

# 10<sup>th</sup> DICJ Roundtable Panel Discussion 2 Current Issues in APRC Region

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中央存款保險公司  
Central Deposit Insurance Corporation

- Current APRC Members Profile
- Recent Enhancements of DIS in APRC Region
- Challenges and Risks Faced by APRC Members
- Conclusion and Recommendations



# Current APRC Member Profile



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# APRC is a Significant Region

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- The population of APRC members stands for **33.41%** of world population (**54.07%** if including non-IADI members in APRC region).

Population (Millions)	2017
APRC Members	2,464
APRC Members and non-IADI Members in APRC region	3,987
World Population	7,374
<b>APRC Members to World Population Ratio</b>	<b>33.41%</b>
<b>APRC Members with non-IADI Members to World Population Ratio</b>	<b>54.07%</b>

- The GDP of APRC members stands for **19.93%** of world GDP (**35.69%** if including non-IADI members in APRC region).

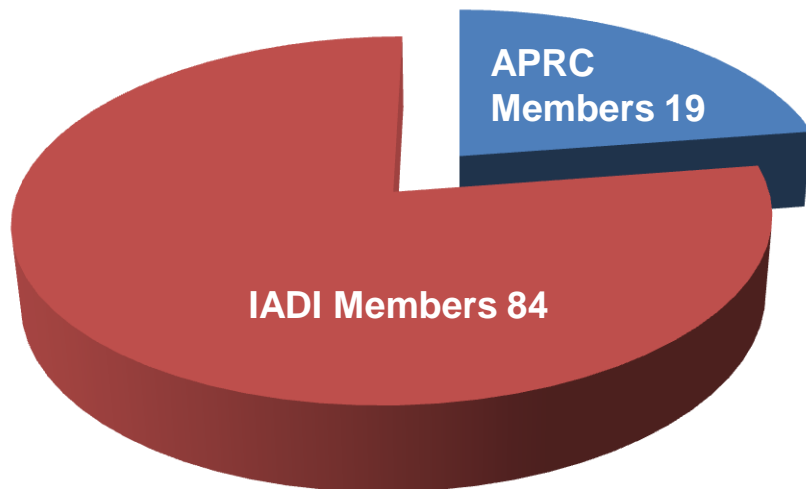
GDP (Billions; USD)	2017
APRC Members	15,695
APRC Members and non-IADI Members in APRC region	28,101
World GDP	78,740
<b>APRC Members to World GDP Ratio</b>	<b>19.93%</b>
<b>APRC Members with non-IADI Members to World GDP Ratio</b>	<b>35.69%</b>

# APRC Members Represent 23% of Total IADI Membership

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Data as of 2.28.2018

## Jurisdictions



- If all non-IADI members in APRC region become IADI members, it will represent **34.5%** of total IADI membership.
- More than **66%** DIAs in Asia Pacific region are IADI members

## APRC member jurisdictions (19)

- |              |                     |
|--------------|---------------------|
| • Australia  | • Malaysia          |
| • Azerbaijan | • Mongolia          |
| • Bangladesh | • Philippines       |
| • Brunei     | • Taiwan            |
| • Hong Kong  | • Thailand          |
| • India      | • Russia Federation |
| • Indonesia  | • Singapore         |
| • Japan      | • South Korea       |
| • Kazakhstan | • Vietnam           |
| • Kyrgyz     |                     |

## DIAs in Asia Pacific: Non-IADI members\* (10)

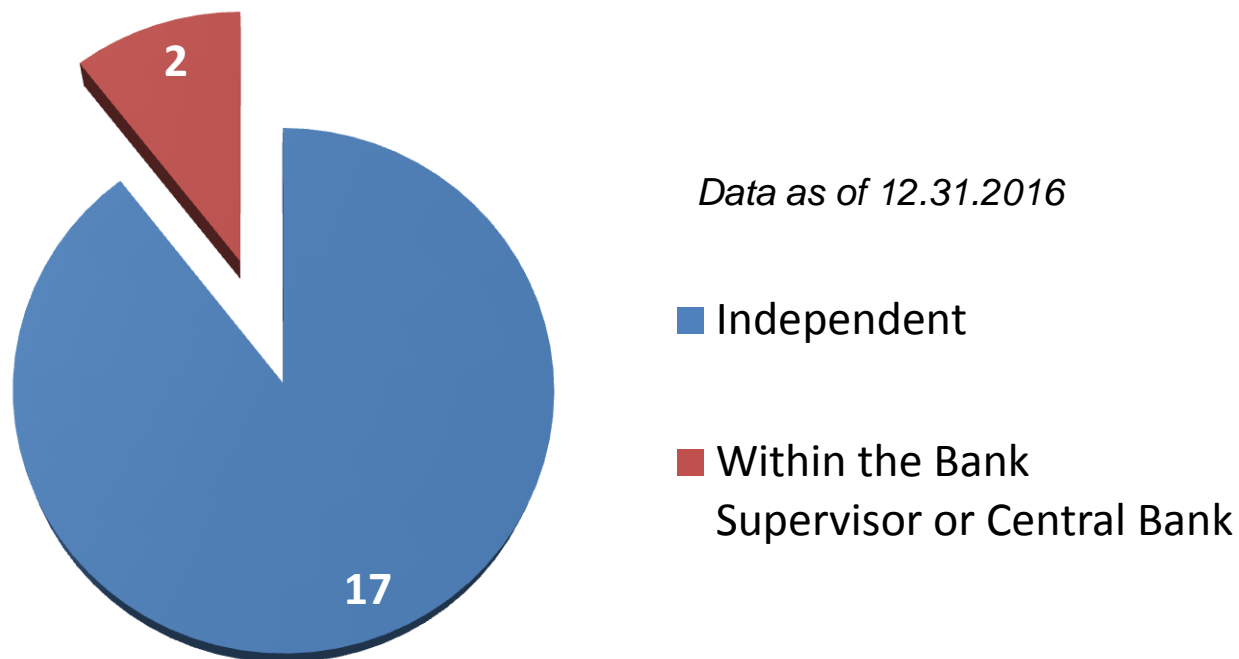
- |            |               |
|------------|---------------|
| • China    | • Micronesia  |
| • Lao PDR  | • Nepal       |
| • Macao    | • Sri Lanka   |
| • Buhtan   | • Myanmar     |
| • Cambodia | • New Zealand |

Sources: IADI Official Website

\* The figure include systems under development.

# 90% Independent Entity– Most Common Legal Framework

## DIA Legal Structure

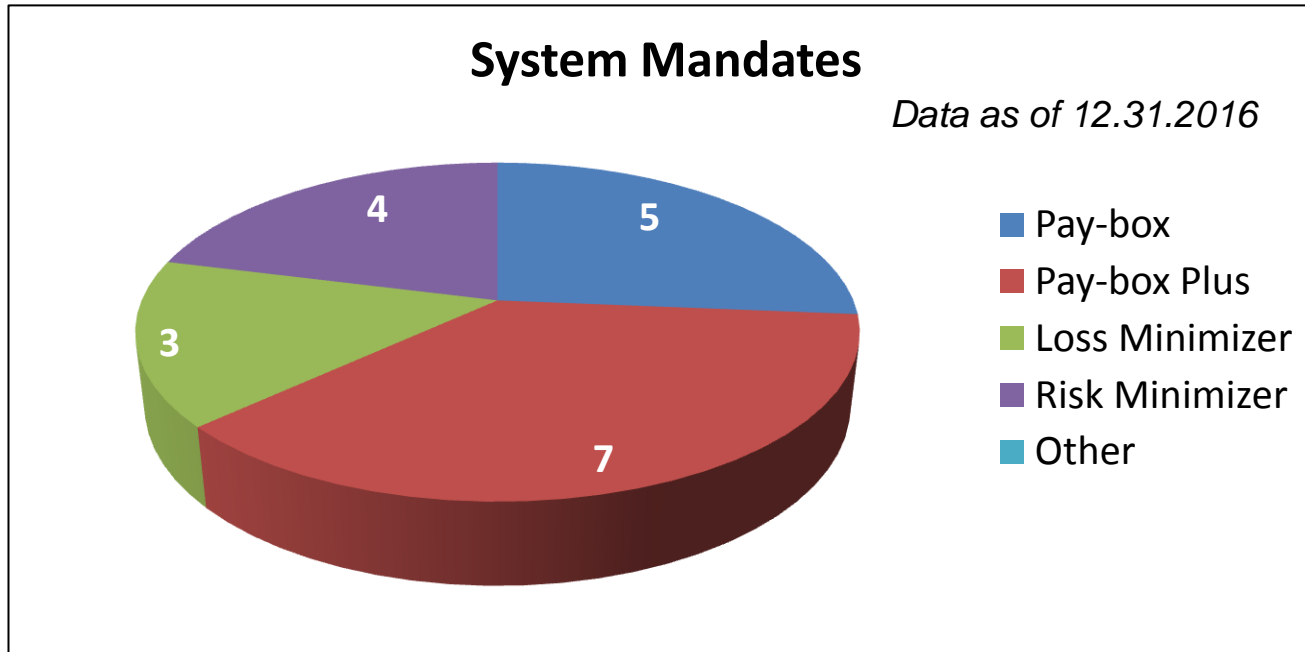


Sources: IADI 2017 annual survey (total respondents:19)



# Pay-box and Pay-box Plus: More than 63%

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Sources: IADI 2017 annual survey (total respondents:19)

**Pay-box (5)** – Bangladesh, Brunei, Hong Kong, India and Kyrgyz.

**Pay-box plus (7)** – Azerbaijan, Mongolia, Kazakhstan , Thailand, Vietnam, Singapore and Philippines.

**Loss minimizer (3)** – Indonesia, Japan and Russia.

**Risk minimizer (4)** – Australia, Malaysia, South Korea and Taiwan.

# Integrated DISs Account for One third of APRC Membership

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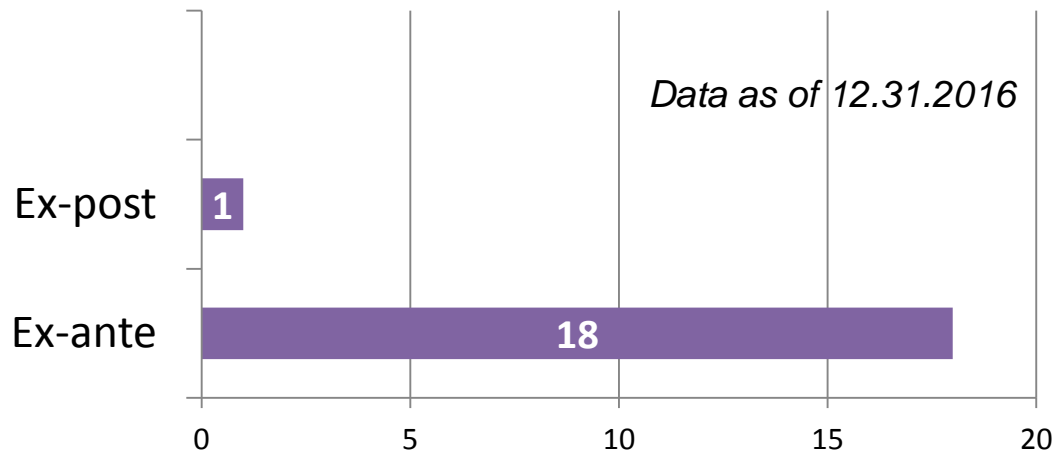
- **32%** of DIAs are integrated DIS
- **Integrated DIS (6)** –Australia, Russia, South Korea, Indonesia, Malaysia, Singapore
- **Non-integrated DIS (13)** – Azerbaijan, Bangladesh, Brunei, Kazakhstan , Taiwan, India, Japan, Mongolia, Vietnam, Kyrgyz, Thailand, Hong Kong, Philippine



# Funding – More Than 94% are Ex-ante

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## Type of funding used by DIS



Sources: IADI 2017 annual survey (total respondents:19)

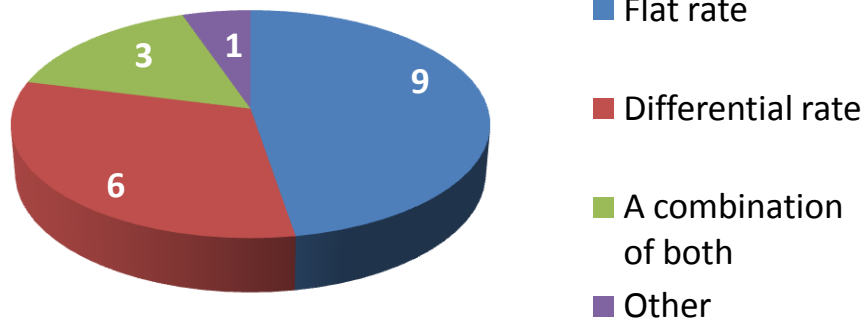
- **Ex-ante funding method (18)** - Azerbaijan, Bangladesh, Brunei, Hong Kong, Kazakhstan, India, Indonesia, Japan, Kyrgyz, Malaysia, Mongolia, Philippines, Taiwan, Thailand, Russia, Singapore, South Korea and Vietnam
- **Ex-post (1)** - Australia

# Premium Assessment Method

## Flat Rate – Common; DPS – Future Goal

### Premium Assessment Method

Data as of 12.31.2016



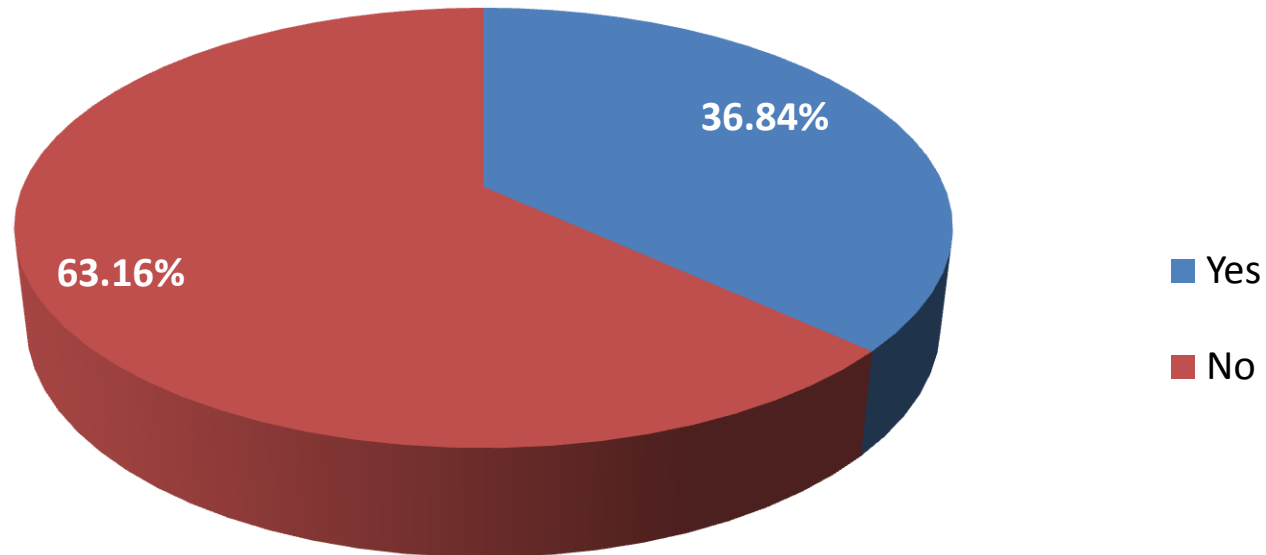
Sources: IADI 2017 annual survey (total respondents:19)

- **47%** are based on flat rate method
- Flat rate (9) – Azerbaijan, India, Indonesia, Japan, Kyrgyz, Mongolia, Philippines, Thailand, and Vietnam
- Differential premium rate (6) – Bangladesh, Hong Kong, Kazakhstan, Malaysia, Singapore, and South Korea
- Combination of both (3) – Russia, Brunei and Taiwan
- Other (1) – Australia

# 63 % of DIAs: No Cross-border Arrangements in Place for Resolution or Payout

## Cross-border Arrangement between Home/Host Deposit Insurers for Resolution or Depositor Reimbursement

Data as of 12.31.2016

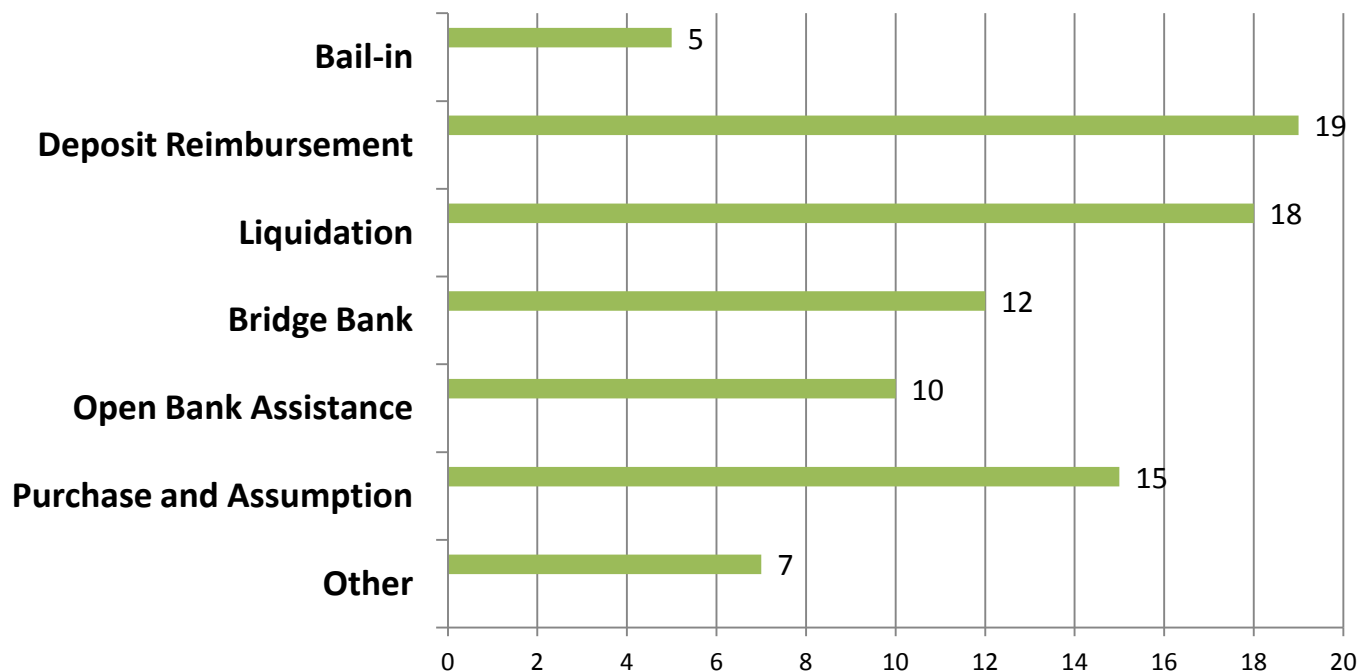


Sources: IADI 2017 annual survey (total respondents:19)

# Bridge Bank and P&A: Over 50% Members

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Data as of 12.31.2016



Sources: IADI 2017 annual survey (total respondents:19)

- **Bail-in tools are very limited (5)** – only Hong Kong, Japan, Kazakhstan, Russia and Singapore.

# 75% of DIAs Set Target Ratio of DI Fund

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- 4 out of 16 APRC members (25%) don't set up target ratio of their deposit insurance fund.
- Among APRC members with required DIF target ratio, all of them don't meet the target ratio.

Sources: 2018 APRC ad hoc survey

(total survey respondents:16; data as of Dec. 31, 2017)

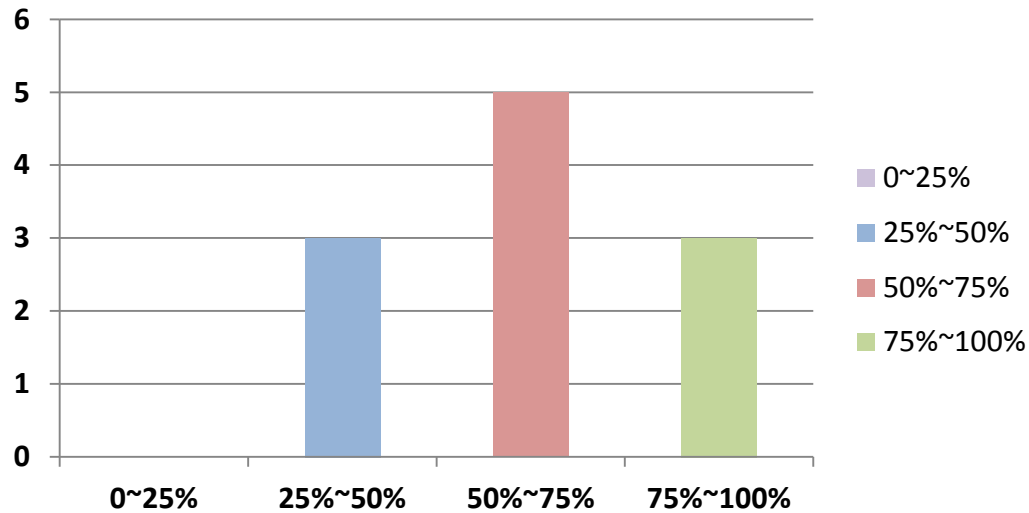


# Increasing Public Awareness Level is an On-going Work

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- 31% APCR members didn't conduct survey for public awareness (PA) level.
- Among APCR members with evaluation of PA level (11), top 3 members are South Korea( 91.2%), Philippines (87.9%) and Hong Kong (77.7%)

### Level of Public Awareness on DIS



Sources: 2018 APCR ad hoc survey  
(Total survey respondents:16; Data as of Dec. 31, 2017)



# Recent Enhancements of DIS in APRC Region



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# Expansion of Deposit Coverage Scope or Limit

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- **Expand coverage Scope**
  - Include small & middle enterprises (Russia)
  - Cover Individuals' irrevocable deposits and increase its coverage limit by 50% (Kazakhstan)
  - Cover individual savings accounts (ISAs) among money market trust accounts (South Korea)
- **Increase coverage limit (Singapore)**





# Faster Depositor Reimbursement

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- Aim to a target of full payment within 7 days (Hong Kong)
- Legislate new requirement for prompt payout (South Korea)
- Cancel rules on depositors to file claims for payout and shorten payout date to 30 days (Thailand)
- Set up rules in handling joint account and simplifying the process of off-setting (Taiwan)
- Develop deposit payout procedure (Mongolia)



# Expansion and Enhancement of DI Mandates

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- **Expand DI mandates**

- Bank resolution power (Indonesia)
- Liquidator of failed member banks (Kazakhstan)

- **Enhance resolution powers**

- Identify D-SIBs and develop recovery and resolution plan (Malaysia and Taiwan);
- Adopt P&A and gross settlement of DI claims (Philippines)
- Take a bigger role in the resolution of credit institutions (Vietnam)



# CDIC Central Deposit Insurance Corporation

## Closer Financial Safety Net Cooperation

- Set up a Resolution Corporation to cover resolution in banks, insurance companies, non-banking financial institutions and financial market infrastructure (India)
- Request information of member institutions from other government agencies if their BIS ratio falls below required level (Thailand)
- Sign MOUs with Central Bank and Ministry of Finance in strengthening cooperation (Mongolia)





# Challenges and Risks Faced by APRC Members



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# Challenges and Risks in Banking Industry in Next Two Years

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- Increasing cyber attacks (44%)
- Slow economic growth rate (38%)
- Rising in NPL ratio (26%)
- Digitalization of financial services and products (25%)

Sources: 2018 APRC ad hoc survey (total survey respondents:16)



# Challenges and Issues for DIAs in Next Two Years

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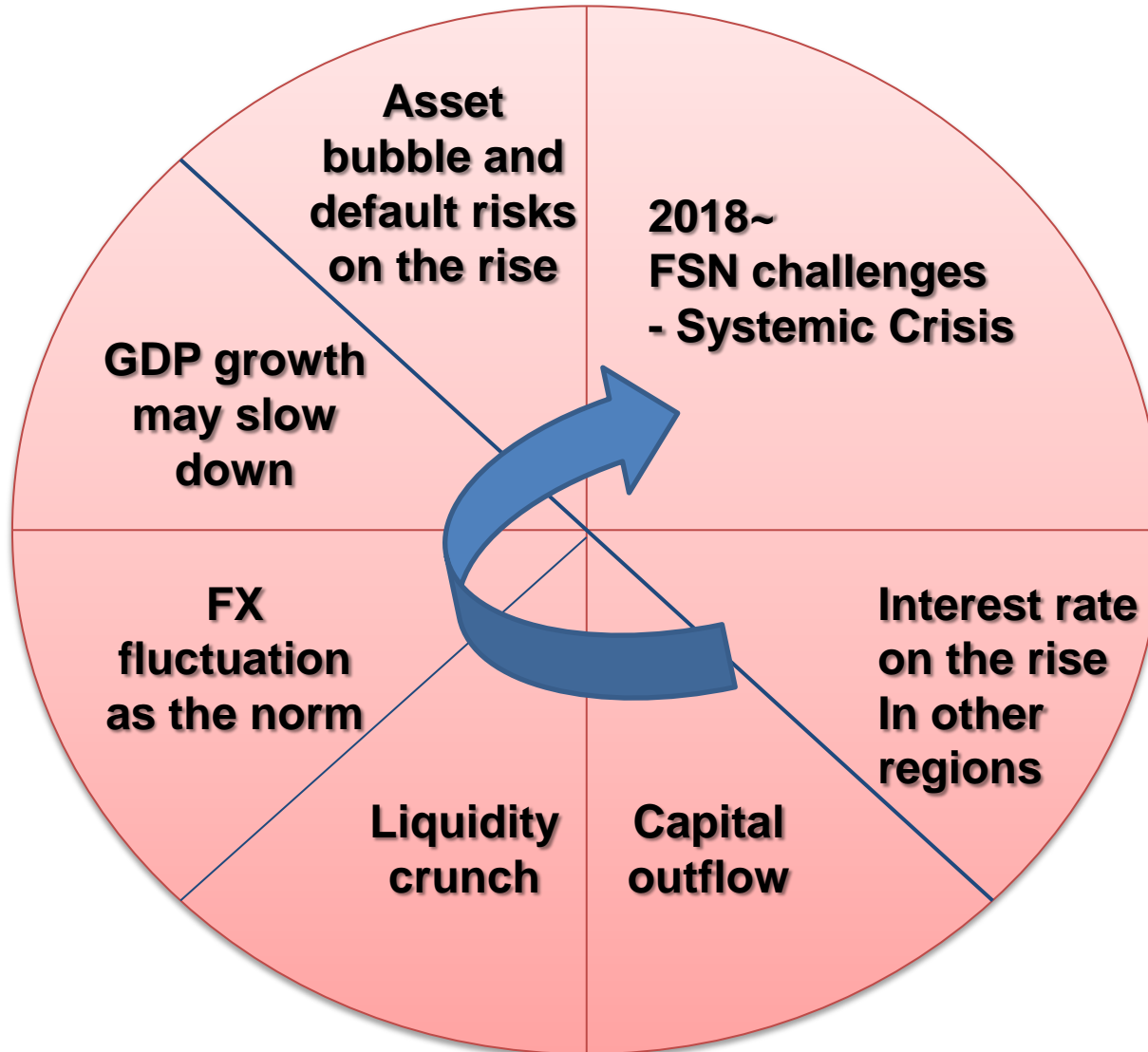
- Low level of public awareness on deposit insurance system (50%)
- Limited mandates (38%)
- Inadequate cooperation with other relevant government agencies (31%)

Sources: 2018 APRC ad hoc survey (total survey respondents:16)



# QE Exit Potential Side Effects in APRC Region

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# Conclusion and Recommendations



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## **DIA should pay attention to increasing risks in banking industries**

- **Marco Risks**

- Slow economic growth rate
- Rising in NPL ratio
- QE exit potential side effects
- Intensifying competition from big tech groups because of uneven regulation

**New challenges to banking industries may pose risks to financial stability in APRC region**

# Conclusion and Recommendations

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- **Micro Risks**

- Large exposures of derivatives products
- Increasing investments on TLAC bail-inable instruments
  - Total USD840 billion TLAC issuance in the world during 2016~2017
  - When G-SIBs strive to meet Basel III requirement, buyers from APRC banking industries may suffer loss most in a crisis
- Cyber security issues

**Huge investment risks in bear market may deteriorate the financial conditions of member banks and DIAs.**



# Conclusion and Recommendations

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- **APRC members should strengthen DI capacity and capability in dealing with future potential banking crises**
  - Accumulate sufficient deposit insurance funds
  - Rise public awareness level in DI key features
  - Adopt recovery and resolution programs
  - Implement or participate in bail-in resolution
  - Prepare for domestic systemic crisis by developing contingency plans & FSN coordination mechanism



# Conclusion and Recommendations

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- **APRC members should work together in dealing with cross-border systemic crises**
  - Regional systemic crisis: Contingency planning & FSN coordination for APRC regional crisis management group should be in place
  - Global systemic crisis: Multi-national FSN crisis management group should be in place in dealing with global cross-border G-SIBs crisis issues







Thank you