolution and direct regulation and supervision.

Structure, Organization and Governance Arrangements

The survey revealed many different types of governance structures among deposit insurers. Over 80 per cent of respondents consider themselves legally separate organizations, and the vast majority of those organizations are governed by a board of directors or other type of governing body. But other countries have opted to set up their insurers as a department of the central bank, supervisor or government.

There are many variations of private and publicly administered deposit insurance systems in place. A majority of respondents are government-administered

systems. About a quarter of systems are privately run. And about twenty per cent of systems combined some public and private characteristics.

Human Resources & Infrastructure

The ability to attract and retain qualified employees is a key challenge for most deposit insurers. But this is a challenge deposit insurers appear to be meeting. On a scale of 1 to 5, slightly more than three quarters of respondents would rate the adequacy of their compensation and other incentives for retaining skilled employees as a 3 or better.

Deposit insurers meet their human resources requirements in a number of different ways. They can retain their own dedicated staff. They can second employees from other financial safety-net participants. Or they can rely on outside service providers. Just shy of three quarters of respondents are choosing to rely on a majority of dedicated staff.

In a majority of systems, employees of the insurer received some form of statutory indemnification and legal protection.

Information Sharing & Interrelationships between Safety-Net Players

Information sharing and coordination of the activities of the deposit insurer and other safety-net players was a high priority for the majority of deposit insurers. Depending on country circumstances, insurers reported using both formal and informal mechanisms to exchange information and coordinate their activities.

The respondents generally report very good access to information from other safety-net players. On a scale of 1 to 5, almost three quarters of respondents rated their access to information as a 4 or better. Over ninety per cent of respondents rated their access to information as a 3 or better.

In terms of timeliness of information almost two thirds of respondents gave a 4 out of 5 or better. All respondents rated timeliness a 3 out of 5 or better.

Membership

Almost all respondents require membership in the deposit insurance system to be compulsory and extended to institutions subject to effective supervision and regulation.

In most cases, deposit insurers provide the same coverage for foreign institutions as they do for domestic ones.

Coverage

The level of coverage provided varied widely. Most systems covered core demand and savings deposit products. Coverage was generally excluded for non-deposit products.

Typically deposit insurers covered chequing accounts, savings accounts, and certificates of deposit. In some cases, deposit insurers also covered products like annuity contracts, foreign currency deposits, travellers cheques, and money orders.

Islamic banking is also on the rise in some of the countries surveyed. With exceptions, the vast majority of our respondents do not insure Islamic deposits, but in some countries, other organizations do.

Funding & Fund Management

Funding is provided in many ways for deposit insurance systems. They include government appropriations, levies, premiums assessed against member banks, government/market borrowing or a combination thereof. The vast majority of systems charged premiums (ex ante) as a way to build up a fund but retained the authority to charge levies or other charges on their members if required. Other country systems preferred to rely on ex-post levies.

Flat rate premiums remain the most common form of application, but differential premium systems are becoming increasingly prevalent. In a large number of cases, the deposit insurer was provided with the ability to secure funding for liquidity purposes from governments, its members or directly from capital markets.

Reimbursing Depositors

Most systems attempted to reimburse depositors as quickly as possible. The shortest reimbursement periods were a few days; the longest a few years. Reimbursement periods varied considerably depending on the quality and security of bank deposit records, the point at which the deposit insurer is notified of the failure and has access to data, the systems and capability of the deposit insurer, and the legal and accounting regimes in the countries surveyed.

Public Information & Awareness

Public awareness programmes are an increasingly common feature of deposit insurers. In many countries member institutions are responsible for providing information about deposit insurance to banking customers. But in an increasing number of cases, deposit insurers are communicating directly with the public

through public awareness campaigns. These sorts of campaigns can include print media, television, radio, Internet advertising, and even pod casts.

Risk Assessment & Intervention

Reflecting differing mandates and powers, the deposit insurers surveyed had varying roles in risk assessment and intervention. These ranged from highly developed risk assessment and intervention regimes to systems relying on other safety-net players for these services. Almost half of respondents have the authority to conduct examinations or reviews of member banks.

Failure Resolution

An important function of some deposit insurers, particularly those with risk minimizing mandates and associated powers, was a direct role in resolving problem institutions and failures. The extent to which deposit insurers can intervene and resolve failures satisfactorily depended on the objectives of the deposit insurance system and the powers accorded to the insurer and other financial system safety net players. About forty per cent of respondents have the authority to decide the appropriate authority of failure resolution. In about sixty per cent of cases, another safety-net authority makes this decision. Slightly more than half of respondents have the authority to undertake a formal liquidation of a failed bank and/or provide financial assistance to a failing bank. Almost half of respondents had the authority to conduct a purchase and assumption agreement relating to a failing bank.

Claims, Recoveries & Estate Management

Many deposit insurers played a role in the claims and litigation advanced by the failed bank or the receiver/liquidator against directors, officers, auditors and other parties related to the bank failures. Roughly forty per cent of respondents have the authority to act as receiver of a failed bank, and about the same number have the authority to act as liquidator.

Looking Ahead

The original CDIC survey conducted in 2003 represented a major step forward in the development of an on-line database. That survey received 48 responses. For the 2008 edition we have improved our number of responses to 62. But still, not all systems contacted have been able to respond in a comprehensive and detailed manner.

For this survey, we have also developed a report-writing function, which allows researchers to search by country and question. This should make it easier for researchers to cull the data in the survey.

But perhaps the greatest value of this survey is its wealth of qualitative data. A number of other organisations have developed surveys on deposit insurance. Those surveys tend to ask quantitative questions with numbers that researchers can more easily crunch. But no survey, to the best of our knowledge, contains the richness of practical information one can find in this one.

Of course, any study on deposit insurance requires the researcher to set her sights on a moving target. Many of the deposit insurance systems—and indeed financial systems—described in our survey responses have changed considerably since the onset of the present financial crisis. We look forward to updating our survey again down the road to see whether deposit insurance has kept pace with an ever-changing financial world.

In the meantime, should you have any questions or comments please feel free to contact Messrs. David Walker or Joshua Lattimore at dwalker@cdic.ca or jlattimore@cdic.ca, respectively.