

EFDI Balkan Regional Meeting

Cross regional financial support

Ohrid, 23rd June



Albanian Deposit
Insurance Agency

Cross regional financial support



- ❖ Having in place appropriate and effective funding arrangements helps support financial stability
- ❖ Effective funding and liquidity arrangements ensure prompt reimbursement of depositors
- ❖ It is crucial that such arrangements and mechanism be implemented in calm times
- ❖ Diversity in the type of arrangements and counterparties related to funding, can be costly, but increases the chances in successfully fulfilling the obligations toward insured depositors
- ❖ Cross regional funding between deposit insurers is an alternative mechanism to be considered in addressing the above



ADIA uses and sources of funding and liquidity are explicitly set out in the Law on Deposit Insurance

- ❖ The Agency has the right to borrow funds and can guarantee them with its current or future assets
- ❖ ADIA has funding and liquidity arrangements in place with the Government, Central Bank and Financial Institutions
- ❖ The uses of the deposit insurance fund in Albania are clearly set out in the Law on Deposit Insurance (cross regional financial support not set in the law)

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For cross regional funding arrangements to be effective both from a lending and borrowing perspective, we need to take into consideration the following aspects:

- ❖ **Technical** – how would the mechanism work (funding between schemes, regional deposit insurance fund with contributions from members), will it be considered sovereign borrowing/lending, or just funding between schemes etc.
- ❖ **Regulatory** – changes need to be made in local legislations and regulations; regulatory stability and harmonization are key
- ❖ **Political** – Citizens and depositors due to lack of confidence in the state authorities can be sceptical; how committed is politics to implement it; how do political mood swings affect current and future commitments

Such arrangements/mechanisms can increase the effectiveness of the deposit insurance schemes but...

If not properly implemented and backed there is the risk for deposit insurance schemes to be discredited and undermine depositor confidence.

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Thanks for your Attention!



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