

# EFDI Balkan Regional Meeting

*The Role of the Deposit Insurance Fund in  
boosting financial stability during political  
crises*

Ohrid, 23<sup>rd</sup> June



Albanian Deposit  
Insurance Agency

# The role of the deposit insurer in times of crises

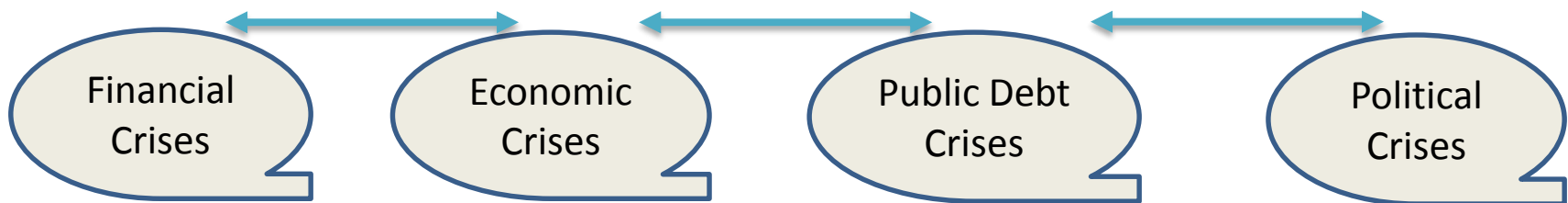


- ❖ Banks play a crucial role in the distribution of financial means in the banking system.

Banks

Collect deposits on one hand and allocate such resources to invest in or credit different kinds of projects on the other hand.

- ❖ This in itself carry risks for the bank itself, as well as for the banking system in its entirety.
- ❖ Risk is contagious and can divert from financial crisis, to an economic or political one, and vice versa.



# The role of the deposit insurer in times of crises

---



- ❖ Especially in such times of uncertainty and cautiousness, the roles and responsibilities of the deposit insurer must be carefully considered as any actions or omissions can create unnecessary tensions and panic in the system.
  
- ❖ The role of the deposit insurer is three fold:
  1. To **insure** deposits and **compensate** in case of an insurance event;
  
  2. To **strengthen capacities** of its staff and operational **readiness** for a payout event;
  
  3. To contribute in *strengthening financial stability and prevent panic and tensions in the banking system.*



- ❖ How have other European Deposit Insurers responded to situations of crises or tensions to the financial system:
  - ❖ Frequent public appearances/messages: press conferences, presence on website or social media.
  - ❖ Increase of the maximum coverage level (up to 100.000 EUR).
  - ❖ Expansion of the deposit insurance scheme through inclusion of other non-bank financial institutions.
  - ❖ Insuring other types of savings/financial instruments in these institutions in order to encourage their use.
  - ❖ Strengthening cooperation with other national financial safety institutions or homologous strategic deposit insurance authorities.



- ❖ How has DIA Albania responded to situations of crises or tensions:
  - ❖ Inception in **2002**: Sends out wrong message to the public – Bank runs. ADIA responds by frequent appearances to the public.
  - ❖ Financial crises in **2009**: the Agency increased its coverage limit from 5,000 EUR to 18,000 EUR – an increase of almost 260%.
  - ❖ Greek political and economic crises **2015**: the Agency monitored the impact on the Albanian banking system (3



## ❖ Greek crises – ADIA took the following actions:

1. **Daily reports on the status of deposits** – ADIA to follow the flow of deposits in the system.
2. **Stress-tests on Greek banks** – constantly retrieving specific indicators and testing these under unfavourable economic scenarios. ADIA analysed whether these banks had enough capital to withstand the impact of potential adverse developments.
3. **ADIA interrupted investing its funds in long term debt securities** – increase of financial readiness in case of an insurance event.
4. **ADIA waived from the amortisation of the Credit Line from the EBRD** – same level of 100 million EUR maintained for any potential eventuality arising as a result of the crisis.
5. **Daily communication with all banks, the Supervisory Authority (Bank of Albania) and the Albanian Association of Banks.** Press conferences and all other public appearances were coordinated in order to transmit safety and confidence to the public.

# *The role of the deposit insurer in times of crises*

Thanks for your Attention!



Albanian Deposit  
Insurance Agency