

Table of Contents

I.	Executive Summary.....	3
II.	Introduction.....	5
III.	Contextual Issues for Deposit Insurance Systems	7
1.	The role of the banking sector and the financial safety net	7
2.	Forms of depositor protection.....	7
3.	Moral hazard.....	8
IV.	Processes for Adopting and Maintaining a Deposit Insurance System	11
1.	Public-policy objectives.....	11
2.	Situational analysis and implementation considerations	12
(a)	<i>Economic factors, the state and structure of the banking system and public attitudes and expectations</i>	12
(b)	<i>The state of legal, prudential regulatory, supervisory, accounting and disclosure regimes</i>	13
3.	Transitioning from a blanket guarantee to a deposit insurance system	14
4.	Self-assessment methodology (SAM).....	15
	Figure 1 (SAM).....	16
V.	Structure and Design Features	16
1.	Mandates, powers and structure.....	17
(a)	<i>Mandates and powers</i>	17
(b)	<i>Basic structure and operational issues</i>	18
(c)	<i>Basic governance arrangements</i>	18
(d)	<i>Human resources and statutory indemnification</i>	19
2.	Interrelationships among financial safety-net participants	19
3.	Membership and coverage	20
(a)	<i>Membership</i>	21
(i)	<i>Compulsory membership</i>	21
(ii)	<i>Considerations when granting membership to banks.....</i>	21
(iii)	<i>Foreign banks</i>	22
(iv)	<i>Non-bank financial institutions</i>	22
(v)	<i>State-owned banks</i>	22
(b)	<i>Coverage</i>	23
(i)	<i>Scope and level</i>	23
(ii)	<i>Coinsurance.....</i>	24
(iii)	<i>Adjusting coverage limits</i>	25
(iv)	<i>Foreign-currency deposits.....</i>	25
4.	Funding	26
(a)	<i>Funding on an ex-ante or ex-post basis</i>	26
(b)	<i>Issues related to the establishment and size of a deposit insurance fund</i>	27
(c)	<i>Deposit insurance assessments: flat-rate versus risk-adjusted differential premium systems</i>	28
5.	Public awareness.....	29
	Cross-Border Issues	30

VI. Resolutions, Reimbursements, Claims and Recoveries	31
1. Private-sector solutions.....	31
2. Resolving troubled banks	32
(a) <i>Options</i>	32
(i) <i>Liquidation and reimbursement of depositors' claims</i>	32
(ii) <i>Purchase-and-assumption transactions (sales)</i>	32
(iii) <i>Open-bank financial assistance</i>	33
(b) <i>Costs and other considerations</i>	33
3. Reimbursing depositors	34
(a) <i>Conditions for effective reimbursement</i>	34
(b) <i>Eligibility for coverage</i>	34
(c) <i>Procedures for reimbursing depositors</i>	35
(d) <i>Payments to depositors</i>	35
4. Claims and recoveries.....	36
(a) <i>General issues</i>	36
(b) <i>Asset-management and disposition strategies</i>	36
(c) <i>Marketing methods</i>	37
(d) <i>Claims and litigation</i>	37
5. Depositor ranking, collateralisation and rights of set-off	38
(a) <i>Depositor ranking</i>	38
(b) <i>Collateralisation</i>	39
(c) <i>Rights of set-off</i>	39
VII. Key Points of Guidance	41
Annex I: Members of the Working Group	52
Annex II: Approach to Developing Discussion Papers	53
Annex III: Organisations that Assisted the Working Group	56
Glossary of Terms.....	58