

# Treasury Guest Lecture

Guest Lecturer: David Walker

## Deposit Insurance: Background, core principles and system overviews

### Abstract

Deposit insurance is a key component of the financial safety net in almost all advanced countries. By guaranteeing depositors against the risk of loss in a bank failure event, deposit insurance is designed to contribute to depositor confidence and protect against disorderly bank runs and contagion. In doing so, however, it distorts risk-management incentives and can lead to greater risk taking by depositors and their banks, potentially undoing the financial stability benefits that it is intended to advance.

The effectiveness of deposit insurance systems around the world were severely tested during the Global Financial Crisis. Many countries responded by strengthening their deposit insurance arrangements in the crisis' wake - converging on higher insured limits, broader coverage, upfront funding, and faster pay-outs. In contrast, New Zealand chose to remove its emergency deposit guarantee arrangements, re-instating a pre-crisis setting of no formal protections for depositors. This is a policy stance focused on encouraging sound risk-management practices, but puts New Zealand increasingly at odds with its international peers, and is actively being re-assessed as part of the Review of the Reserve Bank of New Zealand Act currently underway.

In this lecture, David Walker will lead a discussion on the objectives of deposit insurance, the core principles for effective deposit insurance systems, the common approaches to deposit insurance systems seen around the world, and the lessons learned and new challenges in deposit insurance that have emerged since the crisis.

### About the presenter

Mr. Walker is responsible for providing leadership in the development and execution of IADI's business plans and in directing its daily operations. Mr. Walker has experience in deposit insurance, bank resolution, financial regulation and economics. During 2008-16, he chaired the IADI Guidance Group and was instrumental in developing IADI's *Core Principles for Effective Deposit Insurance Systems*.

Mr. Walker has also been active with the Financial Stability Board Resolution Steering Group and participated in the development of the *Key Attributes of Effective Resolution Regimes* and its associated guidance. He has worked with organisations such as the International Monetary Fund, the World Bank and the Bank for International Settlements and has provided technical assistance to over 40 jurisdictions.

Prior to joining IADI, Mr. Walker spent over 20 years with the Canada Deposit Insurance Corporation in insurance and risk assessment roles, policy development and international affairs. He also held positions with the Royal Bank of Canada and the Ministry of Finance. Mr. Walker has an MBA in Finance and an MA in International Economics from McGill University.

Monday  
28 January

Level 5  
1 The Terrace

2.30pm - 4.00pm

### RSVP

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