

# **Deposit Insurance in the MENA Region: Enhancing Confidence**



## **Interrelationships Among Safety Net Players**

**Presentation by  
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**19 November 2009  
Amman, Jordan**

# General Principles

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- An effective deposit insurance system requires good interrelationships and close coordination among safety net players
- Safety Net Participants Include:
  - Central Bank/Lender of Last Resort
  - Finance Ministry/Treasury Department
  - Bank/Securities/Insurance Regulators
  - Deposit Insurer(s)

# General Principles

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- The financial safety net can include both explicit and implicit government support for private sector institutions/individuals.
- In order to promote effective interrelationships, the mandates, powers and responsibilities of each safety net player should be clearly defined.
- During a crisis period, the importance of strong inter-relationships among safety net players becomes even more important

# Core Principle of Deposit Insurance

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- Core Principle No. 6: Relationships With Other Safety Net Participants:
  - A framework should be in place for close coordination and information sharing, on a routine basis, as well as in relation to particular banks, among the deposit insurer and other financial safety-net participants
  - Such information should be accurate and timely (subject to confidentiality when required)
  - Information-sharing and coordination arrangements should be formalized

# Information Sharing



- **Defining Type/Quantity of information: What is needed?**
  - Deposit insurer as “paybox” vs. “risk minimizer”
- **Methods of Sharing Information:**
  - MOUs or other written agreements
  - Legislative mandates
  - Common databases
  - Cross-membership in management
  - Inter-agency coordinating committees
  - Dual reporting from information sources
  - Informal meetings and conversations

# Information Sharing

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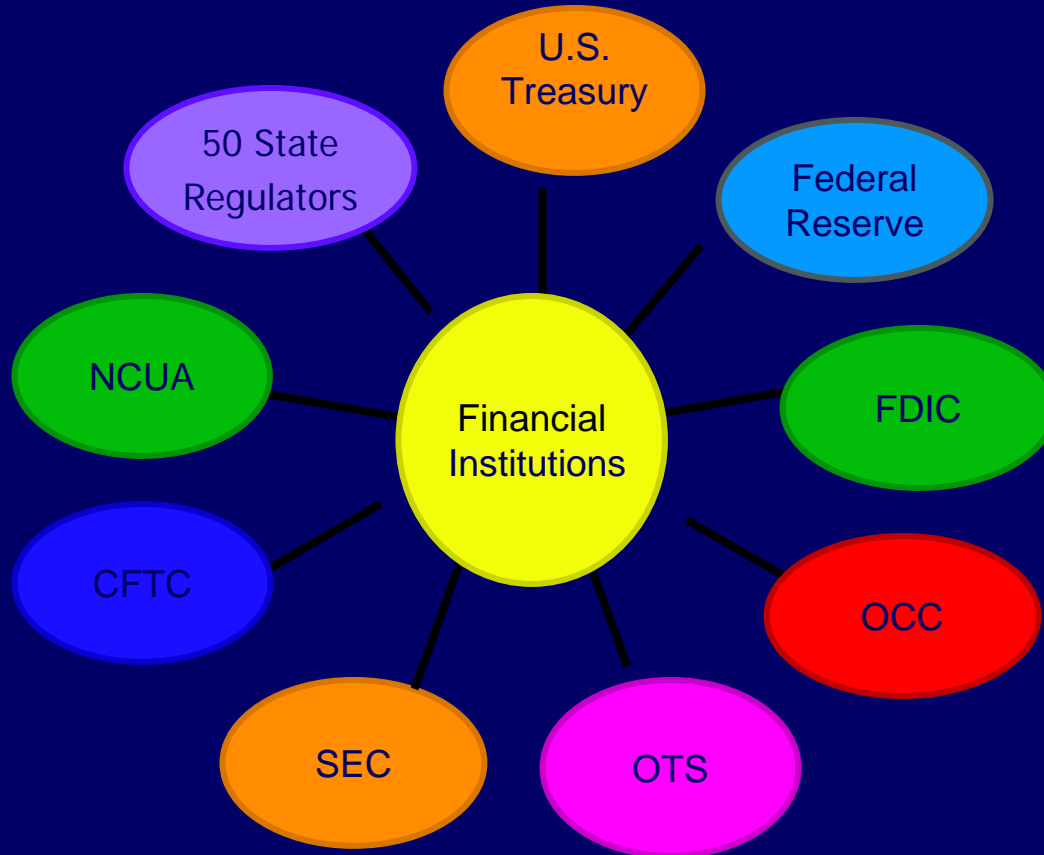
- Potential Challenges:
  - Making sure you have the right information
  - Timeliness
  - Potential Conflicts of Interest
  - Protecting Confidentiality
  - Reducing/eliminating duplication

# Decision-making

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- Authority for safety net players to take prompt action
- Clearly defined roles/responsibilities
- High degree of transparency
- Independence from the political process
- Legal challenges

# U.S. Safety Net Players



# FDIC's Role in the U.S. Financial Safety Net

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- **FDIC's Mission:** an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions for safety and soundness and consumer protection, and managing receiverships
- **Under the Federal Deposit Insurance Act, the FDIC has three distinct roles:**
  - **Deposit insurer of all banks and thrifts**
  - **Supervisor of state-chartered nonmember banks**
  - **Receiver of all banks and thrifts that are closed by their primary regulator**

# Coordination and Information Sharing with FDIC as Deposit Insurer

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- Composition of FDIC Board of Directors
- MOUs with other Federal and state supervisors, law enforcement agencies and foreign governments Access to call report data and exam reports for all FDIC-insured institutions
- Resident Examiner Program
- Back-up enforcement authority and inter-agency MOU to go into other institutions
- Federal Financial Institutions Examination Council (FFIEC)
- President's Working Group on Financial Markets

# Conclusion

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- **Good relations between safety net players are essential, especially during a crisis – tone is set at the top**
- **Roles & responsibilities of each safety net player should be clearly delineated**
- **Explicit/formal information sharing and coordination arrangements are preferred**
- **Confidentiality is paramount**

# Questions?



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