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بنك المغرب
BANK AL-MAGHRIB

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Public Policy Objectives

Presented by

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Deposit Insurance in the MENA region: Enhancing Confidence

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Background

Core objectives

Public Policy Objectives in the MENA region

◆ Principle 1 of IADI core principles



The first step in adopting a deposit insurance system or reforming an existing system is to specify appropriate public policy objectives that it is expected to achieve.

◆ Principle 1 of IADI core principles



These objectives should be formally specified and well integrated into the design of the deposit insurance system.

These objectives should also be clear, realistic and understood by other financial safety net players and the public.

What are the appropriate objectives?

According to principle 1

The principal objectives for deposit insurance systems are:

- 1. to contribute to the stability of the financial system**
- 2. and protect depositors**

These two objectives are complementary within the overall framework of the financial safety net. Therefore they are core objectives:

- 1. The stability of the financial system is an adjunct to the central bank's lender of last resort function.**
- 2. The protection of depositors is to provide a minimum level of protection to the wealth of the average household in the event of a bank failure.**

The financial stability objective

- ◆ At first sign of trouble, depositors may withdraw their funds at the same time.
- ◆ This can cause a panic regardless of the financial position of the bank
- ◆ and the bank will fail

By guaranteeing that individual depositors will be able to recover their money no matter what happens to the bank, deposit insurance scheme removes the incentives of bank runs to develop. (preventing bank runs)

The protection of depositors

- ◆ The average depositor is not expected to have the skills or resources to monitor bank activities
- ◆ The wealth of an average household will often be poorly diversified
- ◆ A bank failure could inflict significant hardship

The deposit insurance system will insure the financial wealth of the depositors by providing them with at least a minimum amount of their funds, irrespective of the quality of the bank's assets available for liquidation.

The protection of depositors

In addition, the deposit insurance system should be designed to ensure that depositors receive their funds more quickly than would normally be the case under bankruptcy law

The protection of depositors

- ◆ Most deposit insurance systems focus primarily on the protection of depositors as an explicit objective.
- ◆ And the financial stability objective could be implicit.

Some other objectives:

- ◆ Promoting competition in the financial sector
- ◆ Encouraging economic growth
- ◆ Promoting savings and confidence
- ◆ Facilitating the transition from a blanket guarantee to a limited coverage

Public policy objectives in the MENA region

Sudan	Yemen	Jordan	Oman	Lebanon	Bahrain	Algeria	Morocco
Compensation of depositors	Compensation of depositors	Compensation of depositors	Compensation of depositors	Compensation of depositors	Compensation of depositors	Compensation of depositors	Compensation of depositors
Promoting confidence in the banking system	Promoting confidence in the banking system	Promoting confidence in the banking system	Promoting confidence in the banking system				Providing financial assistance to troubled banks
Promoting stability in the financial system	Promoting stability in the financial system	Promoting savings	Promoting savings				
			Providing financial assistance to troubled banks				
			Minimizing banking sector risks				

source: JDIC

Thank you for attention