

6th IADI

Annual Conference



中央存款保險公司
Central Deposit Insurance Corporation

Close Encounters with Bank Runs

Ray B. Dawn

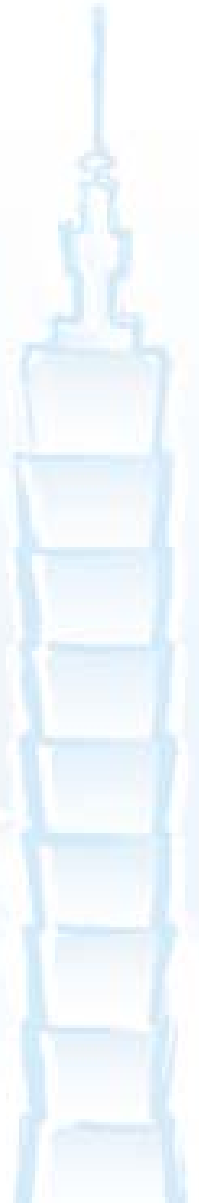
Chairman

CDIC (Taiwan)

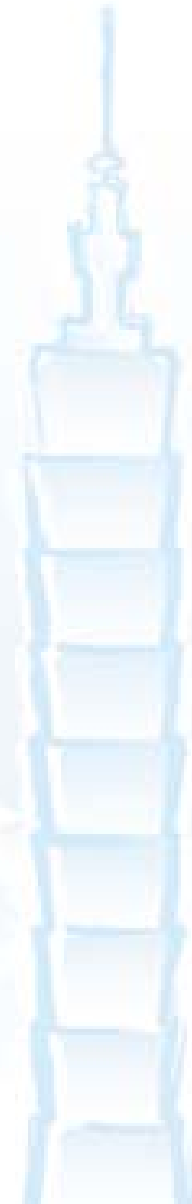
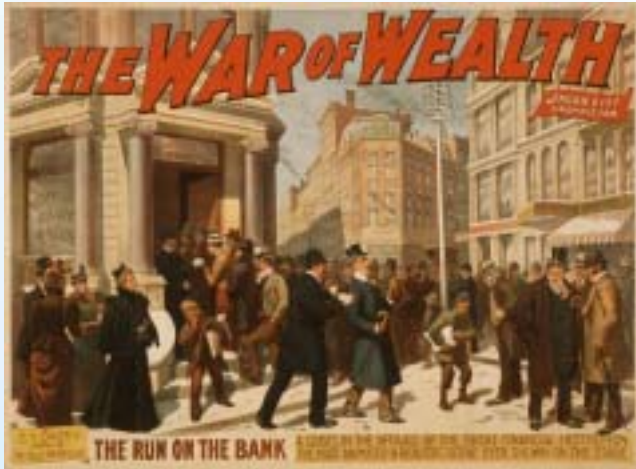
Nov. 1, 2007

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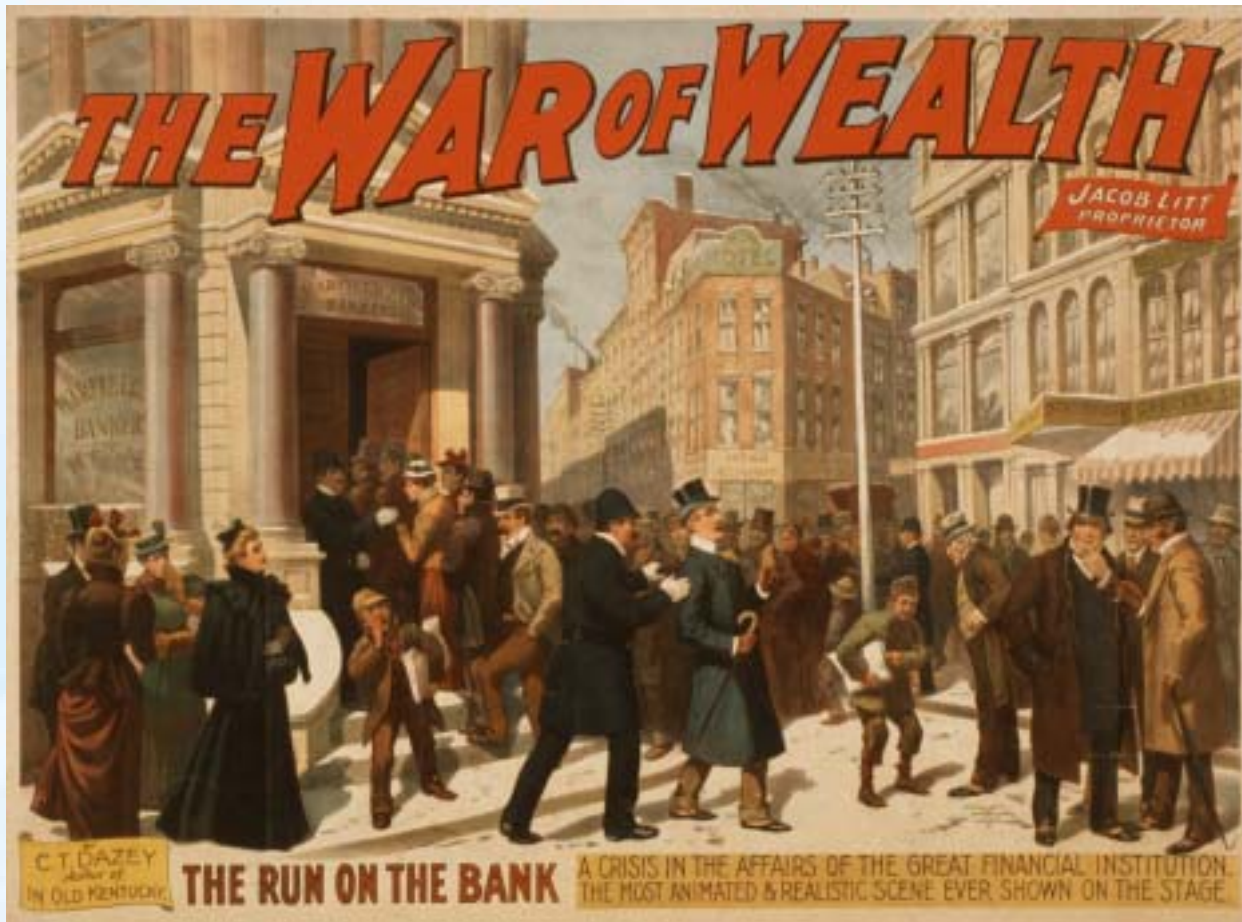
The Way We Were
Apocalypse Now
The Day After Tomorrow



The Way We Were



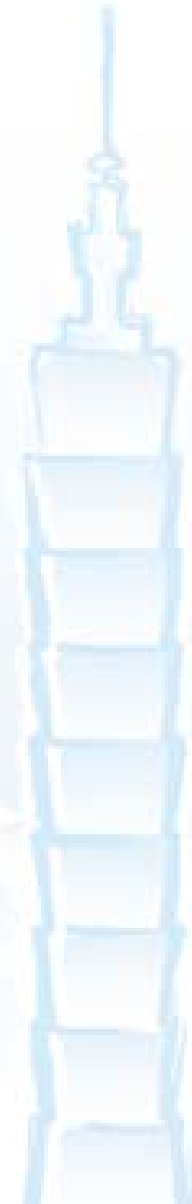
History Has It



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

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

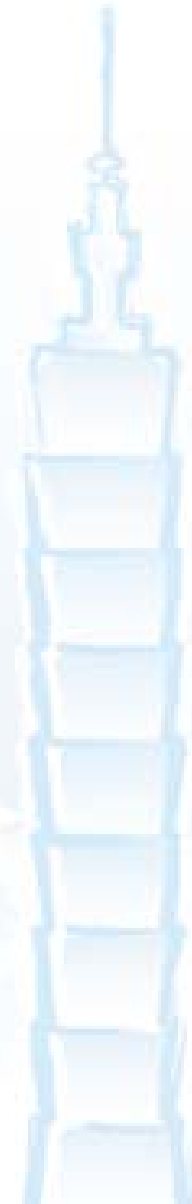
Panic Depositors at a Failed Bank, NYC (1914)



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



Source: CDIC (Taiwan)



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



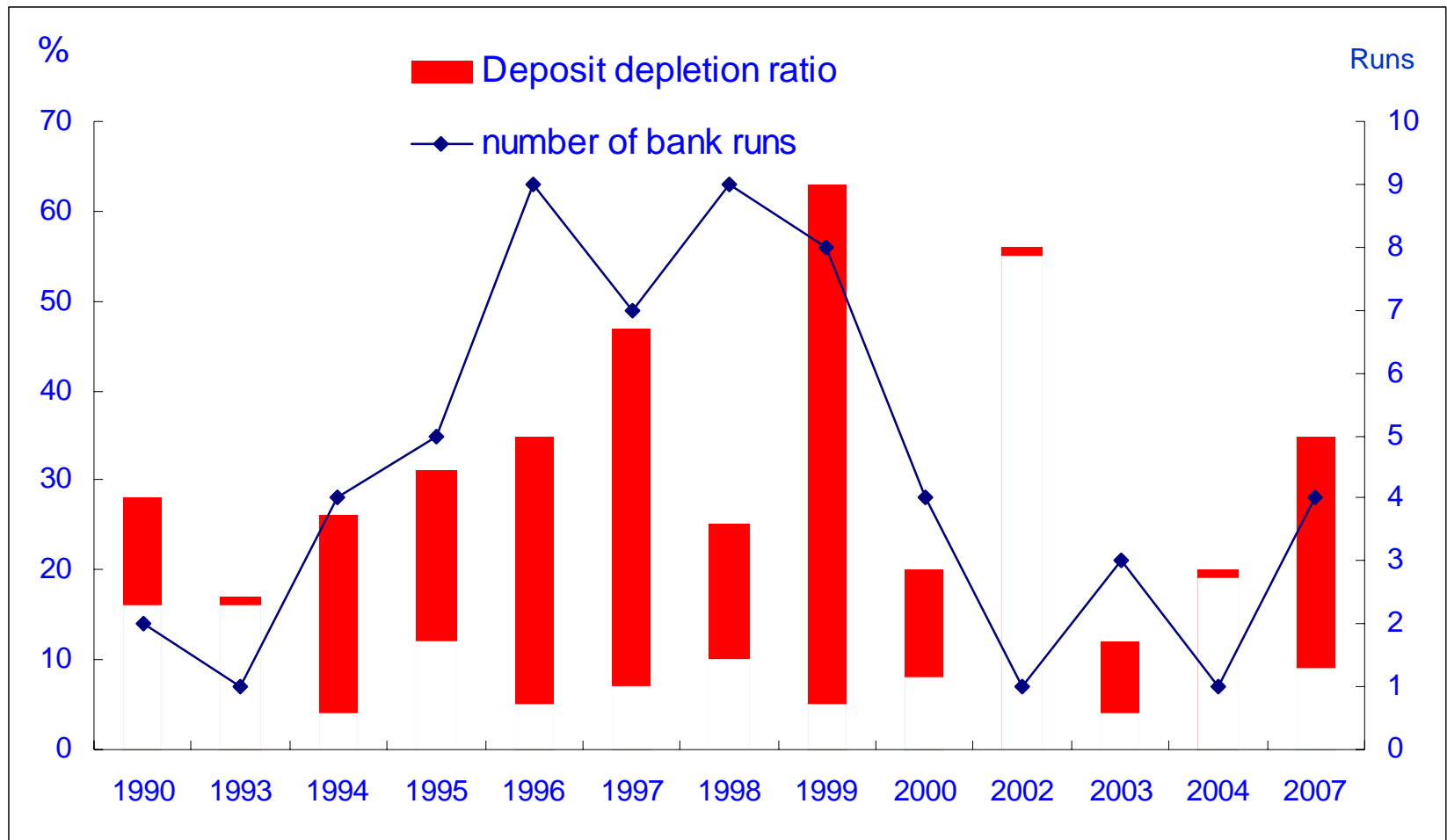
Source: CDIC (Taiwan)

Piles of Money to be Withdrawn (Jan, 2007)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

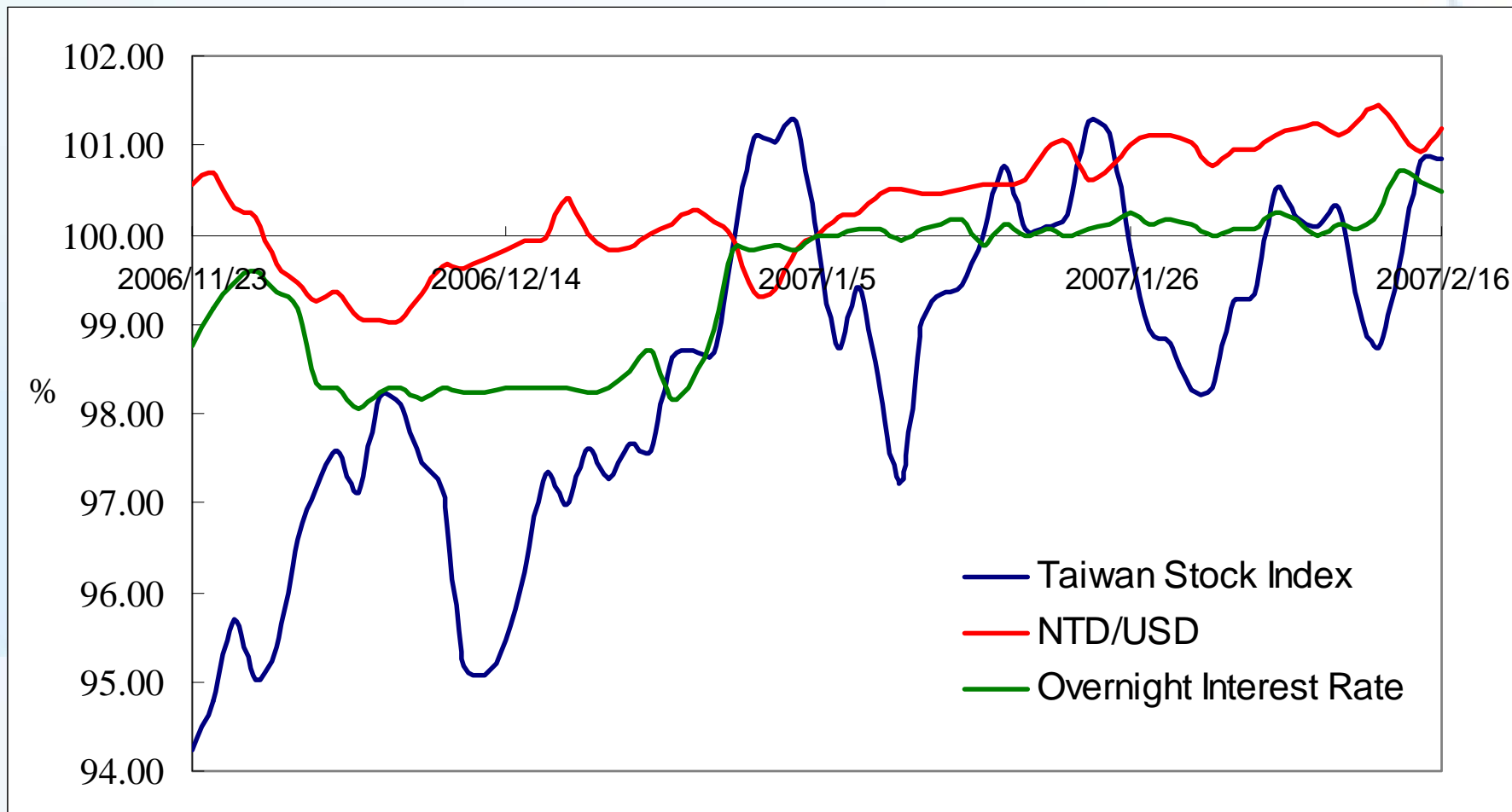
Case	Date & Depletion Ratio		
Bank A	Feb. 1994, 11%	+	July 1999, 6%
Bank B	Sept. 1995, 15%	+	July 1999, 11%
Bank C	Dec. 1995, 12%	+	May 2000, 8%
Bank D	April 2000, 20%	+	April 2003, 4%
Bank E	July 1998, –	+	Nov. 1998, 1%
Bank F	Nov. 1994, 4%	+	Feb. 1996, 28%
Bank G	May 1996, 35%	+	March 1999, –
Bank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

Source: CDIC (Taiwan)

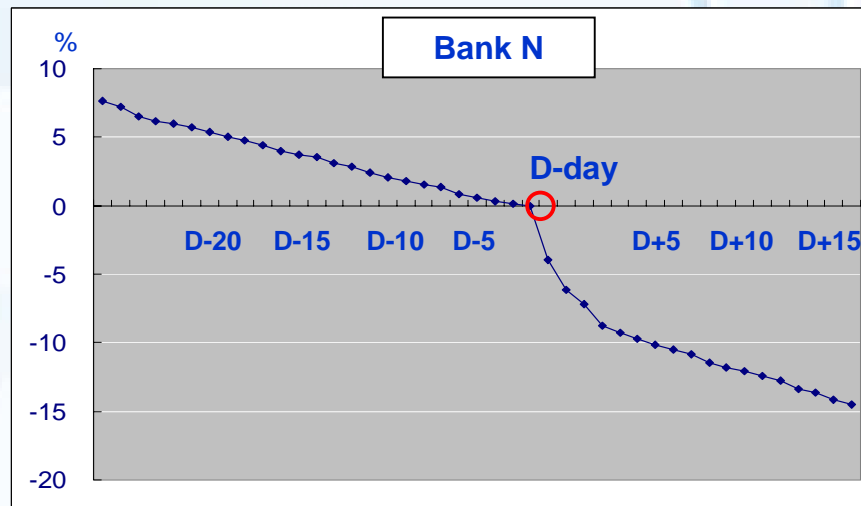
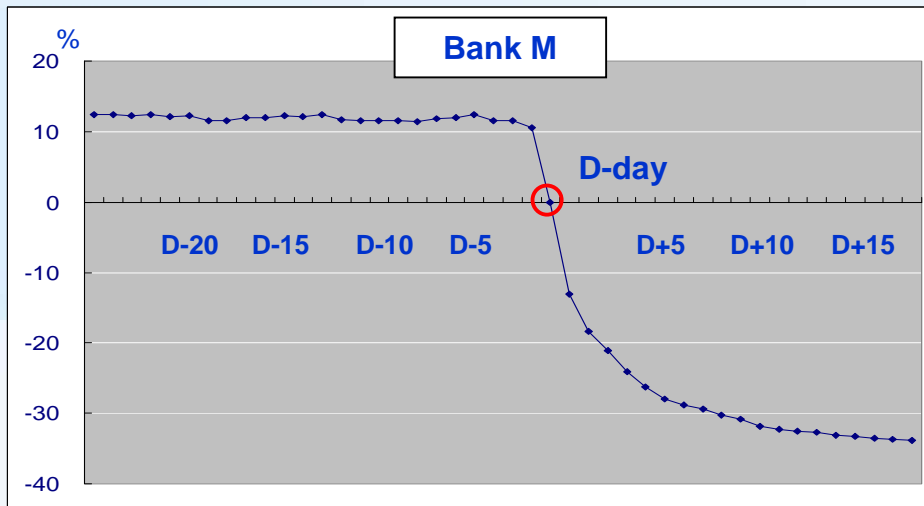
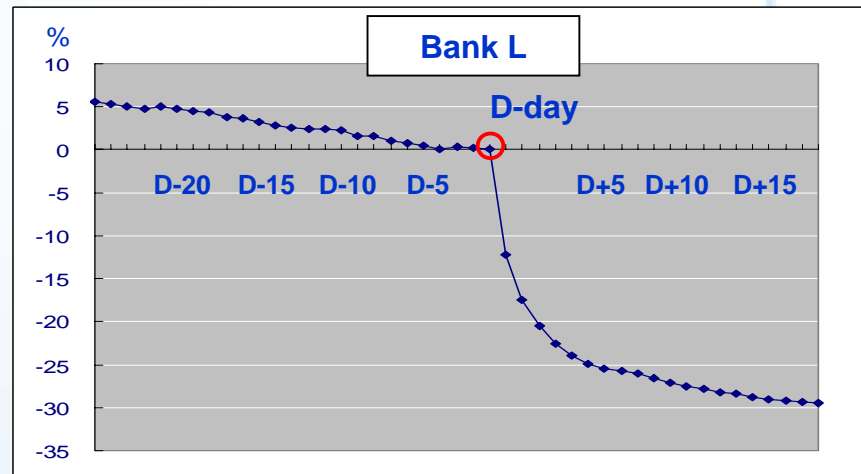
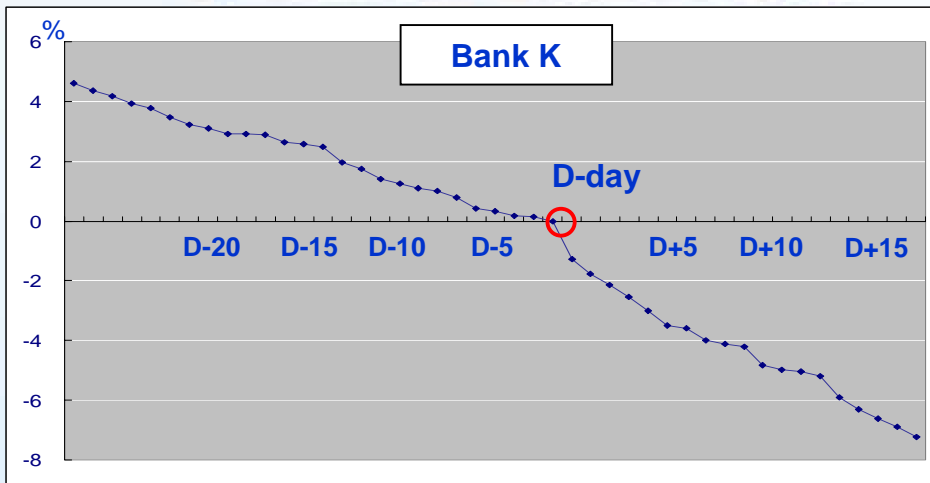
Liquidity Providers to Bank Runs (1990 ~ 2007)

- | | |
|--|---------|
| • 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)

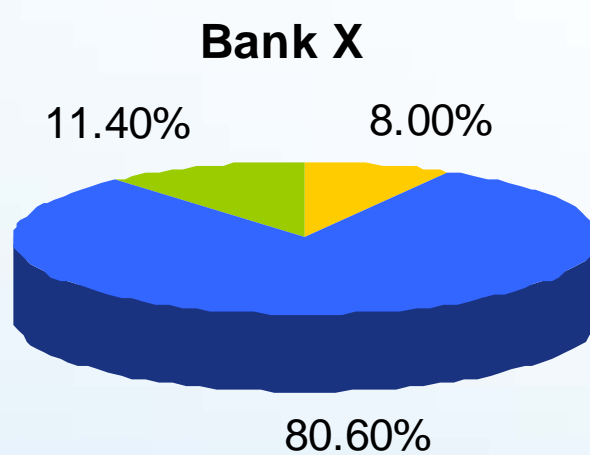


Note: D-day means the day CDIC took over the FI under the instruction of FSC.

Source: CDIC (Taiwan)

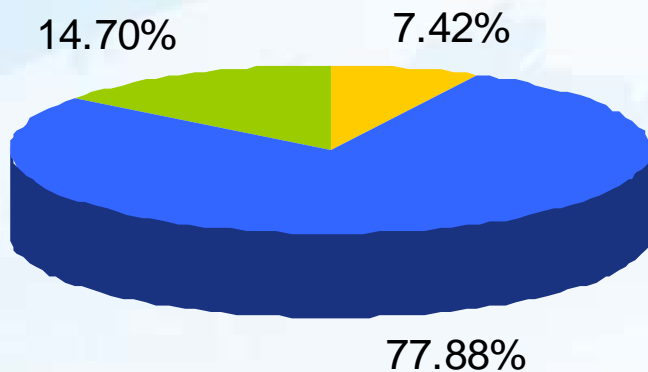
Passbook Deposits Took the Hit (2007)

Bank X

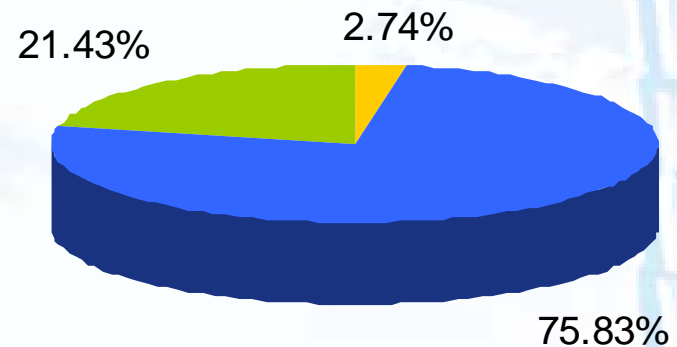


- Checking Accounts
- Passbook Deposits
- Time Deposits

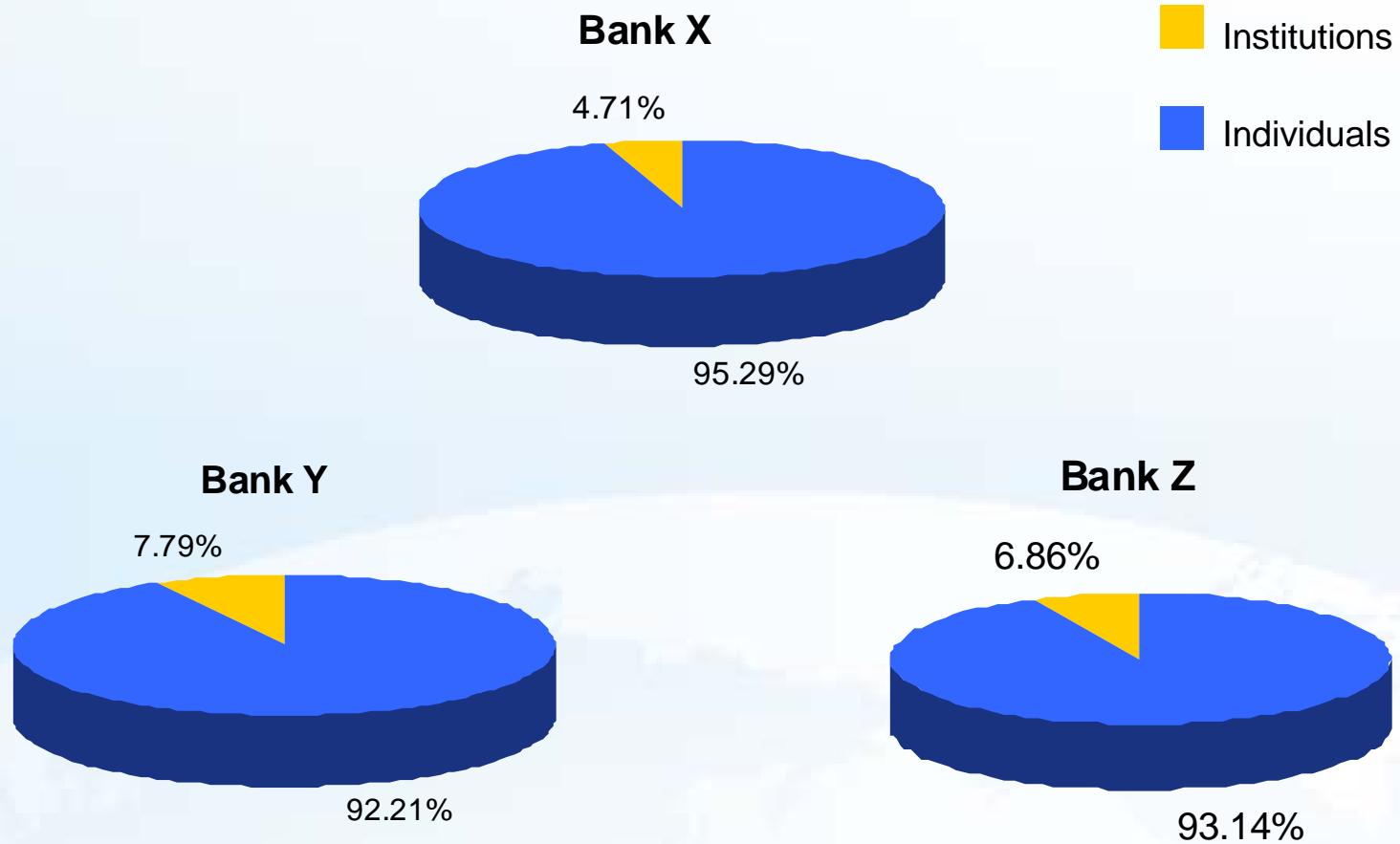
Bank Y



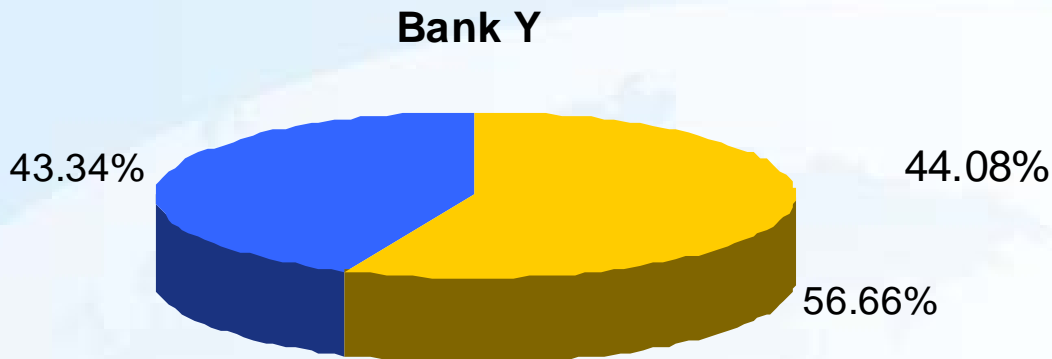
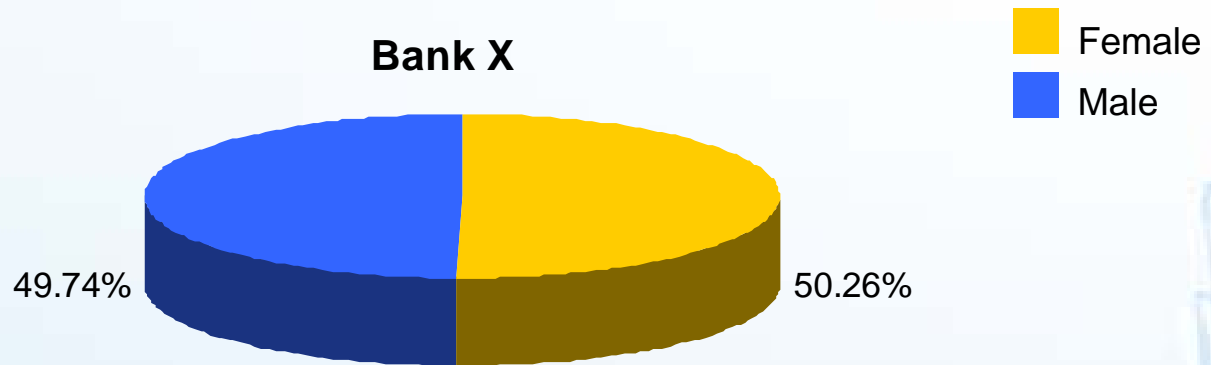
Bank Z



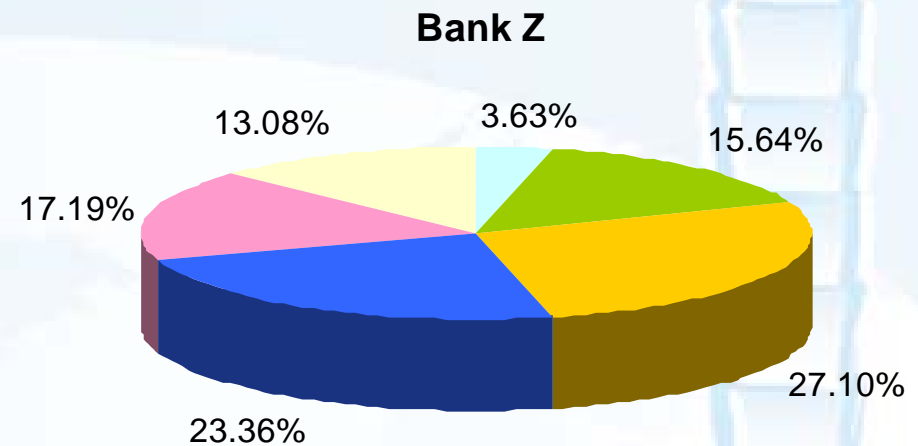
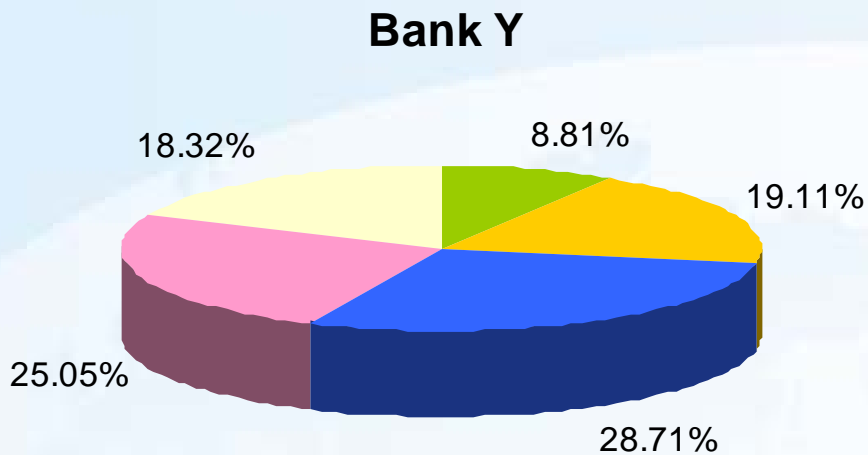
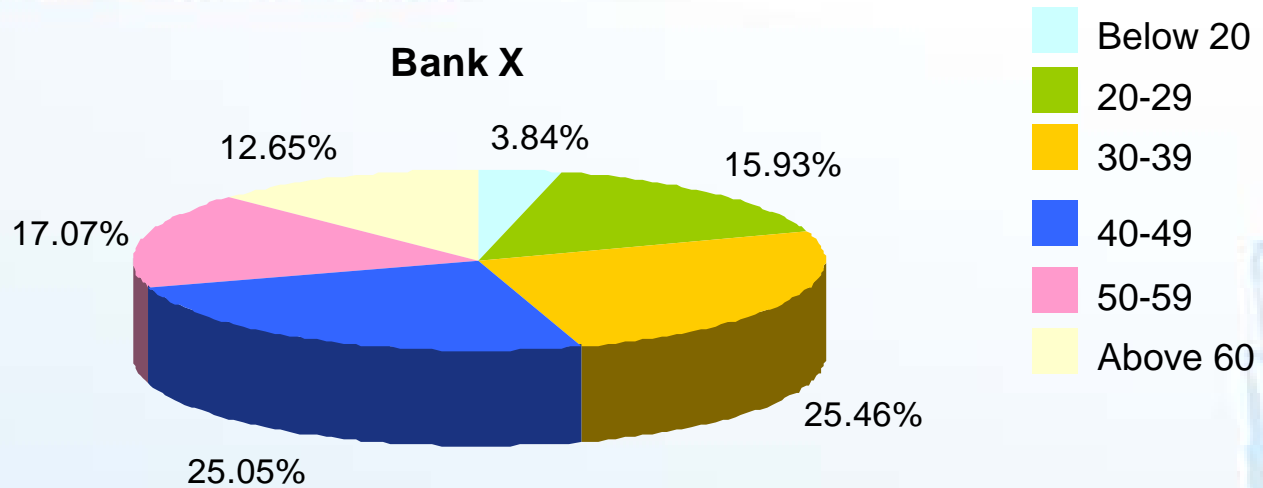
Individuals at the Gate



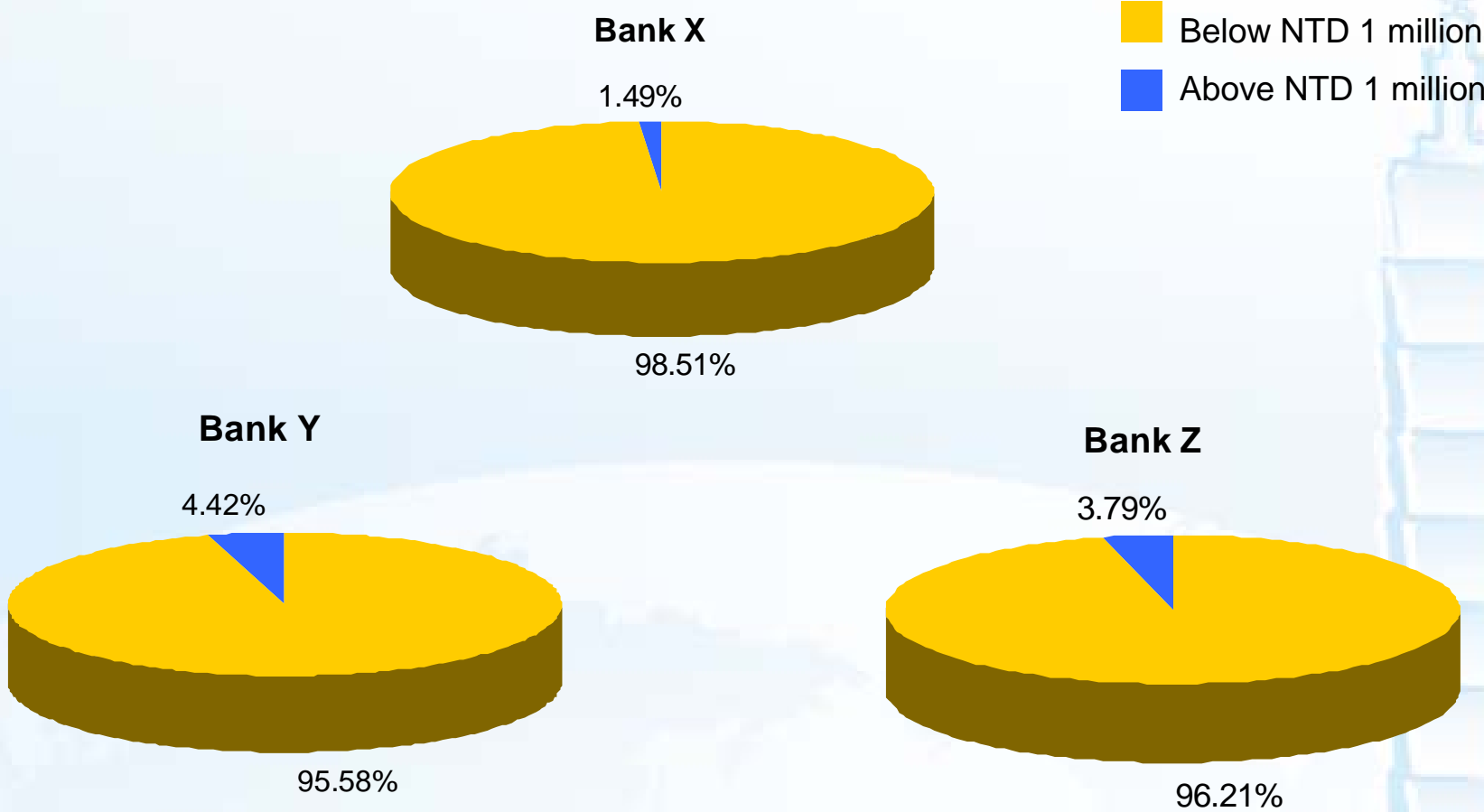
Female Depositors Seemed More Concerned



The Mid-Age Appeared More Cautious

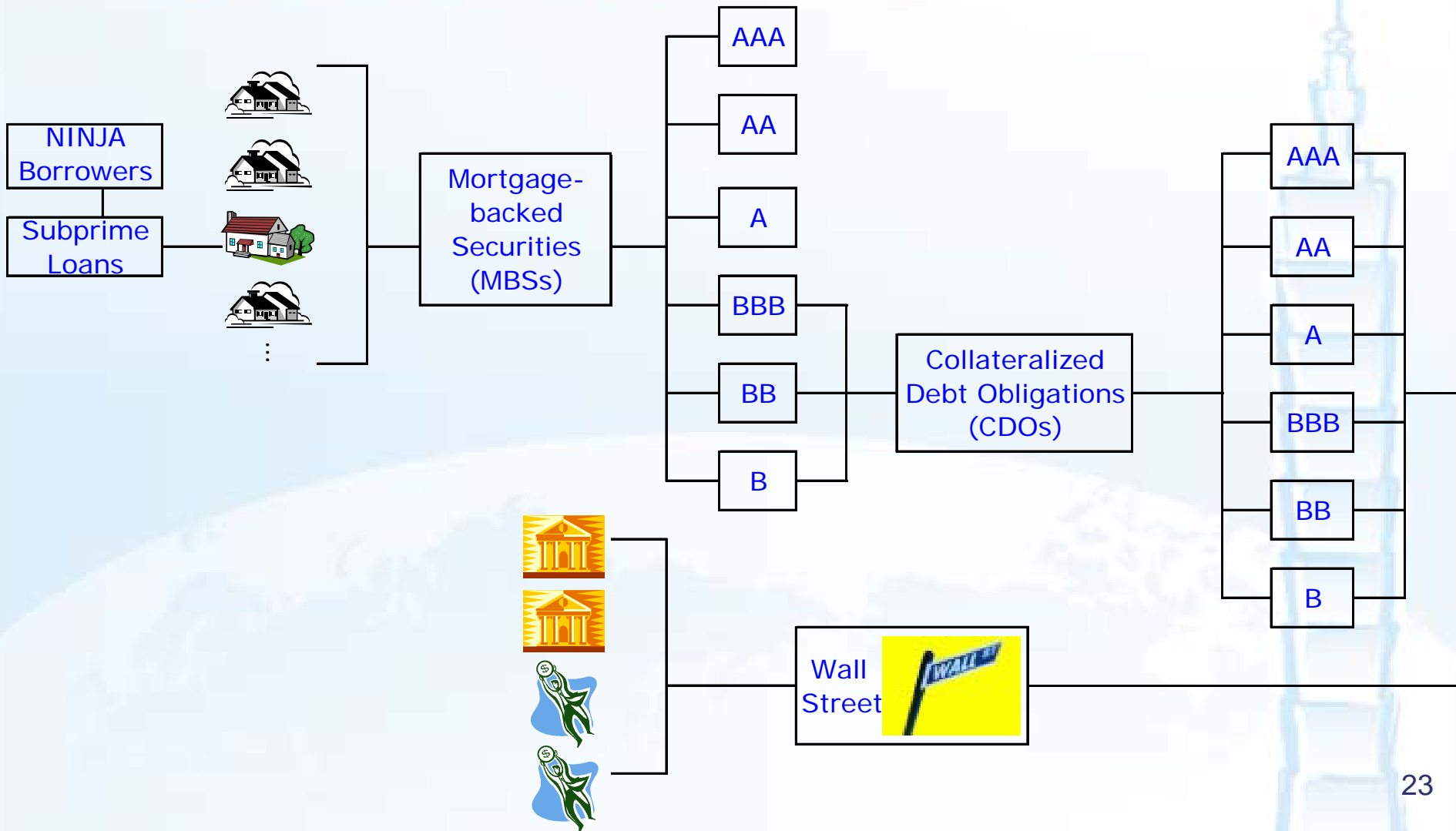


Small Depositors Were Prone to Panic



Apocalypse Now

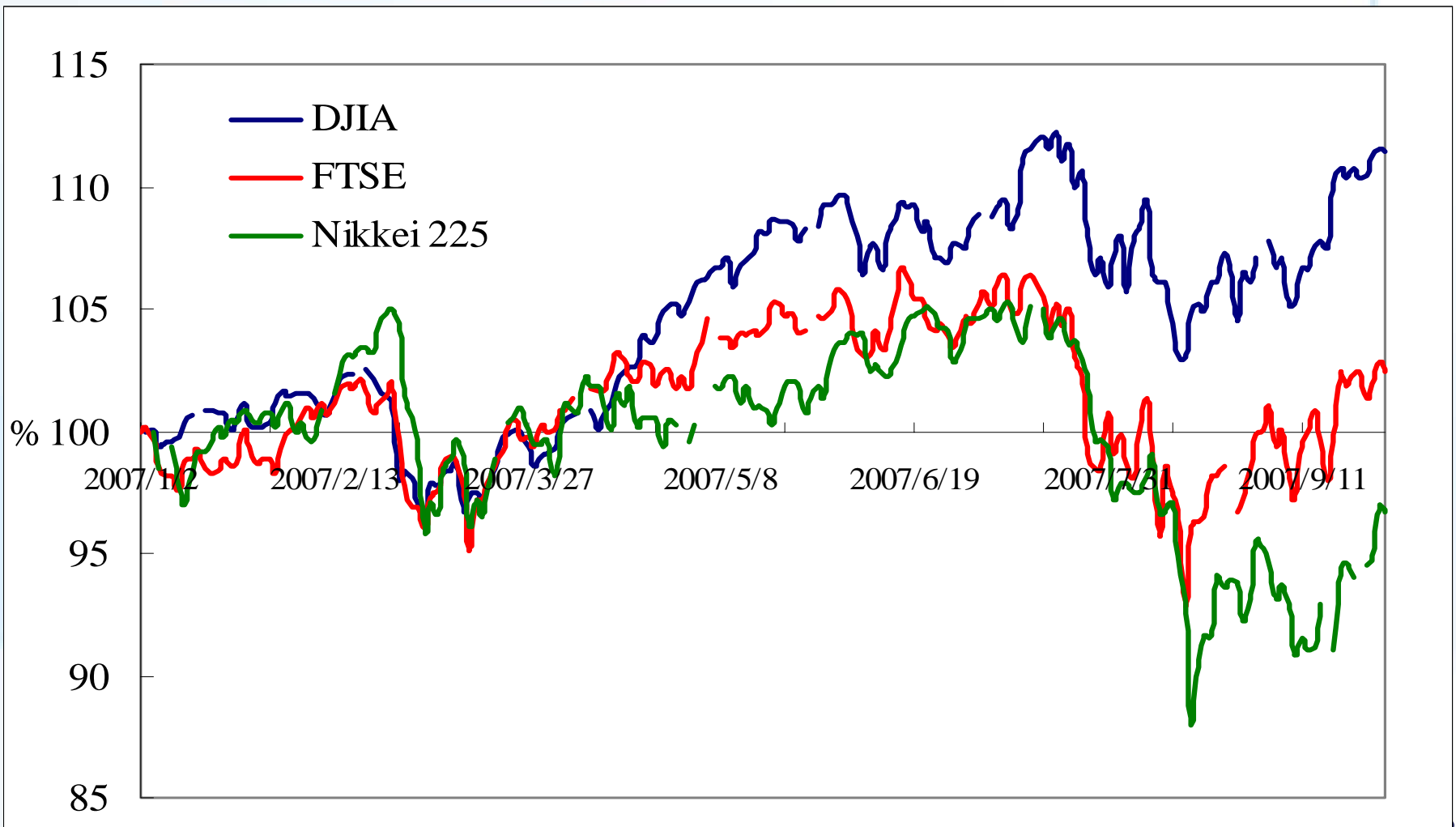
From Main Street to Wall Street



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



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?**



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Thank You