

Core Principles on Mandates and Powers

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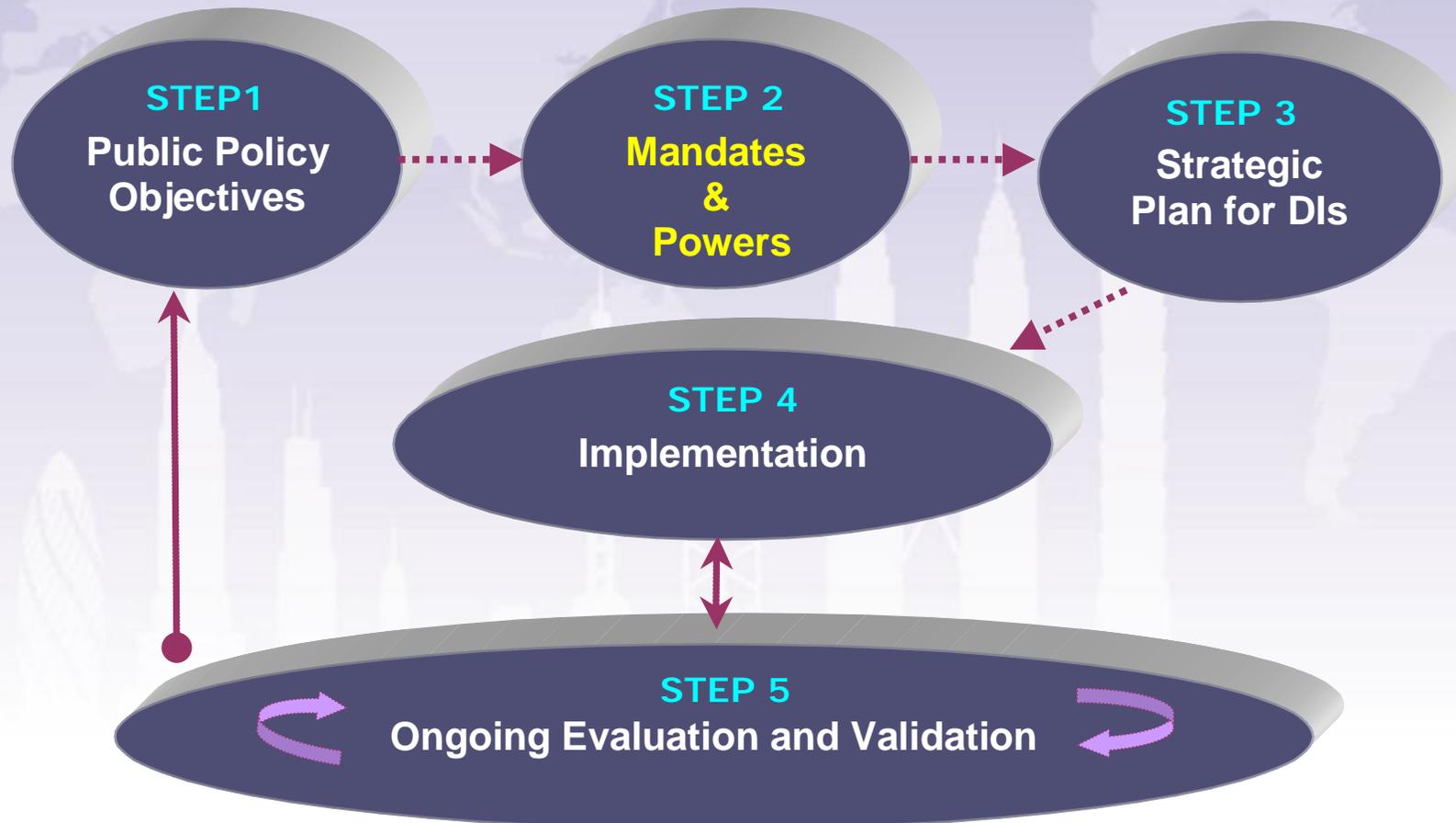
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Design of a DIS

Process of developing an effective DIS





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Core Principle for Effective DIS

Mandate:

It is critical that the mandate selected for a deposit insurer be clear and formally specified and that there be consistency between the stated public policy objectives and the powers and responsibilities given to the deposit insurer.





Core Principle for Effective DIS cont.

Powers:

A deposit insurer should have all powers necessary to fulfill its mandate and these powers should be formally specified. All deposit insurers require the power to finance reimbursements, enter into contracts, set internal operating budgets and procedures, and access timely and accurate information to ensure that they can meet their obligations to depositors promptly.





Supporting Guidance

**No “one size fits all”
mandates**

**Direct access to depositors’
information & verification**

**Core
Principles**

**Operational
independence**

**Adequate
funding & liquidity**



Internal Elements

§ Funding - No money, no talks

§ Human resource - A company's best assets

§ IT - It's a whole new world





External Elements

§ DI is one major pillar of FSN

- Better equal footing

§ Clear division of labor

- Good fences make good neighbors

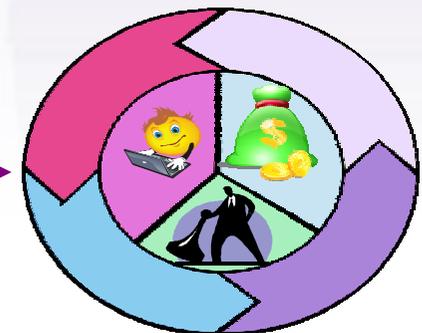
§ No non-productive duplication

- Everybody's business is nobody's business

§ Close cooperation & information sharing

- Union is strength

External elements





DI Powers

Given powers	Paybox	Non-Paybox Risk Manager
Access to deposit information		
Adequate funding		
Entering into contract		
Setting internal budgets & procedures		
Intervention powers		
Membership entry & exit control		
Risk management		
Examinations		
Financial assistance		



Convergence in DI Practices

§ Areas of convergence in DI

- Public policy objectives
- Reimbursement depositors **QUICKLY**
(review of depositor reimbursement practice)





A Trend after the Crisis

Non-payboxes





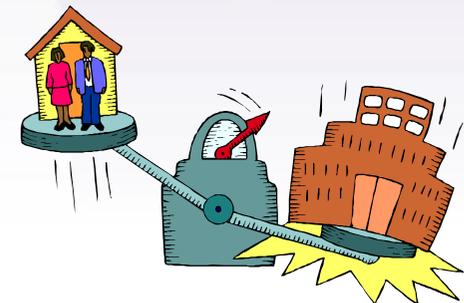
Convergence in DI Mandates and Powers cont.

§ Areas with potential for convergence

- Mandates & powers

- ü Adding more powers & responsibilities to payboxes

- ü Greater authorities in bank examination, risk assessments and interventions, and bank resolution





Convergence in DI Mandates and Powers cont.

ü Funding

- Ex-ante funding
- Charge premium to build up DIF
- Authority to charge levies or other charges
- Access to contingency funding sources for liquidity purposes





Conclusion

§ Mandates & powers must align

§ More powers are needed to fulfill DI's mandates





Thank You !

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