



October 15, 2019

**Delivered Via Email: Service.IADI@bis.org**

David Walker, Secretary General  
International Association of Deposit Insurers  
c/o Bank for International Settlements  
Centralbahnplatz 2  
CH-4002 Basel, Switzerland

## **Re: Public Policy Objectives on Deposit Insurance Systems**

Dear Secretariat Walker:

World Council of Credit Unions (World Council) appreciates the opportunity to comment on the International Association of Deposit Insurers' Public Policy Objectives on Deposit Insurance Systems ("PPOs").<sup>1</sup> Credit unions are cooperative depository institutions and World Council is the leading trade association and development organization for the international credit union movement. Worldwide, there are over 68,000 credit unions in 109 countries with USD 1.8 trillion in total assets serving 235 million physical person members.<sup>2</sup>

World Council supports the Association of Deposit Insurers' ("IADI") principal public policy objectives which state that the essential objectives are to protect depositors and contribute to financial stability. We urge IADI to finalize the proposal with these stated objectives and with the inclusion of PPOs that propose effective regulation that provide supervision and monitoring of depository institutions such as credit unions, as well as the provision of technical and financial assistance programs that will contribute to the protection of deposits for cooperative depositories and smaller, less capitalized institutions. By implementing effective regulation and supervision, it will create a safe and sound credit union system which promotes confidence in the numerous national systems of cooperative credit.

Overall the paper does an excellent job of providing a roadmap for effective deposit insurance systems. However, we note the absence of data consisting of deposit

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<sup>1</sup> International Association of Deposit Insurers, *Public Policy Objectives for Deposit Insurance Systems ("PPOs")* (August, 2019), available at [https://www.iadi.org/en/assets/File/Papers/Consultation/IADI\\_PPO\\_Guidance\\_Paper\\_for\\_Public\\_Consultation.pdf](https://www.iadi.org/en/assets/File/Papers/Consultation/IADI_PPO_Guidance_Paper_for_Public_Consultation.pdf)

<sup>2</sup> World Council of Credit Unions, *2016 Statistical Report* (2017), available at <http://www.woccu.org/publications/statreport>.

insurance systems designed for credit unions. Many of those systems likewise are designed to provide regulation and supervision that create a safe and sound credit union system that promotes confidence in a select system of cooperative credit. Further, deposit insurance for credit unions is often a useful tool in helping to develop systems that provide provident credit particularly for the unbanked or underserved areas.

In the Basel Committee for Banking Supervision’s (“BCBS”) ‘Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion’, BCBS urged proportionality and tailoring regulations for the size, risk and complexity of the institutions regulated. For example, “this issue is under discussion in conjunction with the evolution of international capital standards. National regulators are encouraged to use their discretion to adjust their capital definitions and other elements of regulatory capital requirements to align with emerging guidance and sound practices.”<sup>3</sup> We likewise encourage IADI to include proportionality guidance expressly and clearly in the PPOs so that national level regulators have the clearance to properly tailor regulations for cooperative institutions that are often less complex and less risky than their for-profit bank counterparts.

We note that excellent systems related to deposit insurance for credit unions exist in many countries that value the ability of a well-designed and well-understood deposit insurance scheme for credit unions to contribute to the stability of a country’s financial system by reducing the incentive for depositors to withdraw their deposits following a loss of confidence in their institution or financial system. The U.S., Canada and Korea, Australia, Ireland, Poland, UK for example, have deposit insurance schemes for credit unions. Below is a summary of deposit insurance schemes that benefit credit unions within the US, Canada, United Kingdom, and Korea.

	Structure			
	US	UK	Canada	Korea
<b>Name of scheme</b>	National Credit Union Share Insurance Fund (NCUSIF)	Financial Services Compensation Scheme (FSCS)	Credit Union Deposit Insurance Corporation of British Columbia <sup>4</sup> (CUDIC)	Korea Deposit Insurance Corporation (KDIC)
<b>Type of entity</b>	An Independent Federal Agency	Public Limited Company.	Federal crown corp. owned by Government agency	Non-capital base special corporation
<b>Insured institutions</b>	All federally chartered and most state-chartered credit unions	Scheme for deposit institutions includes all authorized banks, building societies and credit unions	Credit unions in the province of British Columbia	Banks, mutual savings banks, credit unions & insurance companies.

<sup>3</sup> Basel Committee on Banking Supervision, Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion at page 22, note 55 (Sep. 2016), available at <https://www.bis.org/bcbs/publ/d383.htm>.

<sup>4</sup> \* In Canada, credit unions are not part of the national scheme for deposit institutions operated by the Canadian Deposit Insurance Corporation (CDIC) but are protected by provincially run deposit insurance schemes established specifically for credit unions.

<b>Separate scheme for credit unions</b>	Yes	No	Yes	No – but credit unions will be excluded from this scheme and the national association will establish a separate credit union scheme on 1/1/2004
<b>Safeguards to protect the Scheme</b>	Regulator is able to cause mergers and asset transfers, as well as provide technical assistance programs	Regulator is able to take enforcement action and impose sanctions to ensure prudent behavior	FICOM has authority to ensure financial stability and prudent operations. CUDIC guarantee 100% of credit union in event of a credit union failure.	KDIC is able to cause mergers and asset transfers, as well as provide financial support
<b>Governance</b>				
	<b>US</b>	<b>UK</b>	<b>Canada</b>	<b>Korea</b>
<b>Ownership of Scheme</b>	The regulator - National Credit Union Administration (NCUA)	FSCS	FICOM (Financial Institutions Commission) is a government agency and regulator that administers CUDIC.	KDIC
<b>Management of Scheme</b>	A three-person Board of Directors	Board of Directors consisting of industry professionals appointed by the regulator	CUDIC	Policy Committee is the decision-making body. Executive power is held by a Board of Directors
<b>Government involvement</b>	All 3 board members are appointed by the President of the US	The Chairman of the Board is a government appointment	FICOM and CUDIC are government agencies	Some members of the Policy Committee are government appointments
<b>Inter-relationships - regulators &amp; industry</b>	An arm of the regulator.	Independent from regulator. Board & advisory committees include industry experts	The provincial regulator, FICOM, operates CUDIC as a separate independent entity	Independent from regulator. Board consists of industry experts
<b>Membership</b>	Deposit insurance is compulsory for all credit unions. Federal chartered CUs are required to be insured with NCUSIF. State chartered CUs can choose NCUSIF or private insurer.	Compulsory for all financial services authorized by the regulator	Compulsory for all credit unions	Compulsory for all financial services
<b>Financial</b>				
	<b>US</b>	<b>UK</b>	<b>Canada</b>	<b>Korea</b>
<b>Funding of scheme</b>	Deposits from credit unions	Levies paid by protected institutions and an annual fee to cover the management costs of the scheme.	Insurance premiums from credit unions	Insurance premiums from protected institutions and contributions from government.
<b>Timing of payments</b>	Scheme has reached its "designated reserve ratio" of 3% of total insured deposits and annual payments are no longer required from majority if institutions	Scheme is an amalgamation of previously existing schemes. It is judged to have sufficient funds to meet needs. Currently only post-event levies would be requested if required following the failure of an institution. Payment is required within one month	Annual	Annual

<b>Rate of contribution paid</b>	1% of a credit union's insurable shares and deposits must be deposited and maintained in the scheme	If a levy is required, no more than 0.3% of protected deposits can be requested within a one year period	Premiums are determined by the level of risk of the institution	Premium rate is 0.3% of the average on total deposits and liabilities. This is expressed as: "(total average year deposit balance) X (30) / 10,000".
<b>Compensation</b>				
	<b>US</b>	<b>UK</b>	<b>Canada</b>	<b>Korea</b>
<b>Amount of depositor compensation</b>	Principal and interest up to: €226,519 US \$250,000	After Jan. 1 2017, up to £85,000 (US \$108,220), and up to £170,000 (US \$216,441) for joint accounts.	Deposits up to: €90,607 US \$100,000	Principal and interest up to: KRW 50 million US\$42,206
<b>Comparable to other forms of compensation?</b>	Same level of compensation as provided to customers of other depository institutions by Federal Deposit Insurance Corporation (FDIC)	Same level of compensation as provided to customers of banks and building societies	CUDIC provides same level of compensation as provided to bank consumer covered by Credit Deposit Insurance Corporation (CDIC)	Same level of compensation is provided to all
<b>When and how compensation is paid</b>	A cheque is mailed to last known address within several days of credit union being placed into liquidation	Failure is advertised in press and claims are invited and paid by cheque mailed to claimant	A depositor is required to confirm the amount of their deposit – the timescale for payment of compensation is therefore dependent upon the depositor. Payment is made by cheque.	Within two months of failure of institution, advertising of repayment of claims must occur

*\*For informational purposes only.*

Credit unions are instrumental in promoting financial stability and financial inclusion, and we ask IADI to consider these valuable contributions when crafting the PPOs so that they include objectives that protect and support cooperative banking. BCBS recognizes that a “growing number of governments have made financial inclusion a policy priority”. BCBS also emphasized that “[i]nter-agency coordination and consultation with nongovernmental stakeholders (eg industry associations and consumer organisations) are needed to have a set of consumer protection rules that are proportionate, incorporate consumer research insights, and take into account different consumer risks associated with different types of products, services and channels, particularly those targeting unserved and underserved consumers (including cooperative members)...”<sup>5</sup>

An increasing number of credit union movements are establishing a deposit protection insurance schemes<sup>6</sup>, and we encourage IADI to consider credit unions

<sup>5</sup> Basel Committee on Banking Supervision, Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion at page 3, 34 (Sep. 2016), available at <https://www.bis.org/bcbs/publ/d383.htm>.

<sup>6</sup> **Additional resources:**

[http://www.fsforum.org/publications/Guidance\\_deposit01.pdf](http://www.fsforum.org/publications/Guidance_deposit01.pdf) - “Guidance for Developing Effective Deposit Insurance Systems” This guidance was produced by a working group established by the Financial Stability Forum. It was published in September 2001, and updated in December 2002.  
[www.ncua.gov/ins](http://www.ncua.gov/ins) - website of the National Credit Union Share Insurance Fund, USA

and as an important and integral part of the financial system and include a customized approach to these institutions in the PPOs that will safeguard depositors and further support stability within the financial system.

World Council appreciates the opportunity to comment on the International Association of Deposit Insurers' Public Policy Objectives on Deposit Insurance Systems. If you have questions about our comments, please feel free to contact me at [aprice@woccu.org](mailto:aprice@woccu.org) or +1-202-843-0704.

Sincerely,



Andrew T. Price  
Vice President of Advocacy  
World Council of Credit Unions

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[www.cdic.ca](http://www.cdic.ca) – website of the Canadian Deposit Insurance Corporation, Canada;  
<https://www.cudicbc.ca/index.aspx?p=cudic/index> - Credit Union Deposit Insurance Corporation, Canada  
[www.kdic.or.kr](http://www.kdic.or.kr) – website of the Korea Deposit Insurance Corporation, Korea  
[www.fic.gov.bc.ca/cudic](http://www.fic.gov.bc.ca/cudic) - website of the Credit Union Deposit Insurance Corporation, British Columbia