

FDIC News

The Federal Deposit Insurance Corporation Employee Newsletter

NOVEMBER 2011

VOLUME 31, ISSUE 11

FDIC Plays Important Role in Formulating Ukraine's Deposit Insurance Model

By KATHY ZEIDLER
Office of Public Affairs

As the oldest and largest governmental deposit insurer still in operation, the FDIC has long been a valuable source of training, expert consultation, and examination and resolutions assistance to foreign bank supervisory authorities, deposit insurers, foreign central banks, and other foreign government agencies. Recent meetings between FDIC staff and senior officials of the Ukraine Deposit Guarantee Fund (DGF) and the National Bank of Ukraine (NBU) shined a spotlight on this important role.

In late October, the Dallas Regional Office and headquarters each hosted a delegation from Ukraine for a series of meetings, in keeping with a five-year technical assistance Memorandum of Understanding (MOU) signed on January 12, 2011. "Recently proposed changes in Ukrainian bank law will transfer powers from the NBU to the DGF to resolve failed banks," explained Gail Verley, Senior Advisor in the Office of International Affairs (OIA). "The MOU represents a commitment by the FDIC to help the DGF develop the necessary policies and procedures to expand its authority as a deposit insurance organization. The meetings in Dallas and Washington were the first phase of MOU implementation."

A Developing Partnership

The FDIC had been working with Ukrainian representatives on their deposit insurance model even before the MOU was signed. "In 2010, the World Bank requested FDIC technical assistance to help the DGF in its future role of resolving failed banks," said Bob Carpenter, Counsel in the Dallas Regional Office's Legal Division. Subse-

quently, in October 2010, Carpenter and Sandra M. White, retired DRR Assistant Regional Manager, traveled to Ukraine to conduct a deposit insurance workshop for Ukrainian bank regulatory and deposit insurance agency staff. The workshop included three days of formal presentations and two days of in-depth, small group staff discussions. The workshop was intended to help Ukraine transform its deposit insurance

MOU Implementation

The Ukrainian delegation that visited the Dallas Regional Office consisted of four senior representatives from the DGF; a senior official from the NBU, which is the primary regulator for Ukrainian banks; and a translator. Staff from the Division of Resolutions and Receiverships (DRR) and the Legal Division briefed the delegation on the franchise marketing and bank closing processes, and on

Protection, and DRR briefed the delegation on a wide range of topics, including information technology, finance, banking system risk, depositor and consumer protection, and DRR human resources.

Jim Gallagher, DRR Senior Franchise and Asset Marketing Specialist, said that he found participating in the FDIC's technical assistance efforts "extremely rewarding." Gallagher explained that the DGF plans to



A delegation from Ukraine visits the FDIC's Dallas Regional Office to learn about franchise and asset marketing and other bank resolution topics. Delegation members with FDIC staff, from left: Sergii Naboka, Roman Rym, Andrii Olenchuk, Nataliia Lapaieva, and Liudmyla Lashchuk, all of the Deposit Guarantee Fund, Ukraine; George Fritz, DRR; Oleksii Tkachenko, National Bank of Ukraine; Jim Gallagher, DRR; and Bob Carpenter, Legal.

function from a simple "paybox" scheme—in which the insurer pays depositors but does not handle resolutions or monitoring of insured banks—to one with some limited risk-management functions.

DGF officials later asked the FDIC for additional assistance. "They said that they wanted to work with the best in the world," Carpenter said. The FDIC and the DGF then entered into the technical assistance MOU, and FDIC staff began working on phase one implementation by planning the meetings in Dallas and Washington, D.C.

asset management and marketing following a bank failure. Staff from the Dallas Region's Division of Risk Management Supervision (RMS) also briefed the delegation on the structure of the U.S. banking system and the role of the various U.S. regulatory agencies.

The Ukrainian delegation that visited headquarters was composed of four senior DGF officials and a translator. After an introductory meeting with OIA, staff from the Division of Insurance and Research, Division of Finance, Division of Information Technology, Division of Depositor and Consumer

adopt many aspects of FDIC deposit insurance as its model. "To think that the FDIC's expertise will help the DGF carry out its mission and that it will change how the DGF manages its deposit insurance fund and bank resolutions is truly exciting," he said.

The FDIC's MOU with Ukraine is unique in that it involves a long-term development program under a continuing agreement, Verley explained. "For the second phase of MOU implementation, the FDIC will host functional teams from DGF that will observe the FDIC performing key activities," she said. ■