

6th IADI

Annual Conference



中央存款保險公司
Central Deposit Insurance Corporation

Close Encounters with Bank Runs

Ray B. Dawn
Chairman
CDIC (Taiwan)
Nov. 1, 2007

Contents

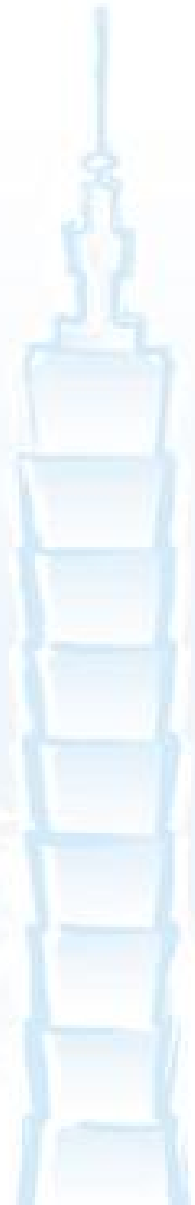
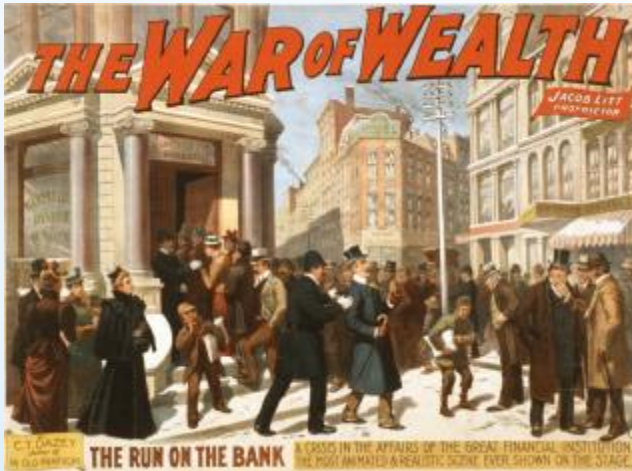
The background of the slide features a light blue, semi-transparent globe showing the continents of North and South America. On the right side, there is a vertical, stylized blue outline of the Taipei 101 skyscraper. The overall aesthetic is clean and modern with a blue color palette.

The Way We Were

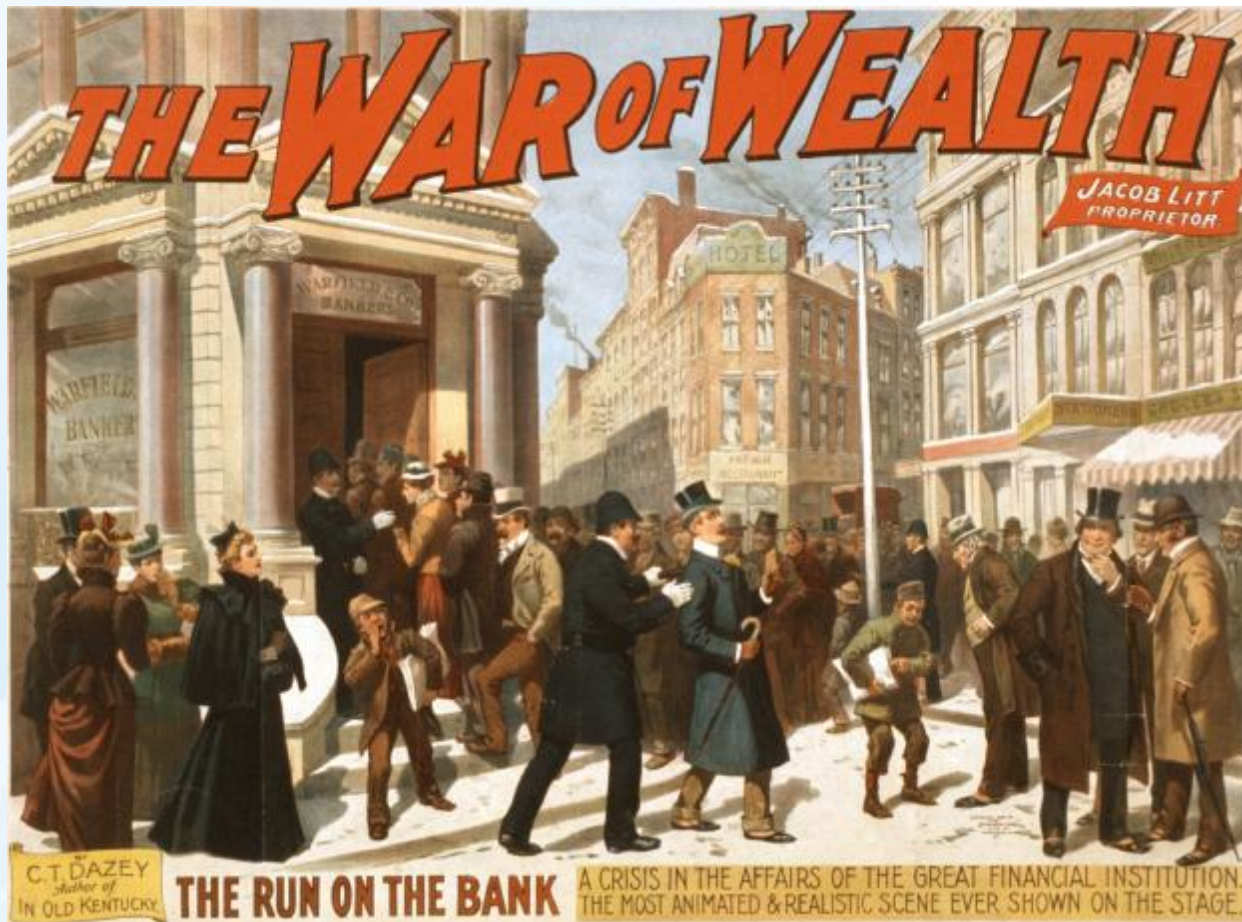
Apocalypse Now

The Day After Tomorrow

The Way We Were



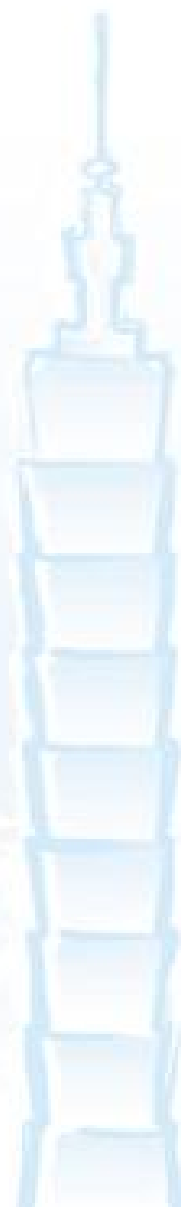
History Has It



Source: www.answers.com/topic/bank-run

CREATED/PUBLISHED: Cin'ti ; N.Y. : Strobridge Lith. Co., c1895. CREATOR: Strobridge & Co. Lith.

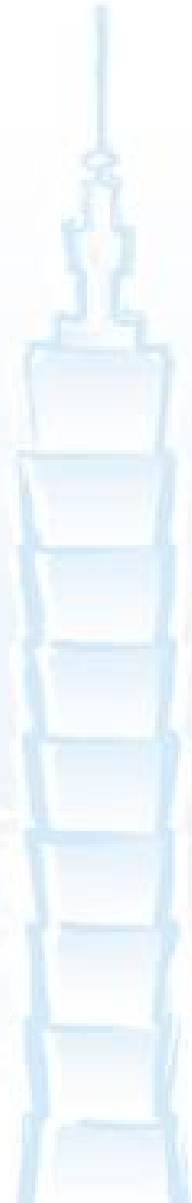
Panic Depositors at a Failed Bank, NYC (1914)



Depositors at a Failed Bank in Taiwan (Jan. 2007)



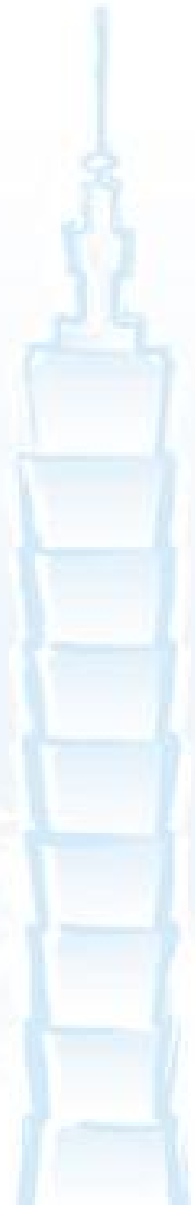
Source: CDIC (Taiwan)



CDIC Staff Tried to Control the Run (Jan, 2007)



Source: CDIC (Taiwan)

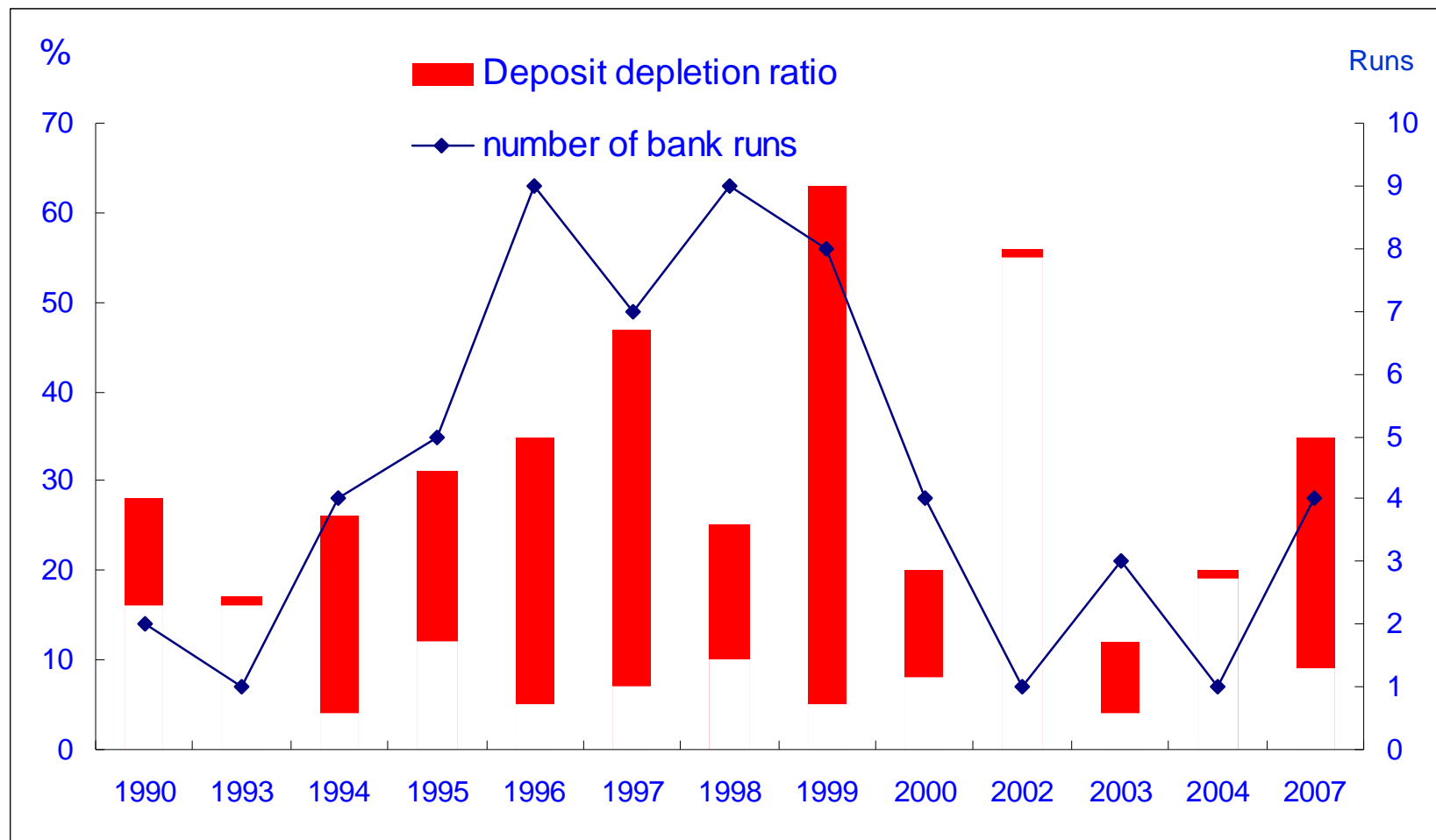


Piles of Money to be Withdrawn (Jan, 2007)



Source: CDIC (Taiwan)

Bank Run: An Inconvenient Truth (1990~2007)



Bank Runs in Taiwan

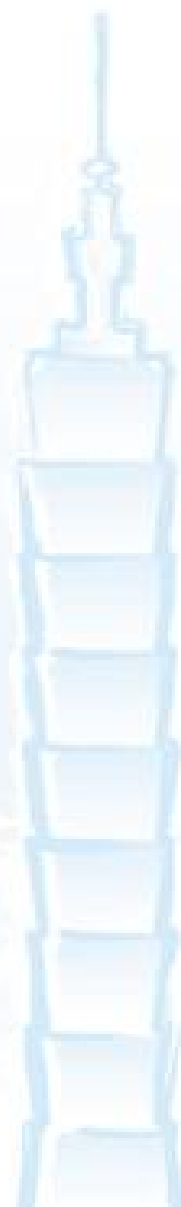
Types of Institutions	Number of Bank Runs
Credit Cooperatives	13
Credit Departments of Farmers' and Fishermen's Associations (FFA)	31
Banks	14
Total	58

Source: CDIC (Taiwan)

Some Bank Runs Are More Serious Than Others

Deposit Depletion	Cases
Less than 10%	18
10~20%	18
20~30%	9
30~40%	5
40~50%	1
50~60%	1

Source: CDIC (Taiwan)



Bank Runs Can Be Contagious

Date	Number of Institutions	Depletion Ratios
1996/5/25	2 credit departments of FFAs	5% & 13%
1997/1/13	2 credit departments of FFAs	10% & 14%
1997/6/11	2 credit cooperatives	32% & 47%
1998/11/2	3 credit departments of FFAs	1%, 1% & 2%
1999/6/28 ~7/30	2 credit cooperatives & 2 credit departments of FFAs	5%, 11%, 21% & 63%
2000/5/1 ~6/8	3 banks	8%~13%
2007/1/4	2 banks	17%~35%

Source: CDIC (Taiwan)

People Barely Learnt from History

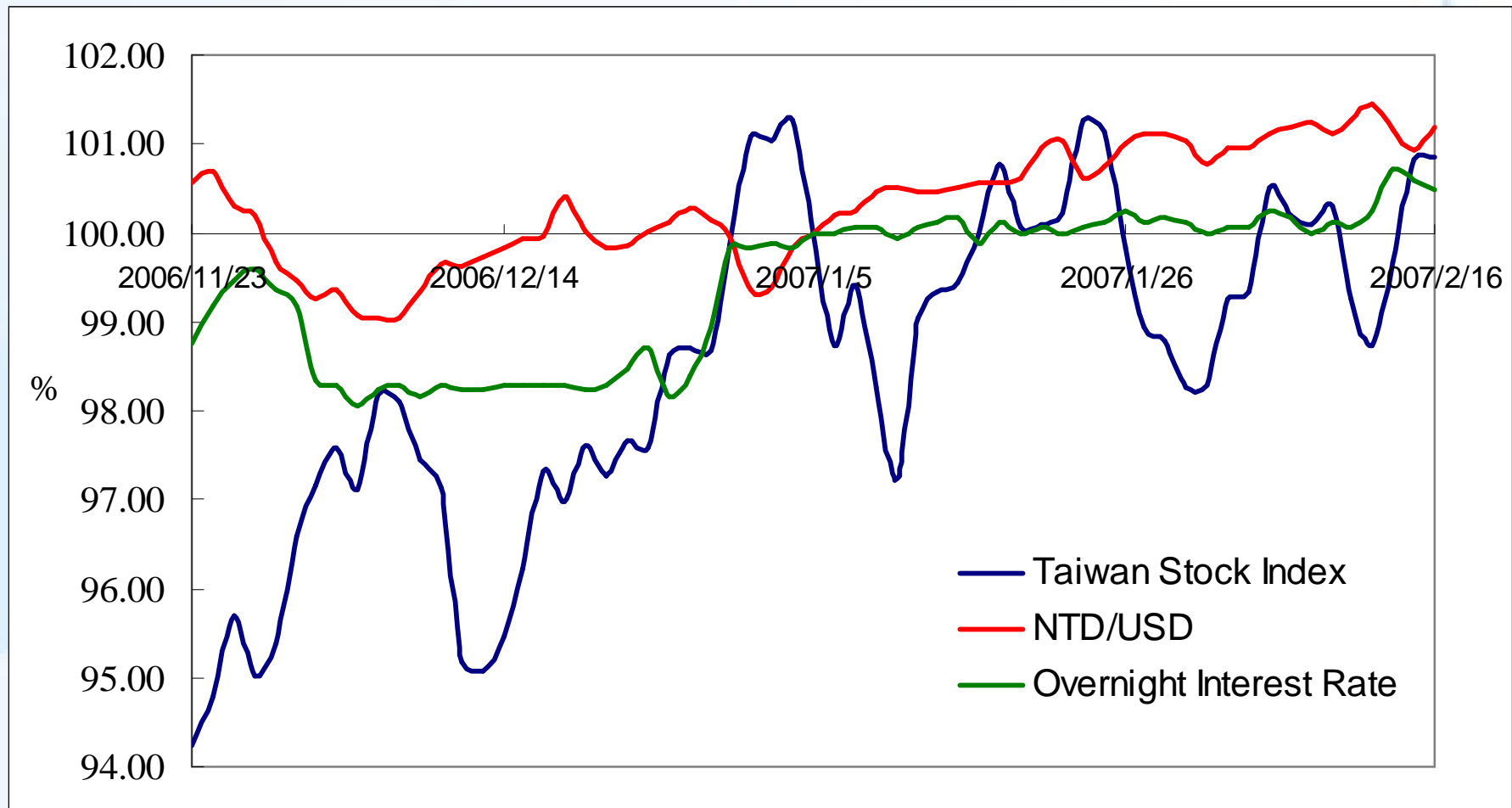
Case	Date & Depletion Ratio		
Bank A	Feb. 1994, 11%	+	July 1999, 6%
Bank B	Sept. 1995, 15%	+	July 1999, 11%
Bank C	Dec. 1995, 12%	+	May 2000, 8%
Bank D	April 2000, 20%	+	April 2003, 4%
Bank E	July 1998, –	+	Nov. 1998, 1%
Bank F	Nov. 1994, 4%	+	Feb. 1996, 28%
Bank G	May 1996, 35%	+	March 1999, –
Bank H	Feb. 1996, 22%	+	Jan. 2007, 10%

Source: CDIC (Taiwan)

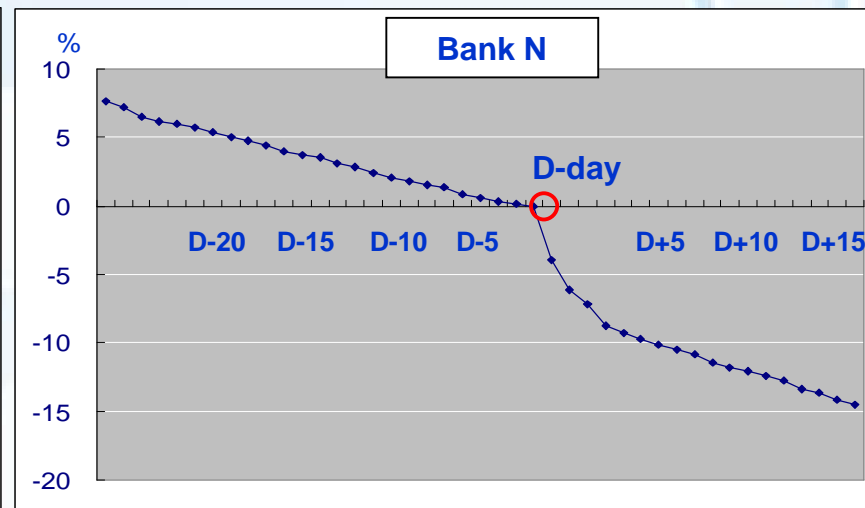
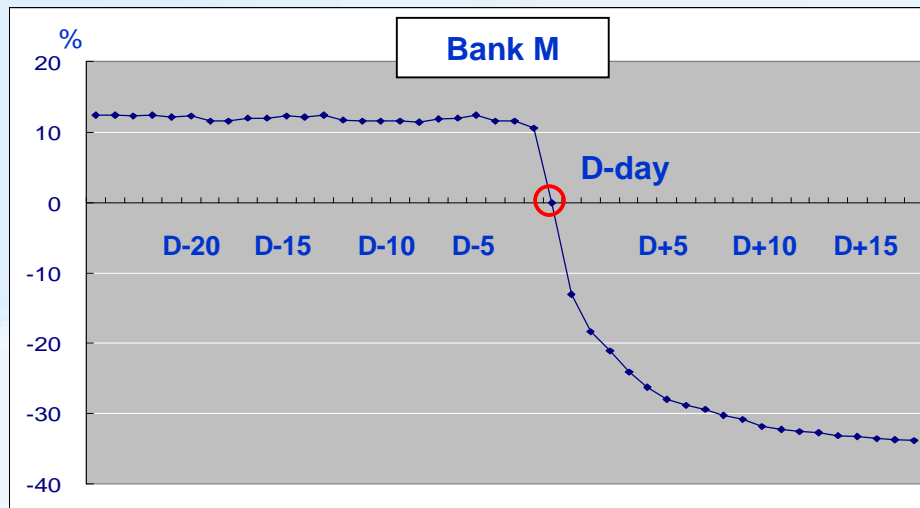
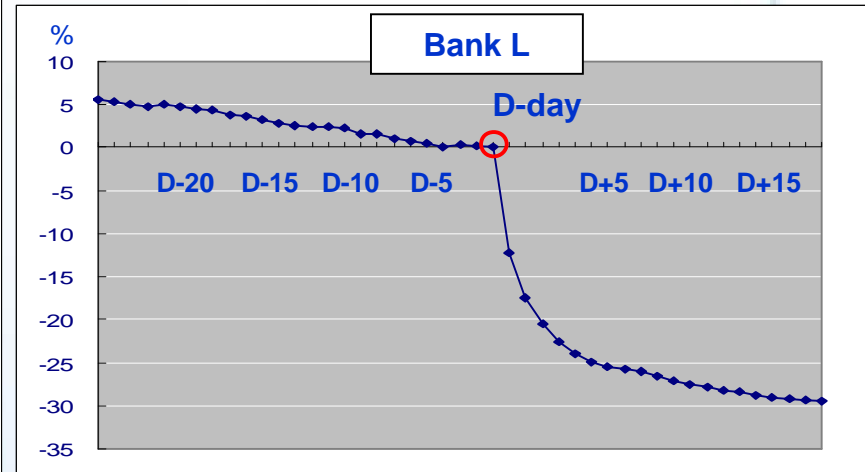
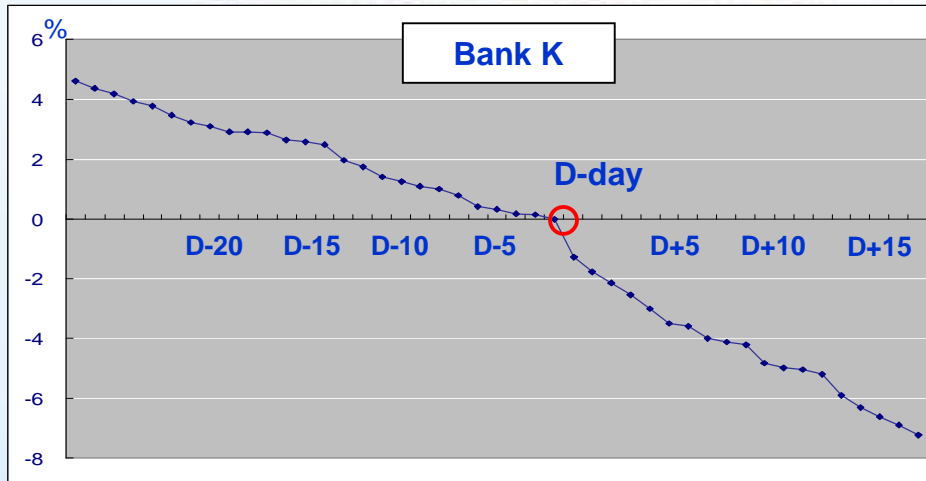
Liquidity Providers to Bank Runs (1990 ~ 2007)

• Mutual Assistance Network of Credit Cooperatives	8 runs
• County Assistance Network of Credit Departments of FFA	24 runs
• CDIC (Taiwan)	14 runs
• Financial Restructuring Fund (FRF)	5 runs

How Financial Markets Responded to the Run of One Failed Bank (2007/1/5 as 100)



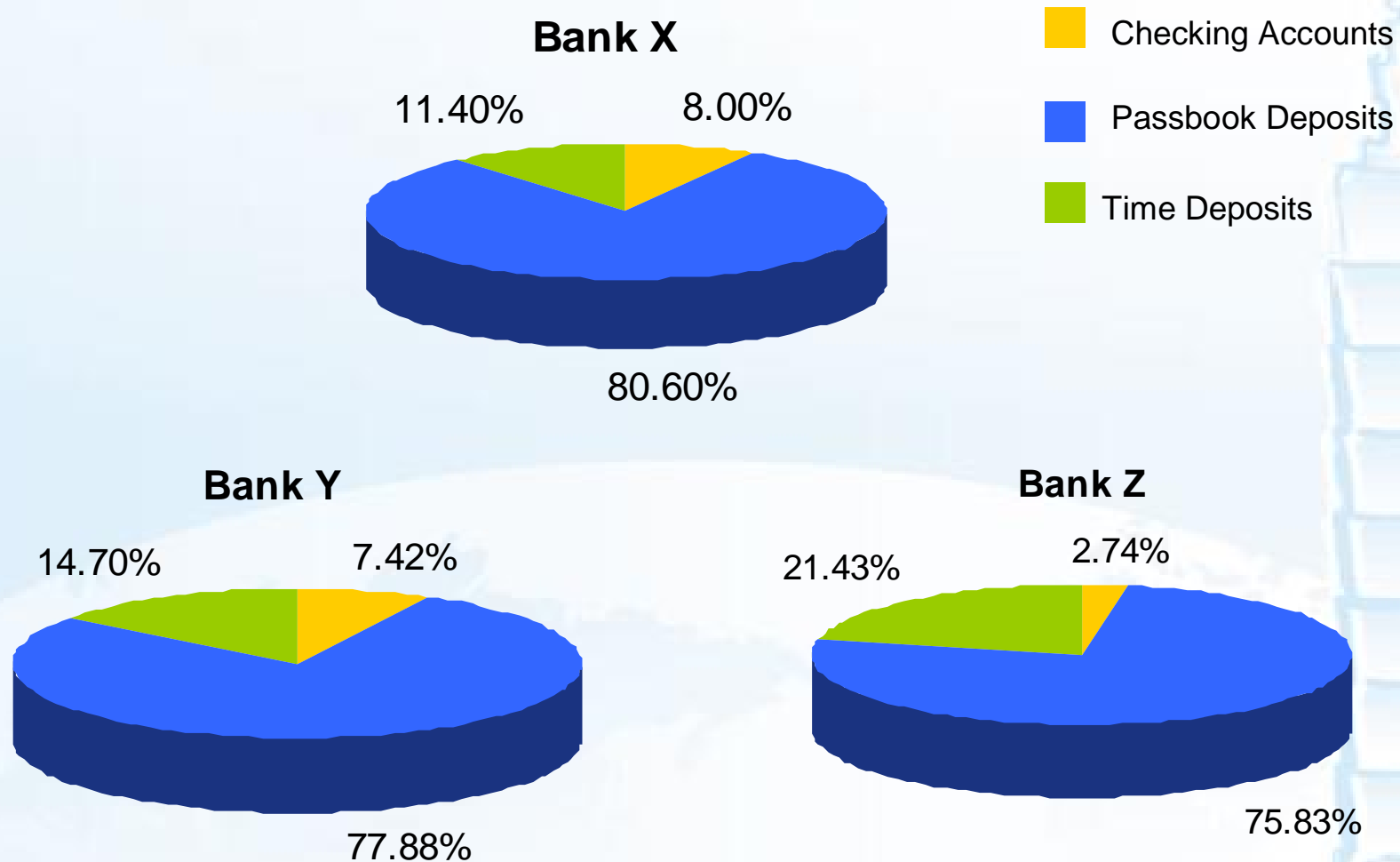
Paces of Deposit Depletion (2006 & 2007)



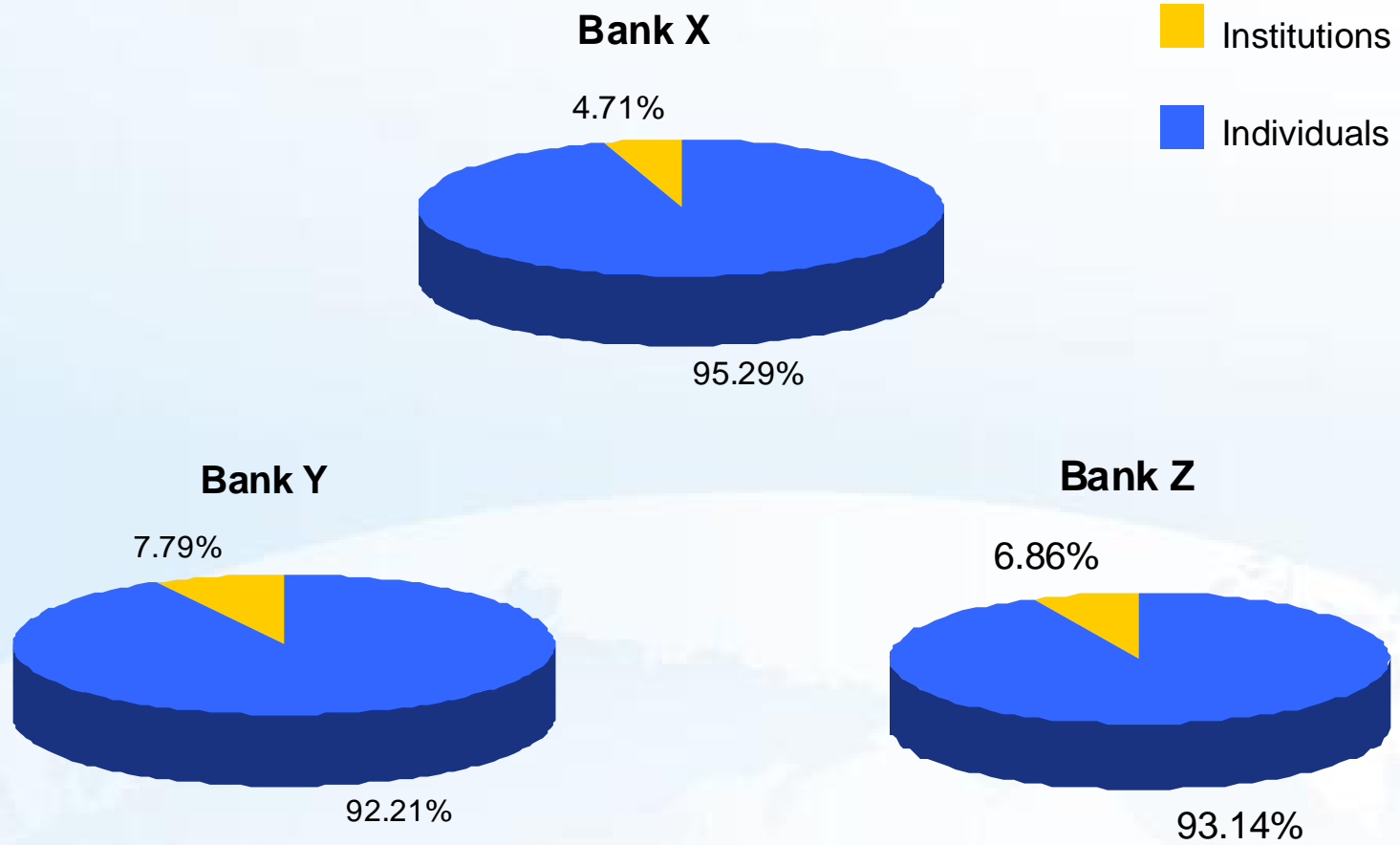
Note: D-day means the day CDIC took over the FI under the instruction of FSC.

Source: CDIC (Taiwan)

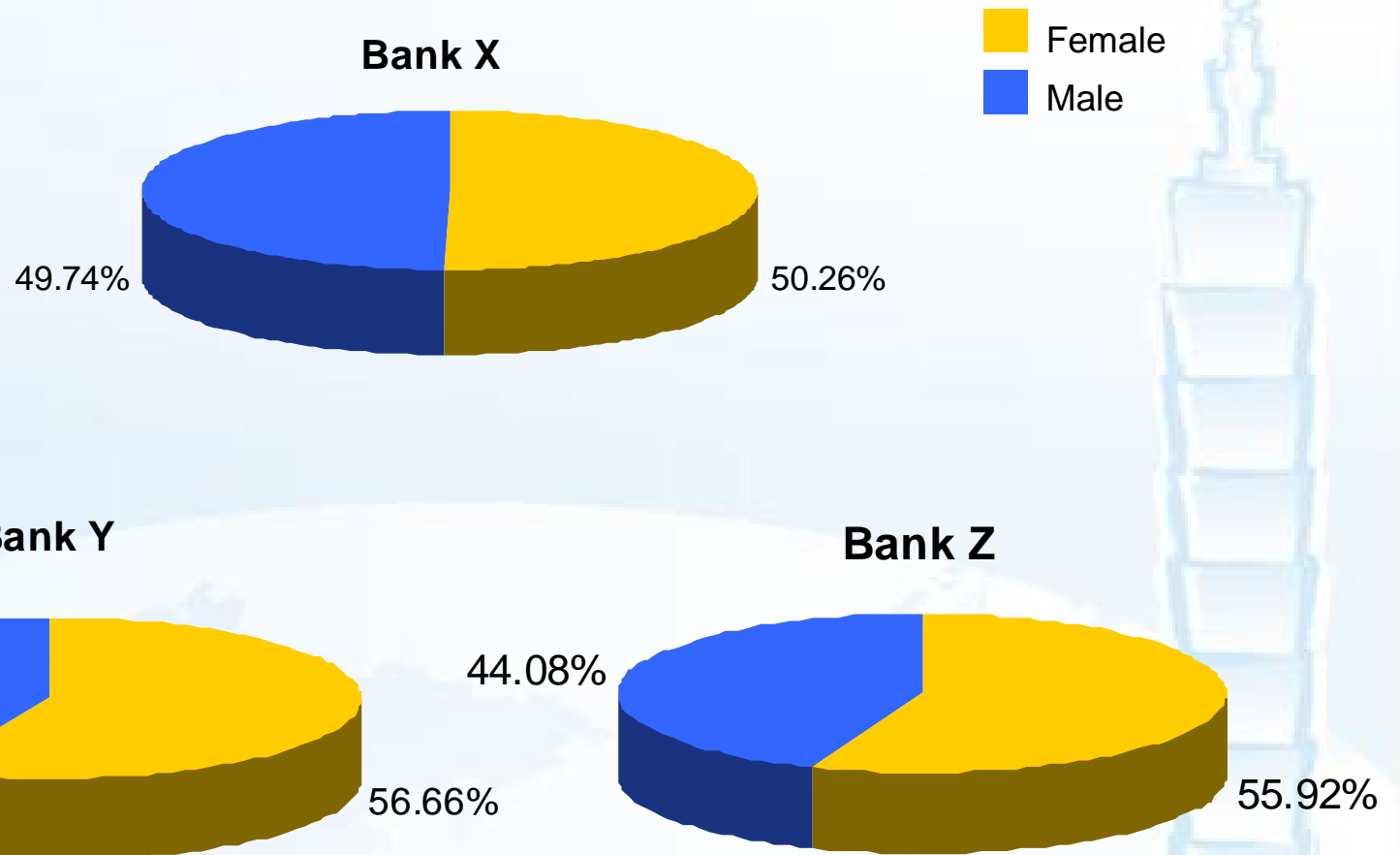
Passbook Deposits Took the Hit (2007)



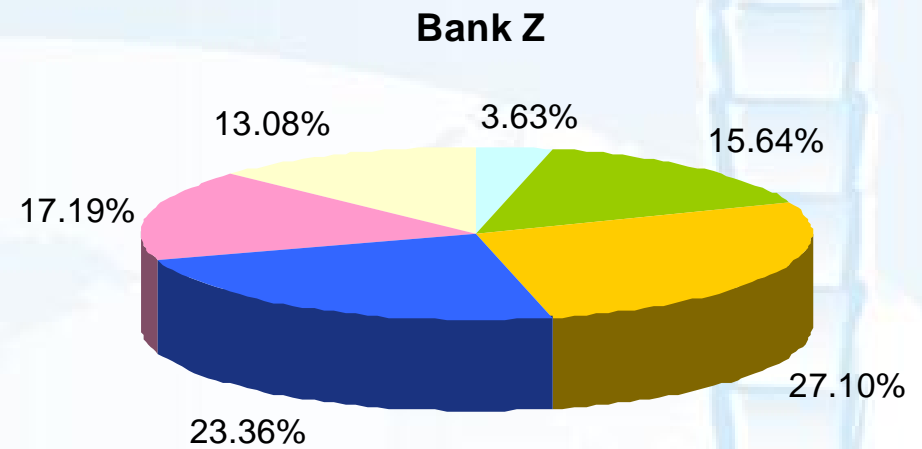
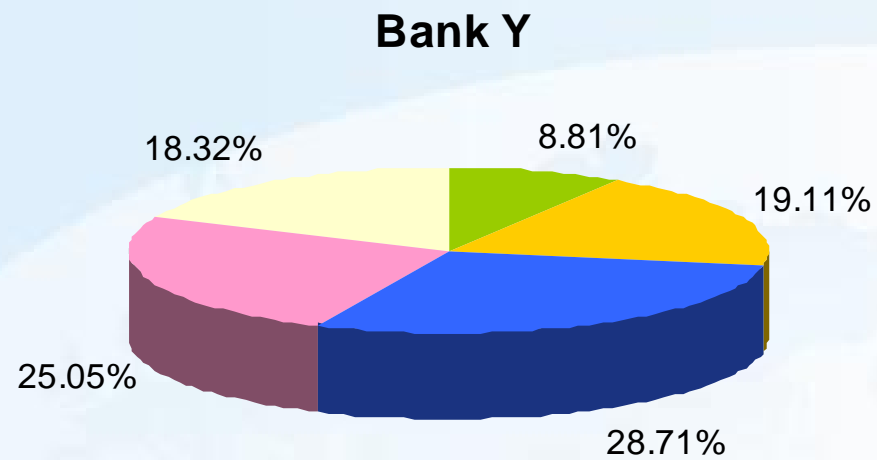
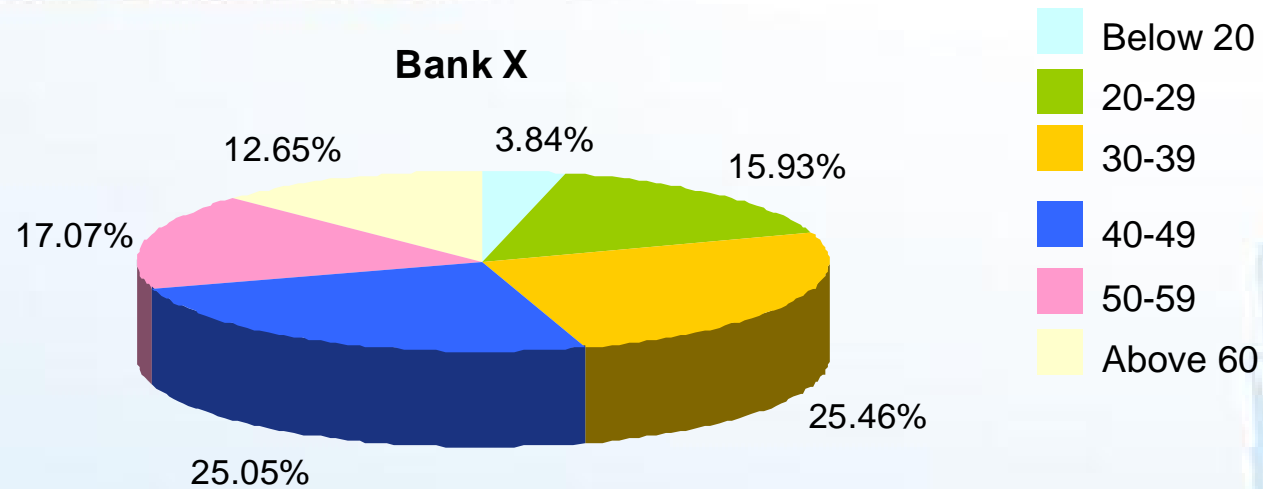
Individuals at the Gate



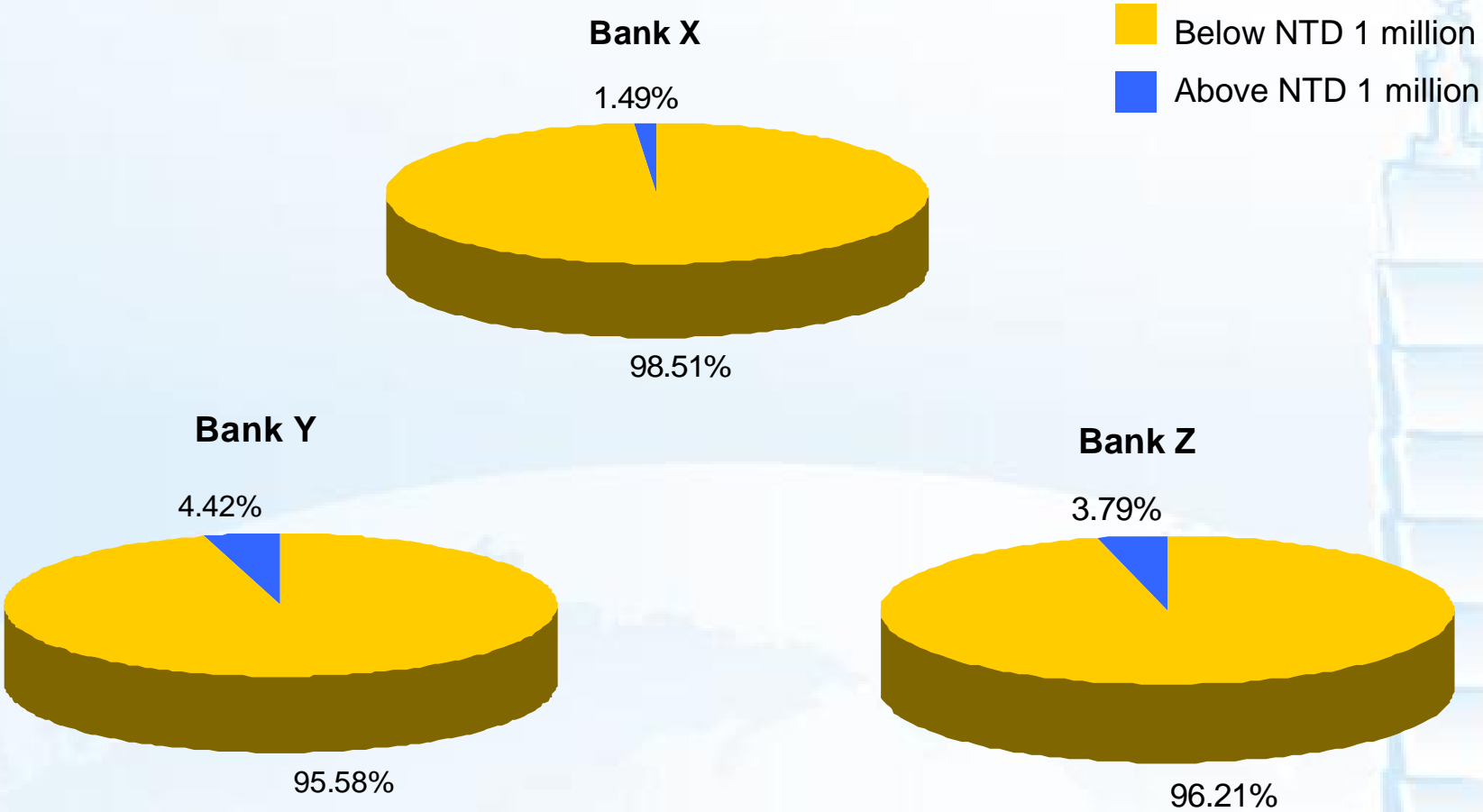
Female Depositors Seemed More Concerned



The Mid-Age Appeared More Cautious



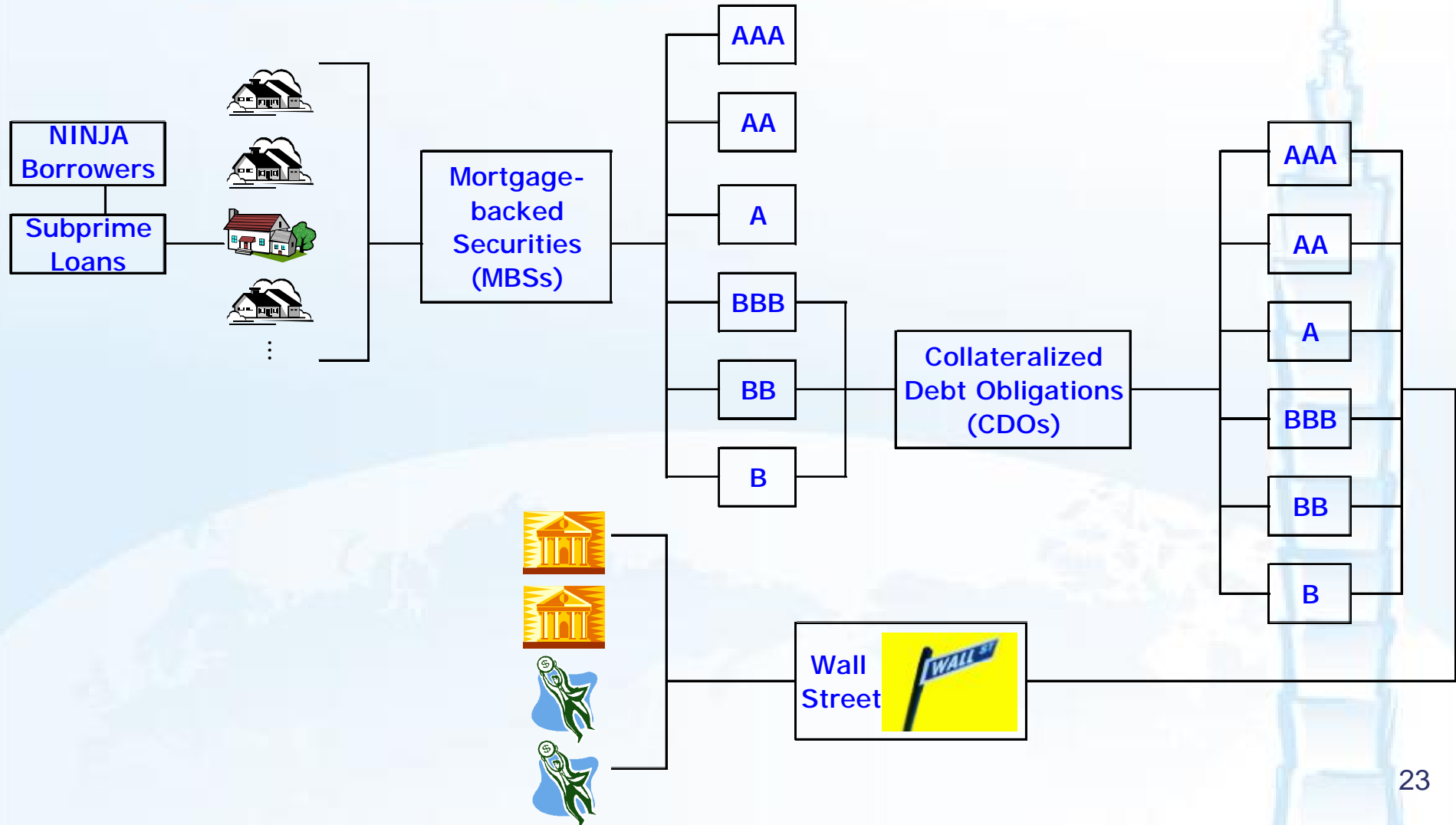
Small Depositors Were Prone to Panic



The background of the slide is a light blue gradient. In the center, there is a faint, stylized map of the world. On the right side, there is a vertical, stylized tower structure that resembles the Taipei 101 skyscraper. The tower is composed of several stacked, rounded rectangular sections, with a thin vertical line extending from the top. The overall aesthetic is clean and modern.

Apocalypse Now

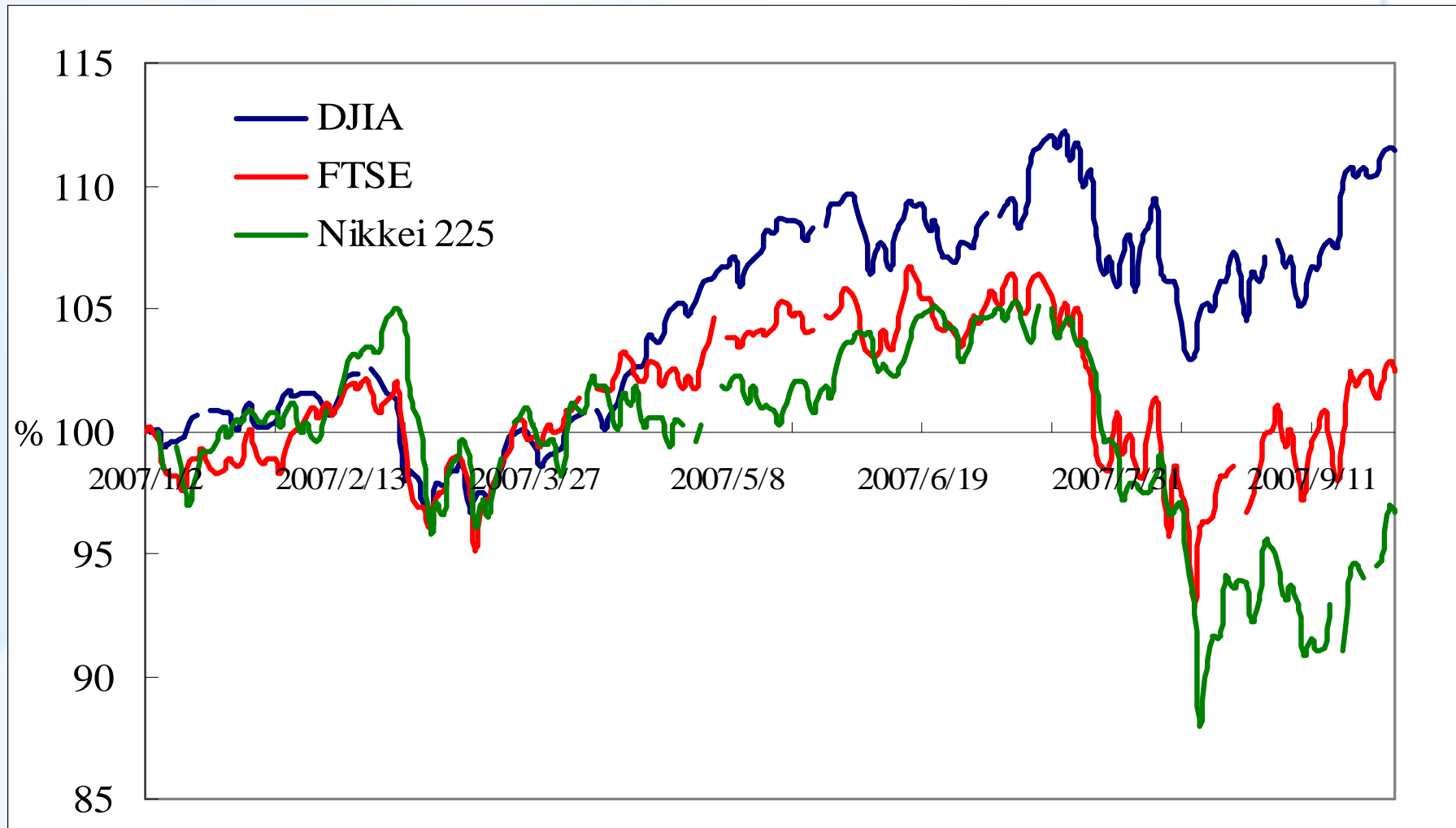
From Main Street to Wall Street



Events Associated with Subprime Chaos

Date	Events
April	New Century filed for bankruptcy
May	UBS posted a loss of SF 150 million in Q1, 2007
July	Bear Stearns lost \$20 billion and closed two funds
August 6	AHMI filed for bankruptcy
August 9	BNP Paribas closed three funds
August 9~20	Central Banks injected liquidities to financial markets
September 14	Run on the Northern Rock Bank

Volatile Stock Markets in 2007 (2007/1/2 as 100)



Central Banks to the Rescue (Aug. 9 ~ 16)



Central Banks	Liquidity Injected (US\$ billion)
ECB	290.1
FED	81
Canada	3.8
Japan	13.55
Australia	10.14

Source: Reuters

The background of the slide is a light blue gradient. In the lower half, there is a faint, semi-transparent image of a globe showing the continents. On the right side, there is a vertical, stylized illustration of the Taipei 101 skyscraper, rendered in a light blue color that matches the background. The title "Run on a British Bank" is centered in a bold, dark blue font.

Run on a British Bank

Let the Finger-Pointing Begin

Group	Blame Factor
The Borrowers	
Mortgage Brokers	
Appraisers	
Mortgage Lenders	
Wall Street	
Rating Agencies	
The Fed	

Source:

http://money.cnn.com/galleries/2007/fortune/0709/gallery.subprime_blame.fortune/index.html



The Day After Tomorrow

What's Next ?

- **The Roles of DIs and IADI**
- **Cooperation among Safety Net Players Across Borders**
- **Insurance Schemes for Direct Financing?**
- **Liquidity Adequacy vs. Capital Adequacy?**



中央存款保險公司
Central Deposit Insurance Corporation

Thank You

CDIC