

Press release

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International Association of Deposit Insurers hosts 4th Research Conference “Designing an Optimal Deposit Insurance System – Theory and Practice”

The International Association of Deposit Insurers (IADI) hosted its 4th Biennial Research Conference on 1-2 June 2017 at the Bank for International Settlements (BIS) in Basel, Switzerland. The conference was attended by 188 participants representing a global audience of 67 jurisdictions.

The conference focused on the theme of “Designing an Optimal Deposit Insurance System,” featuring one invited paper and six others chosen from 32 submissions received in response to a Call for Papers. Each paper was presented by the author and discussed by two reviewers.

The attendees were welcomed by David Walker, Secretary General, IADI. Thomas Hoenig, President and Chair of the Executive Council of IADI and Vice Chairman of the Federal Deposit Insurance Corporation (FDIC), USA, delivered the Opening Remarks. Mr. Hoenig emphasised the timeliness of the conference and the topics covered, as optimal deposit insurance design requires us to confront issues of moral hazard, liquidity shocks and other challenges to maintaining financial stability. The Keynote Address was delivered by Hyun Song Shin, Economic Adviser and Head of Research, Monetary and Economic Department, BIS, in which he presented his research on the impact of dividends and management compensation on banks’ capital structure.

The invited paper by Professor Itay Goldstein, The Wharton School, The University of Pennsylvania, USA, and co-authored with Eduardo Dávila, Stern School of Business, New York University, USA, provided a model for estimating the optimal level of deposit insurance coverage. Other paper presenters covered the broad topics of deposit stability in failing banks, the role of cross-border deposits in crises, financial innovation as a tool for extracting rents from bailouts, implications of interbank market monitoring for bank regulation, the liability structure of banks, and the effect of the design of deposit insurance on the structure of the financial system. The paper presenters, discussants and session chairs were largely from academia but also included speakers from deposit insurance agencies, central banks and international financial institutions.

The Distinguished Guest Speaker, Stefan Ingves, Sveriges Riksbank, and Chairman of the Basel Committee on Banking Supervision (BCBS) stressed that deposit insurance systems are a key ingredient to financial stability. Mr Ingves outlined challenges faced by deposit insurance systems such as the interaction between deposit insurance, resolution and public guarantees as well as cross-border issues. He emphasised that financial stability is a joint responsibility and, that while striving towards more optimal deposit insurance is important, deposit insurance should only be drawn upon rarely. He highlighted the importance of enhancing the resilience of financial institutions through the post-crisis reforms developed by the BCBS and ensuring that the regulatory framework is robust.

The conference ended with a stimulating discussion at the regulators’ roundtable where the panelists shared their perspectives on the global financial safety net. The panelists included Thomas Hoenig, IADI and FDIC, Katsunori Mikuniya, Governor, Deposit Insurance Corporation of Japan, Bumgook Gwak, Chairman and President, Korea Deposit Insurance Corporation, and Marc Dobler, Senior Financial Sector Expert, International Monetary Fund, and was chaired by David Walker, IADI.

IADI is thankful to the BIS for their support of the conference.

The papers and conference materials can be found [here](#).

The International Association of Deposit Insurers (IADI) was formed in May 2002 to enhance the effectiveness of deposit insurance systems by promoting guidance and international cooperation. Please see *About IADI* (<http://www.iadi.org/en/about-iadi/>) for more information on the objectives and activities of the Association.