

# Preliminary Results of Survey on DIF Target Ratio

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# Outline

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1. Survey Objective
2. Background
3. Respondents' Profile
4. Preliminary Survey Results
  - A. DIAs with target fund
  - B. DIAs without target fund
5. Findings/Conclusions (Preliminary)
6. Next Steps

# Survey Objective

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To gather data and information on practices of DIAs that will address the issues identified in the Research Plan

# Background

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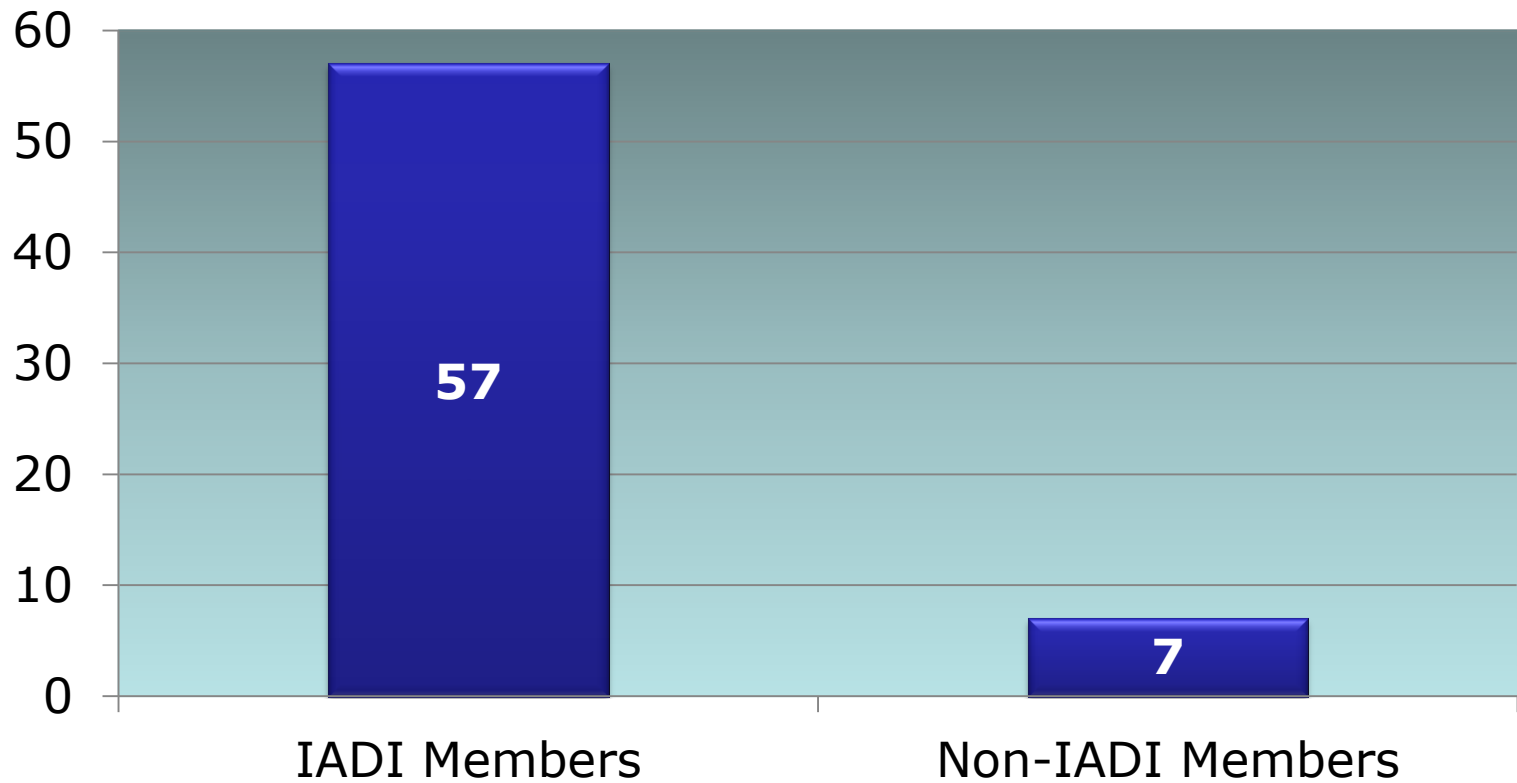
- IADI's online survey tool was used
- Survey questionnaire distributed on April 23
- Submission extended 2x; online system closed on May 22
- Results obtained on May 26
  - 64 respondents
  - Seven (7) DIAs have not closed their surveys
- Survey results supplemented by data on respondents' profile taken from the IADI Annual Survey Results

# Respondents' Profile

- Taken from database of IADI annual survey
  - Information based on December 2013 cut-off
- Survey on DIF Target based on December 2014 cut-off

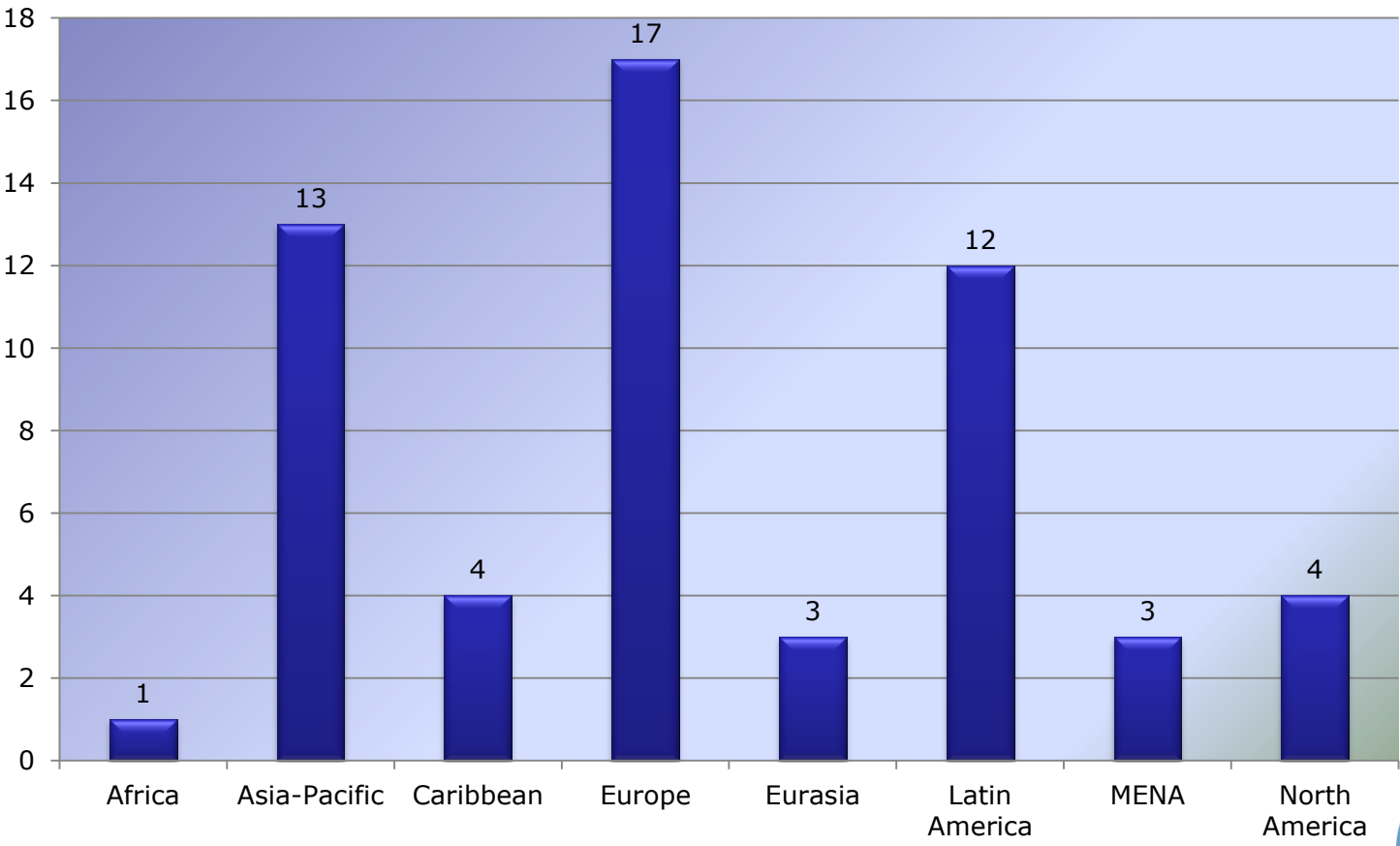
# Respondents' Profile

Total DIA Respondents: 64



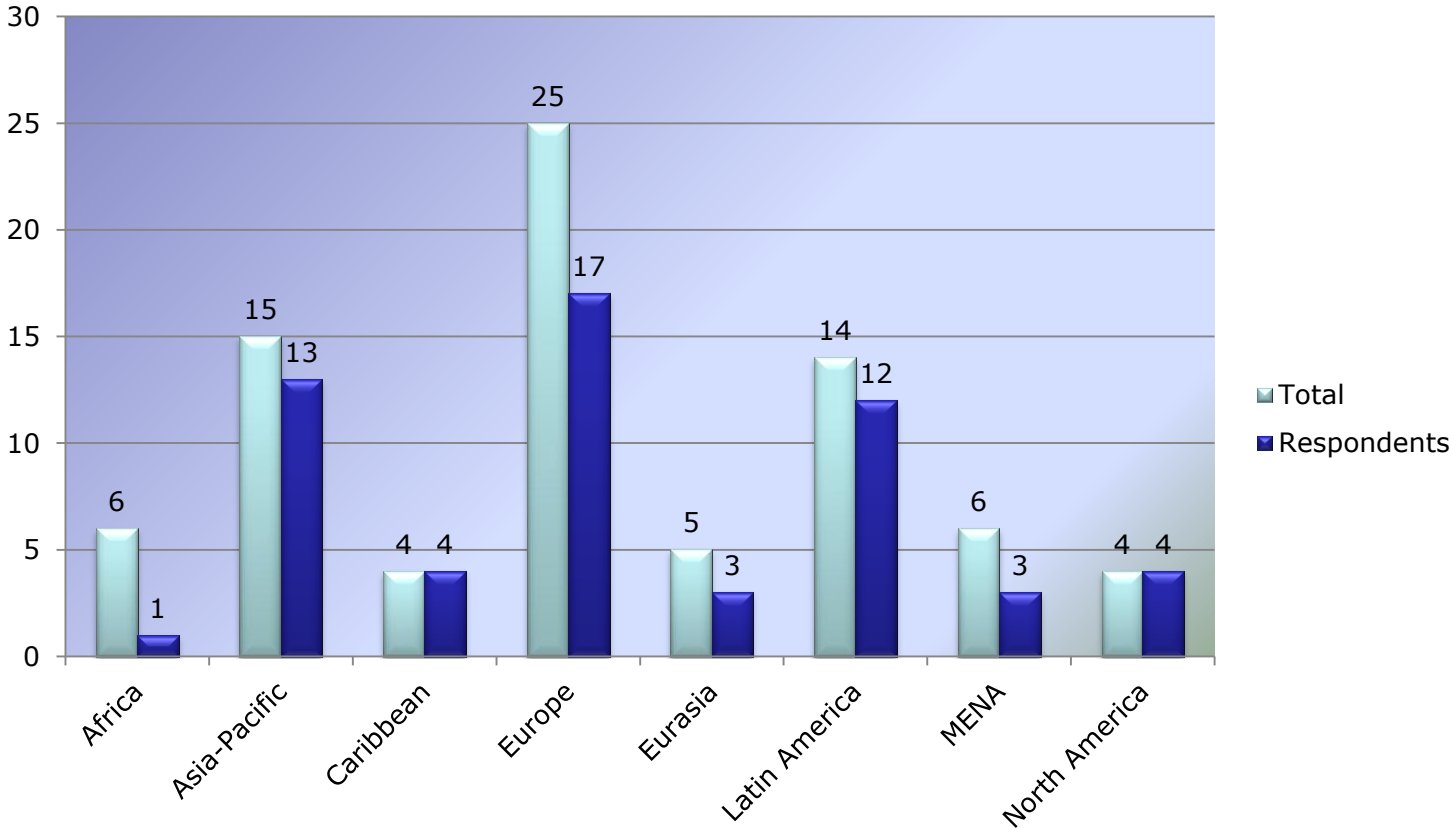
# Respondents' Profile

## Regional Distribution (IADI Member Respondents)



# Respondents' Profile

## Total IADI Members vs. IADI Member Respondents

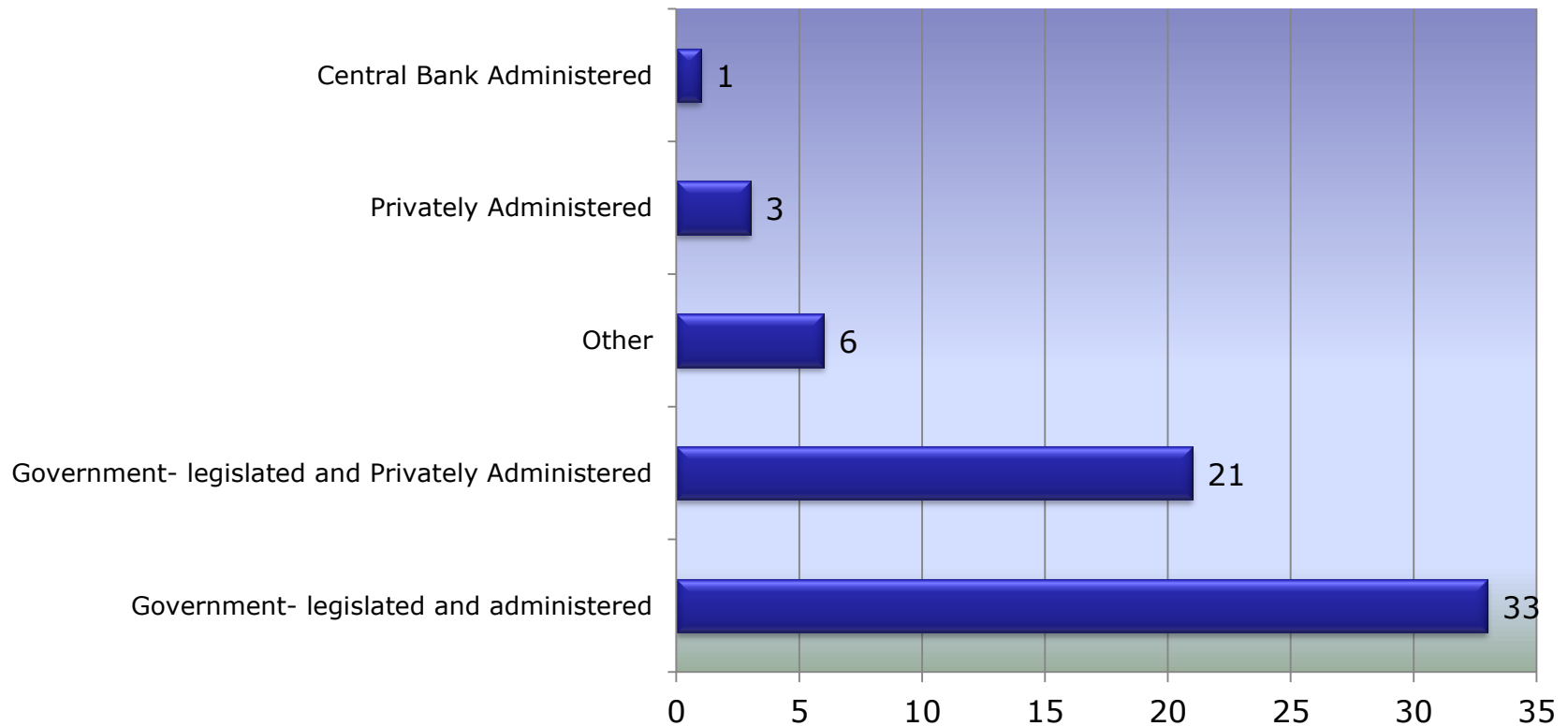




# Respondents' Profile

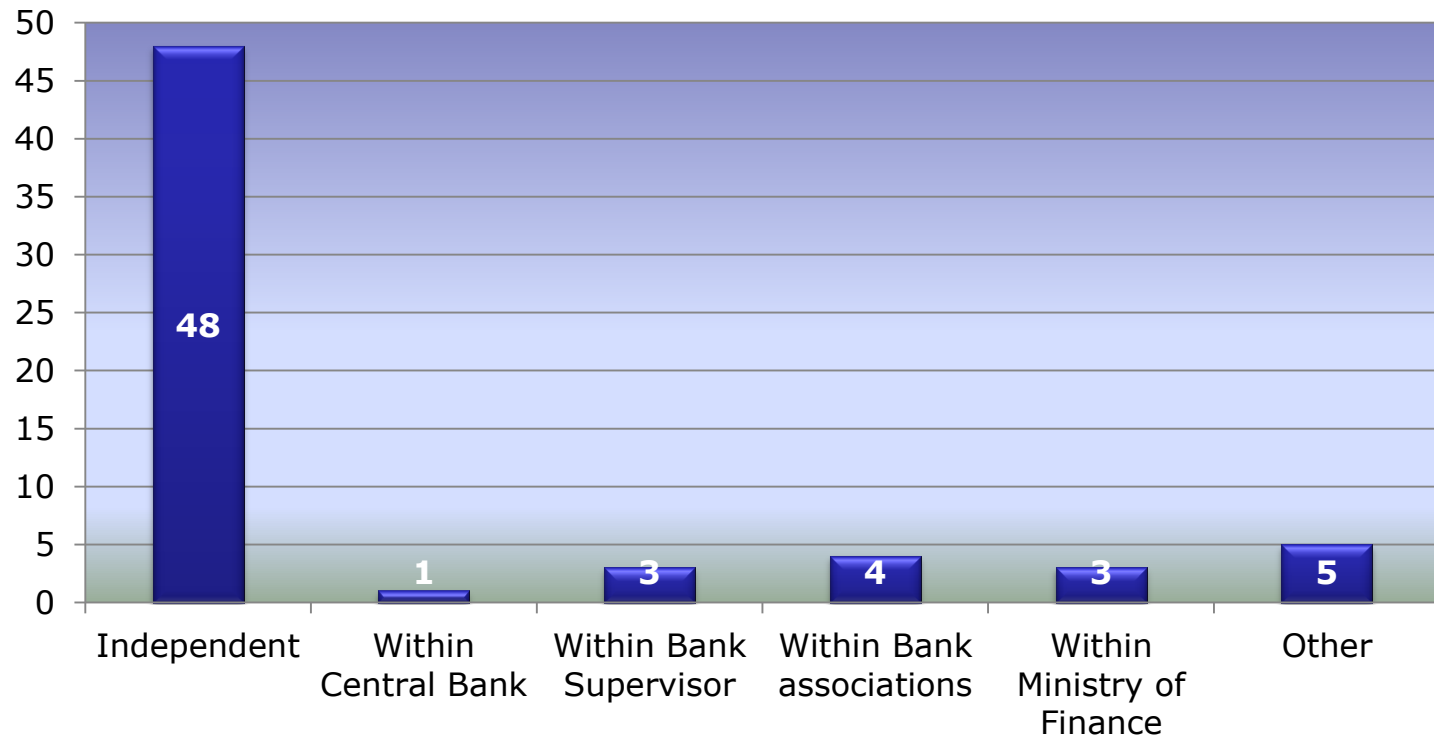
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## Type of Deposit Insurance System



# Respondents' Profile

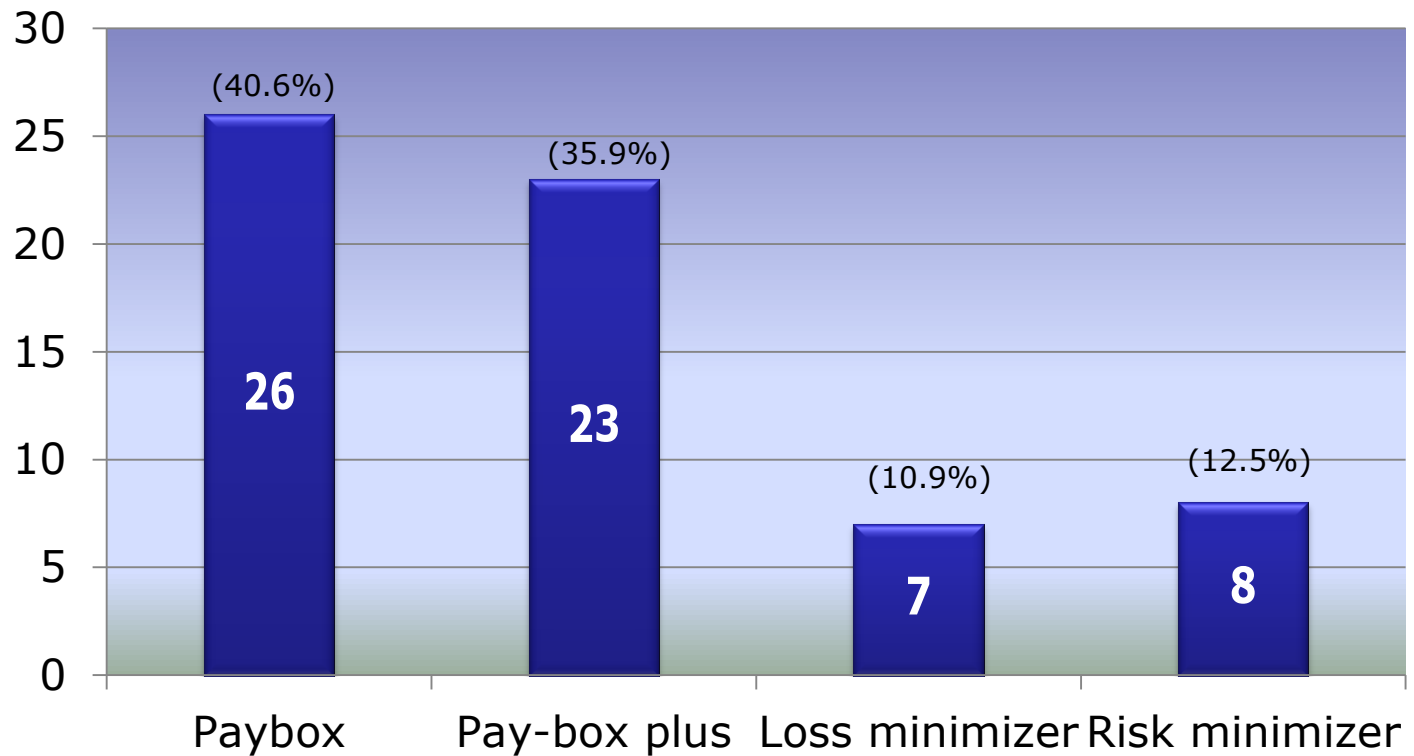
## Legal Structure



# Respondents' Profile

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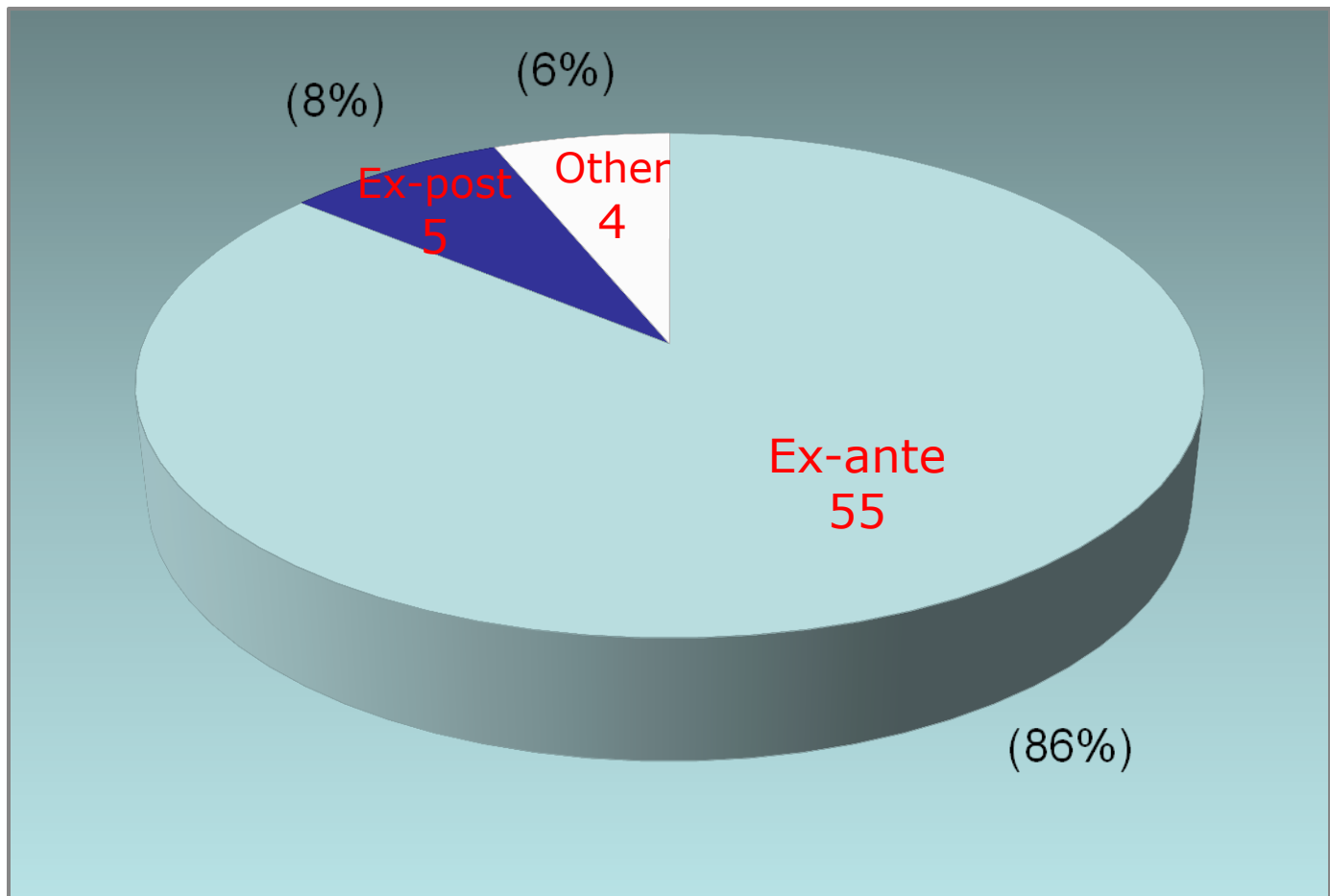
## Mandate



# Respondents' Profile

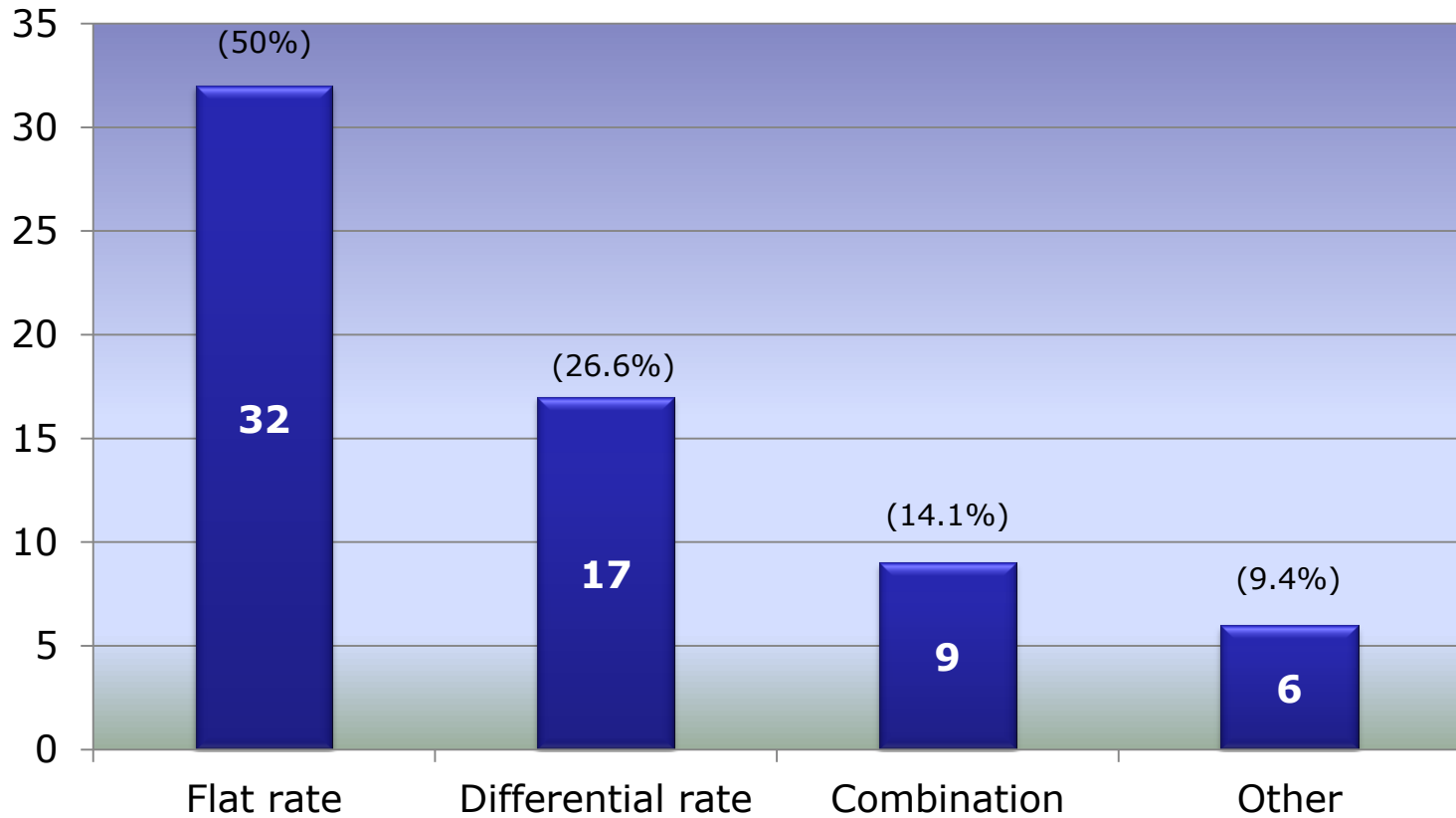
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## Type of Funding



# Respondents' Profile

## Method of Premium Assessment



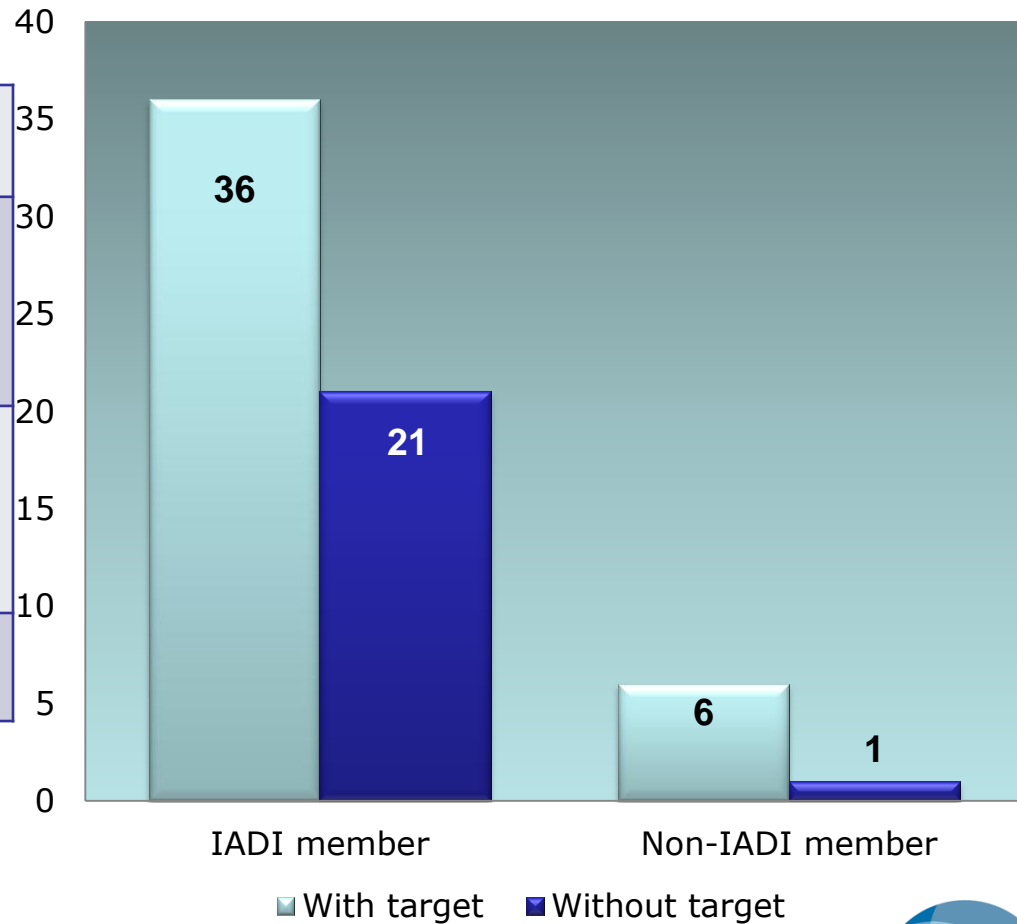
# DIFTR Survey Results: Data Adjustments

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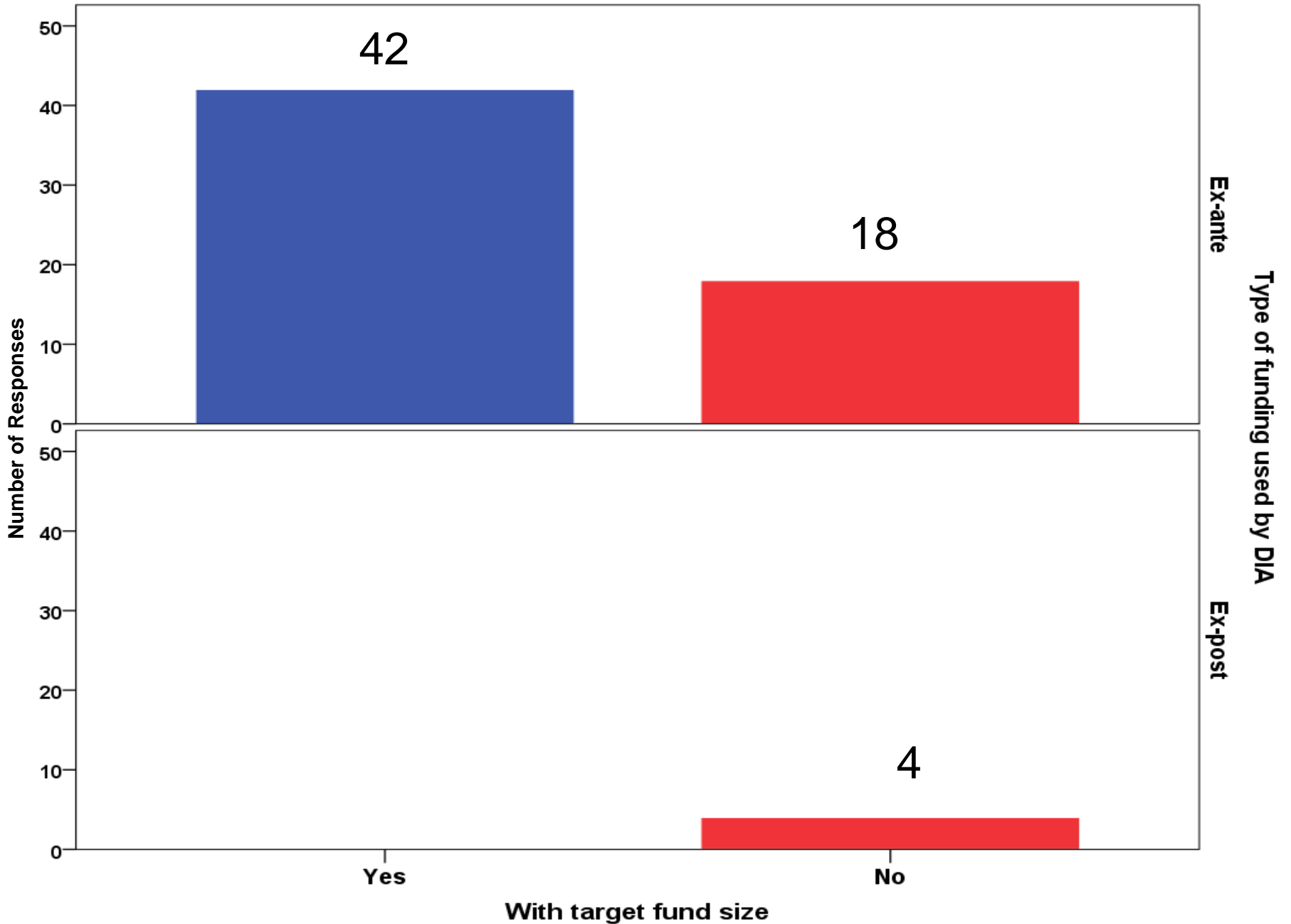
1. DIAs indicating target fund as both amount and ratio were classified having ratios as target
2. Adjustments for consistency of some DIA replies to follow-up questions.
3. Reclassification of some responses under “Other” to appropriate categories in the selection

# Survey Results

	With Target	Without Target	Total
IADI Member	36	21	57
Non-IADI Member	6	1	7
Total	42	22	64



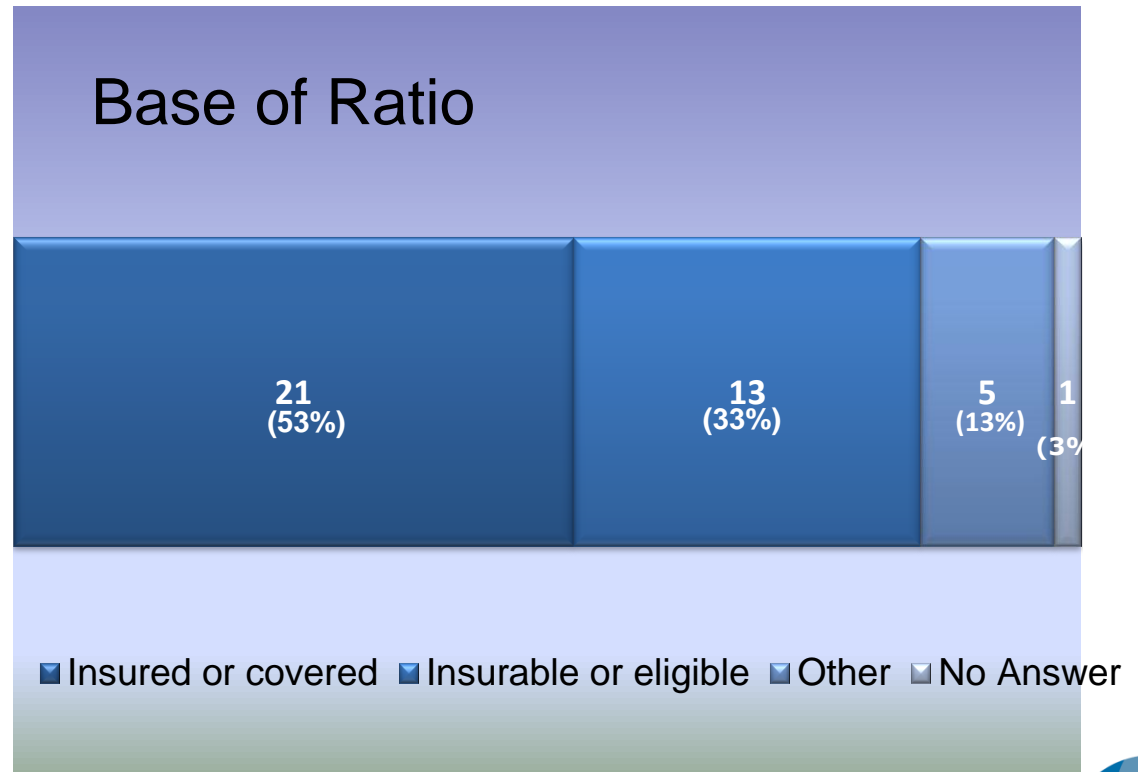
# DIF TARGETING AND FUNDING TYPE





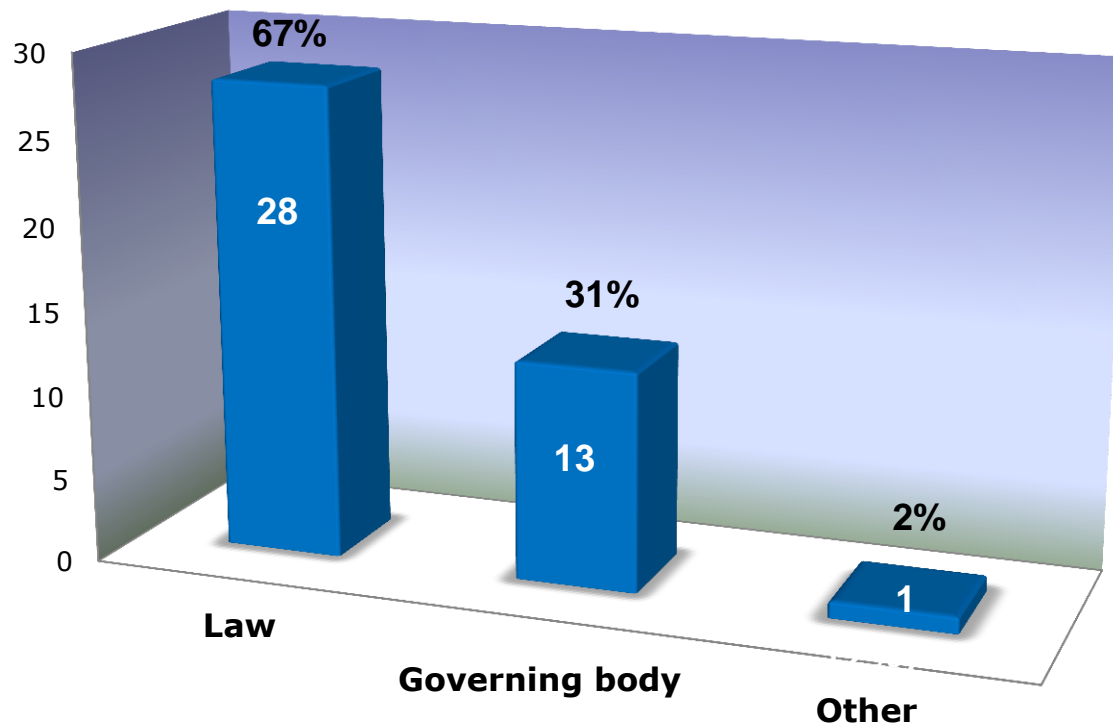
# Survey Results: DIAs with Target Fund

With Target Fund	Total
Amount	2
Ratio	40
<b>TOTAL</b>	<b>42</b>



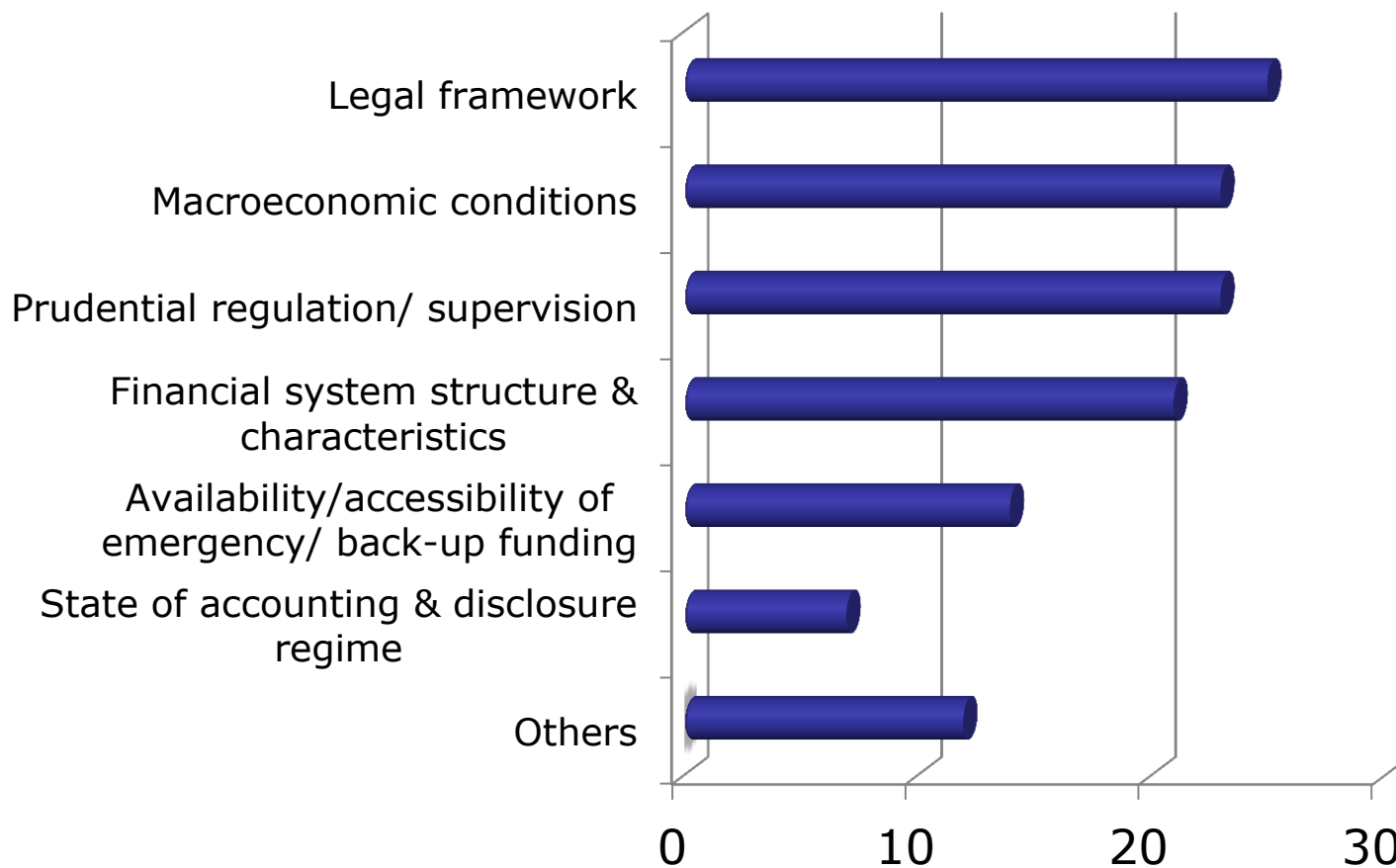
# Survey Results: DIAs with Target Fund

## How Target Fund Size is Set



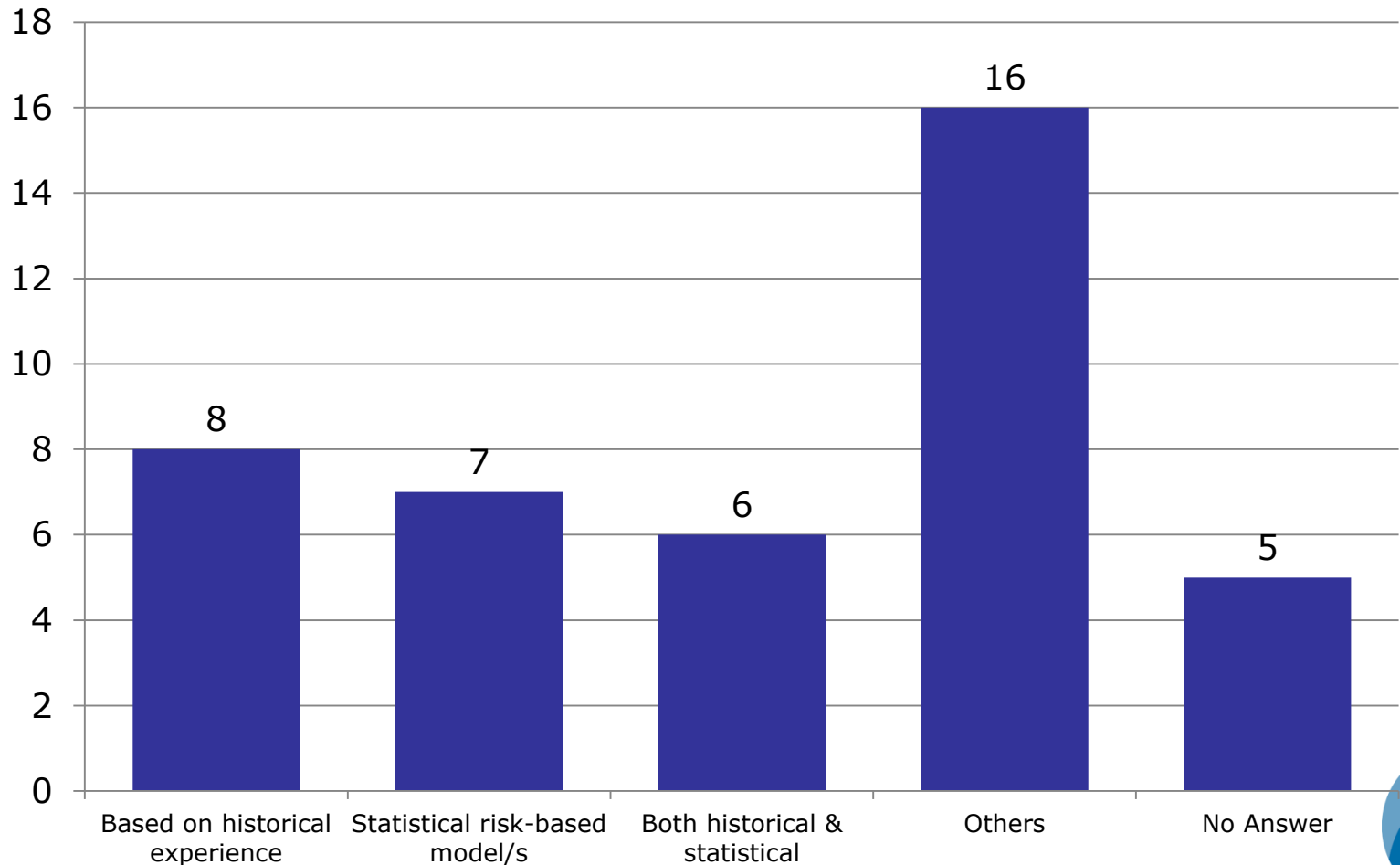
# Survey Results: DIAs with Target Fund

## Factors considered in Setting the Target Fund Size



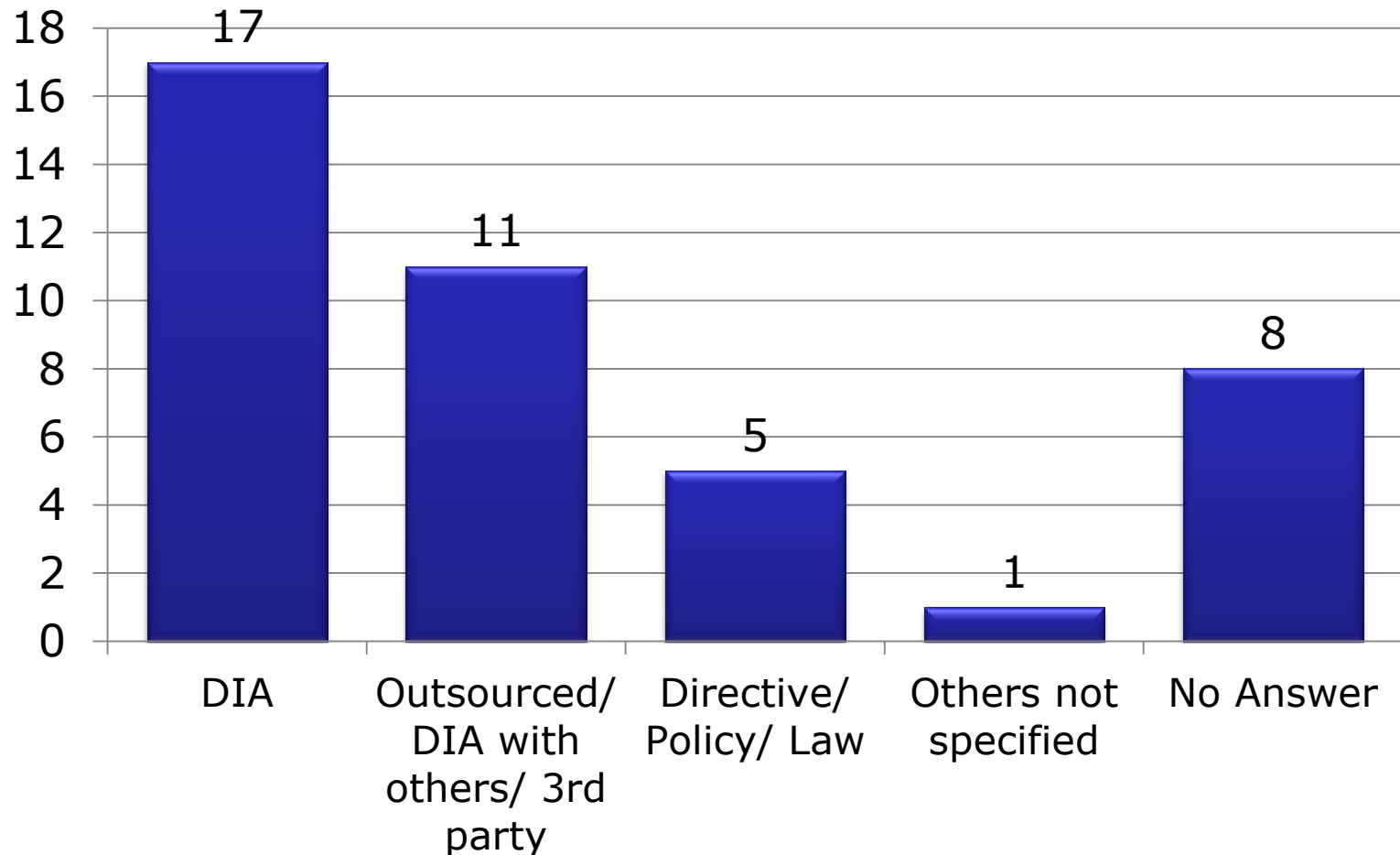
# Survey Results: DIAs with Target Fund

## Method Used in Estimating the Target Fund Size



# Survey Results: DIAs with Target Fund

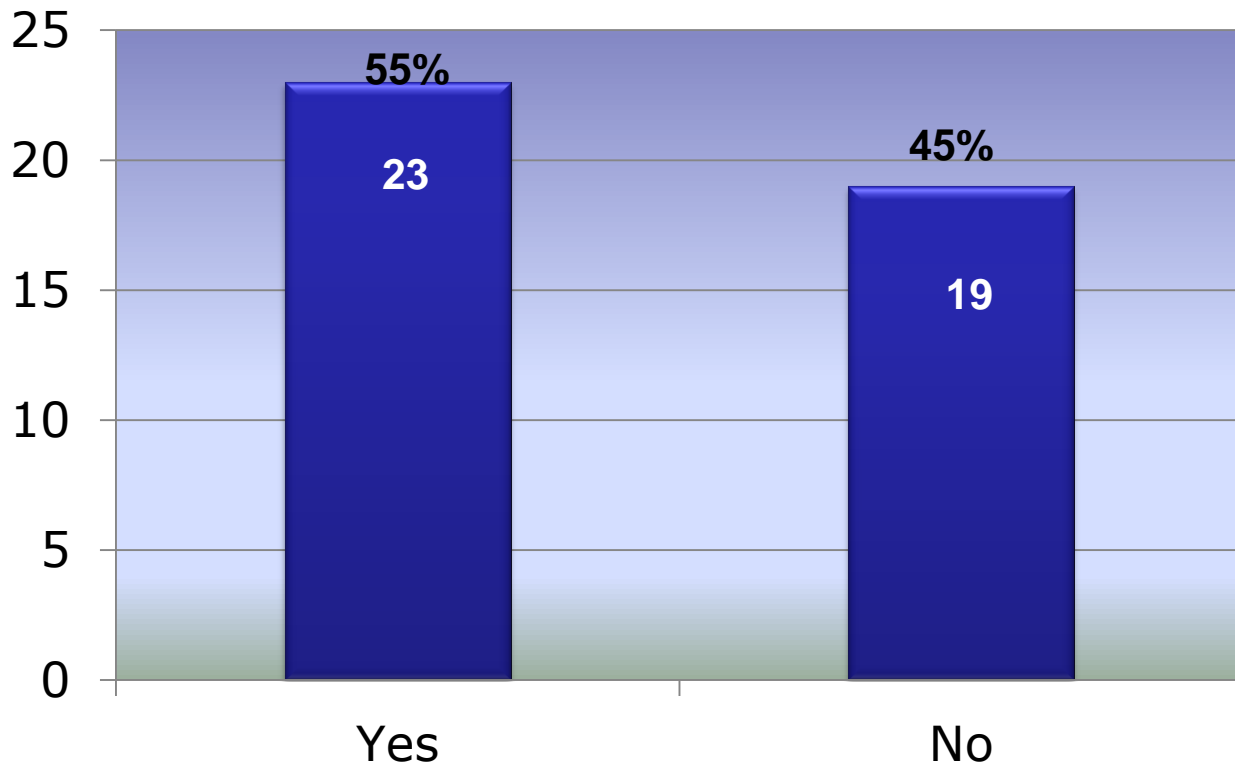
## Who Developed the Estimation Method?



# Survey Results: DIAs with Target Fund

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## With Time Frame to Achieve the Target



# Survey Results: DIAs with Target Fund

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**For those with Time Frame, Status of Achieving the Target**

<b>On schedule</b>	<b>Ahead of schedule</b>	<b>Not on schedule</b>
<b>15</b> (65%)	<b>2</b> (9%)	<b>6</b> (26%)

# Survey Results:

## DIAAs with Target Fund

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### Reasons cited by the 2 DIAAs for achieving the target fund ahead of schedule

- Higher premium collections than expected
- Higher income from investments than expected
- Lower resolution cost due to improved financial condition of member institutions
- Improved regulatory environment



# Survey Results: DIAs with Target Fund

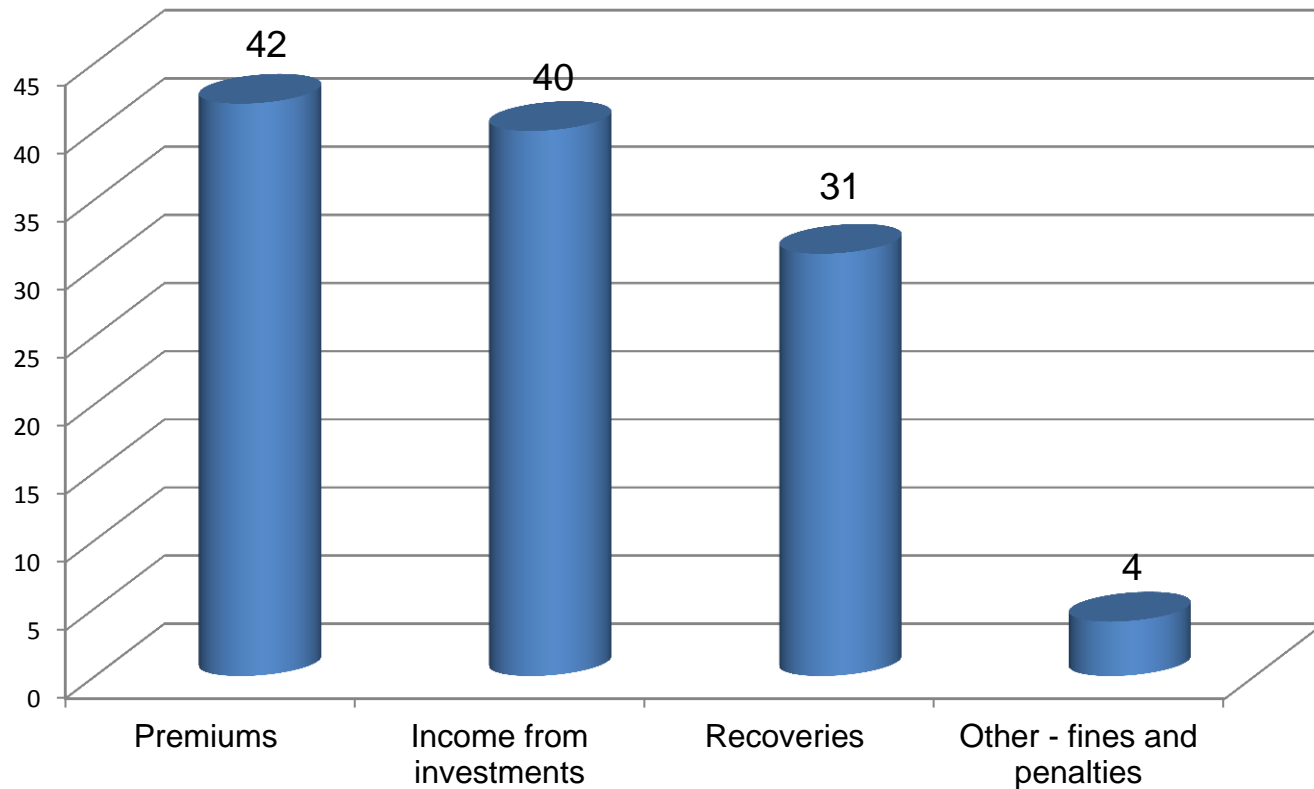
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## Reasons cited by the 6 DIAs for not achieving the target fund on schedule

- Lower premium collections than expected
- Lower income from investments than expected
- Higher resolution cost due to deteriorating financial condition of member institutions

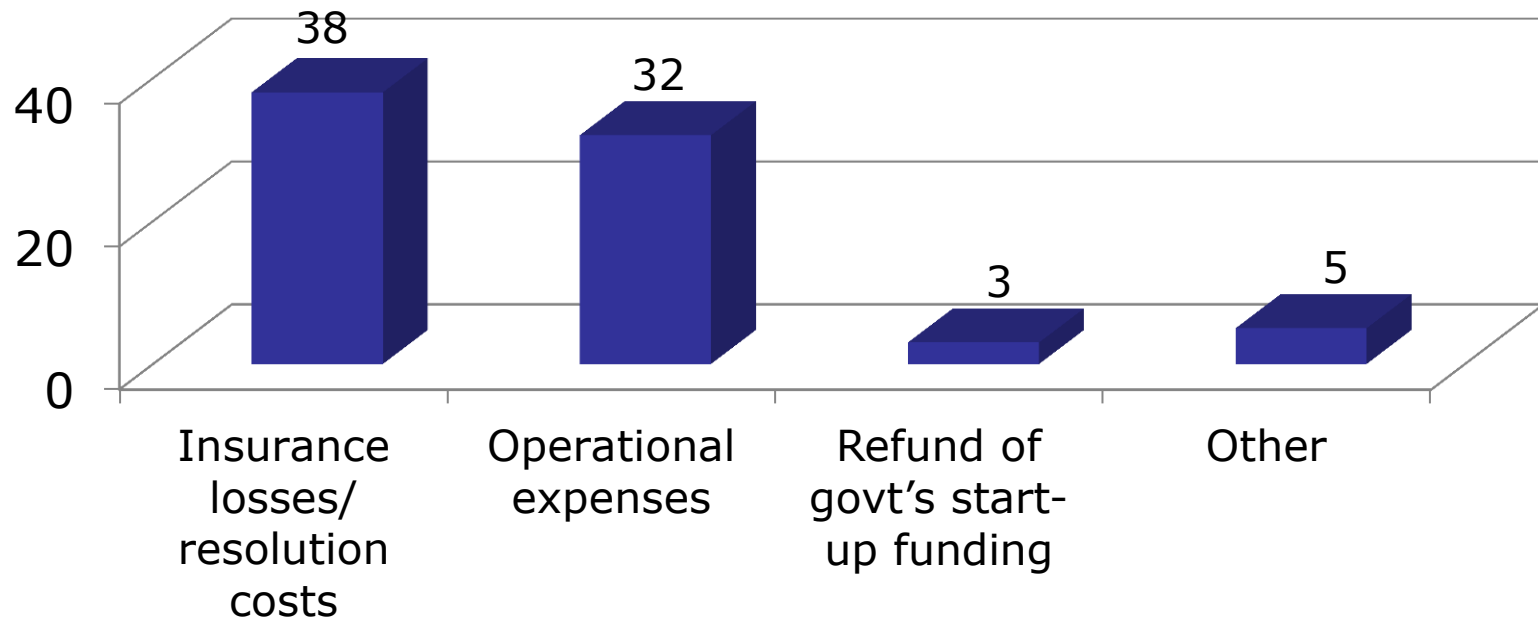
# Survey Results: DIAs with Target Fund

## Fund Sources



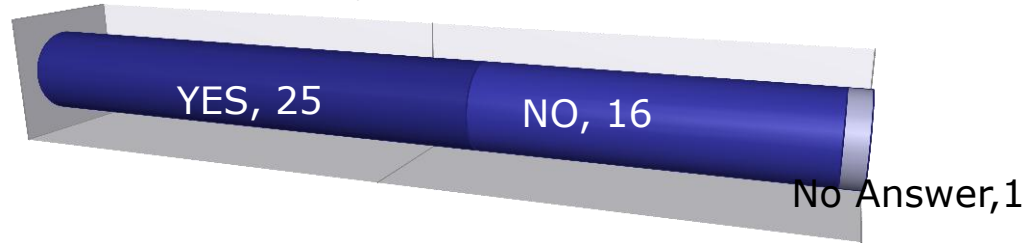
# Survey Results: DIAs with Target Fund

## Fund Uses

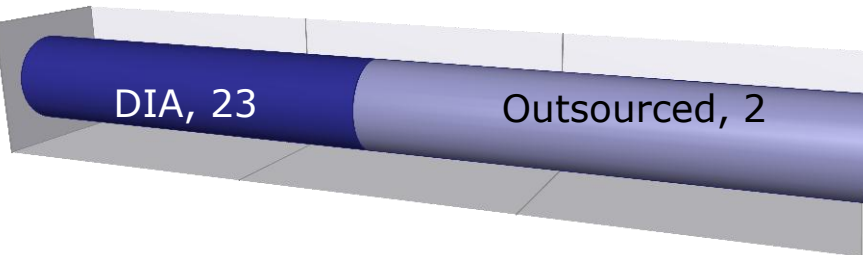


# Survey Results: DIAs with Target Fund

Is the target fund subject to periodic review?



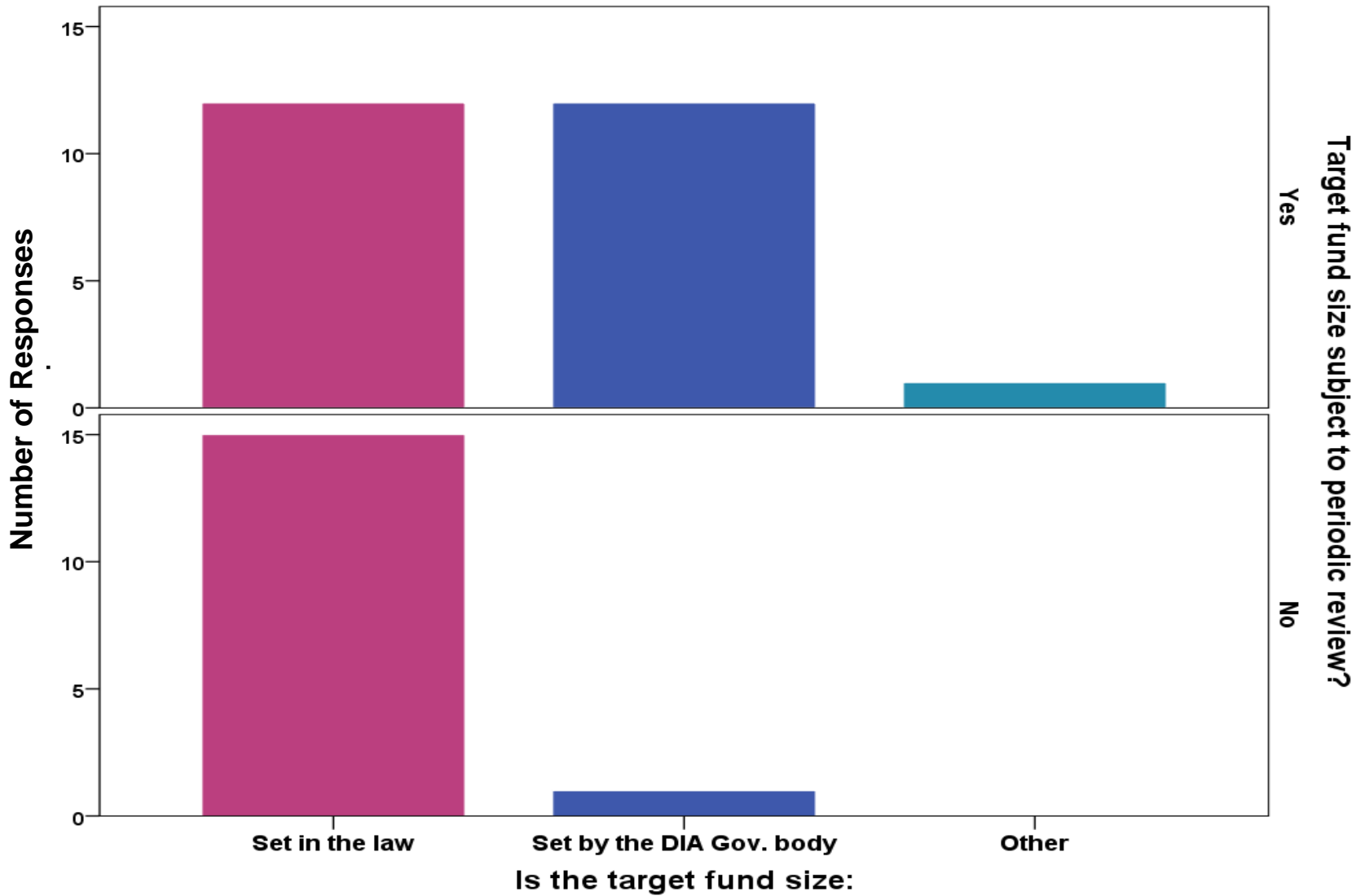
By whom?



How often?



# TARGET FUND SIZE SETTING AND REVIEW



# Survey Results:

## DIAs with Target Fund

### Conditions that will trigger a review for DIAs not conducting periodic review

Changes in macroeconomic environment, response to credit crisis

Increase in bank failure

Increase in guarantee/protection limit

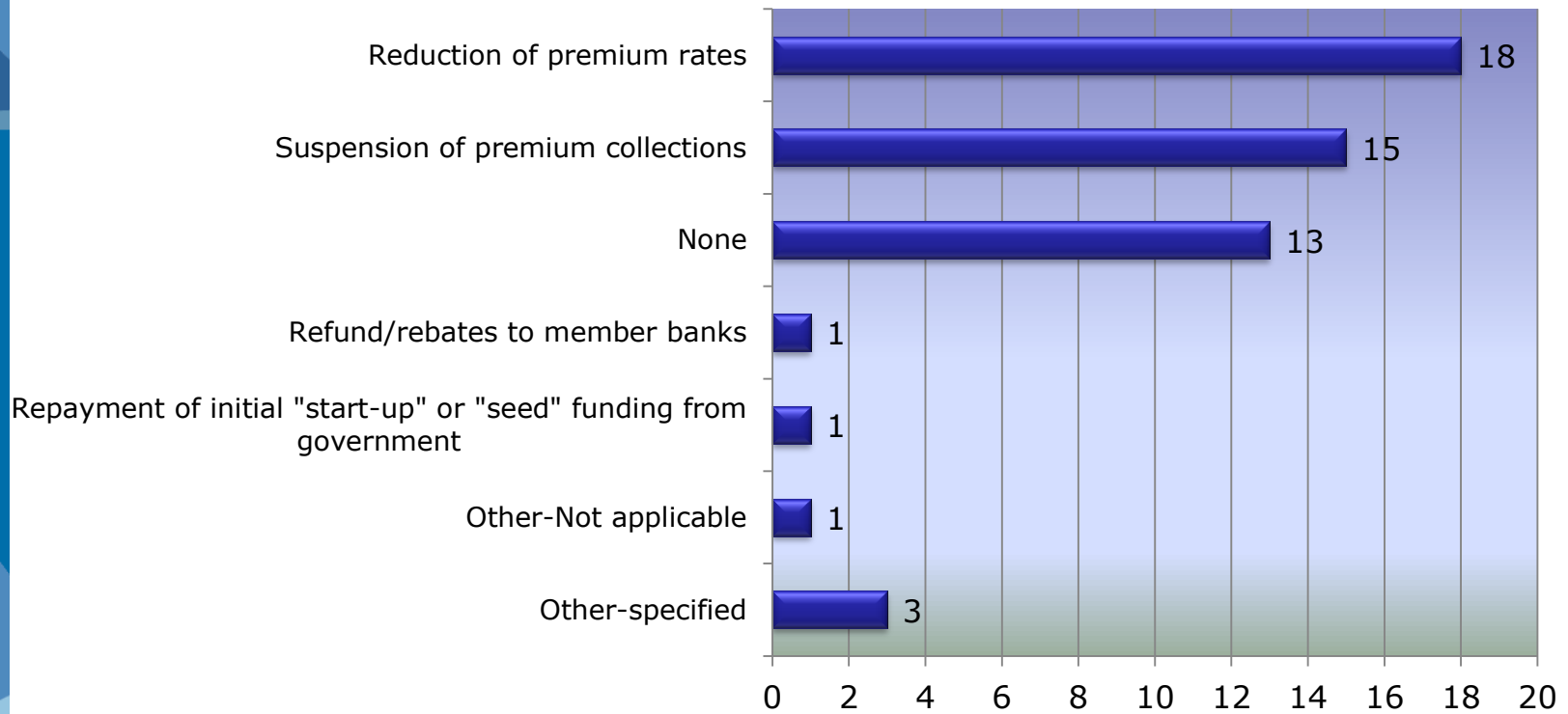
EU Commission review

Review of mandates and powers

No trigger

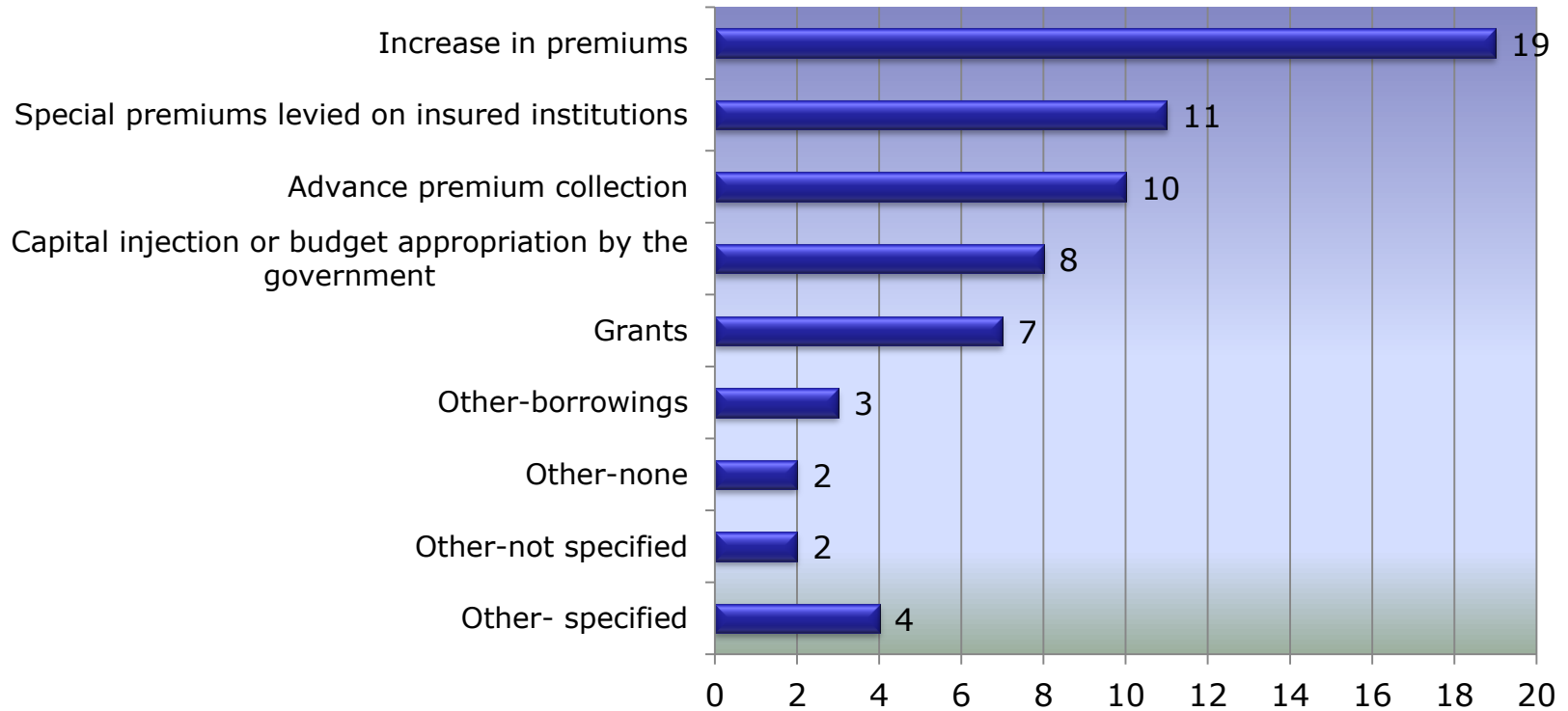
# Survey Results: DIAs with Target Fund

## Policy Responses when Target Fund Size is Reached



# Survey Results: DIAs with Target Fund

## Policy Actions to Fund DIF Shortfall against Target





# Survey Results:

## DIAs with Target Fund

**Has there been a Change in the Target Fund Size?**

Yes	16
No	25
No Answer	1

If yes, what triggered the change?

### **Some Responses:**

Changes in macroeconomic environment

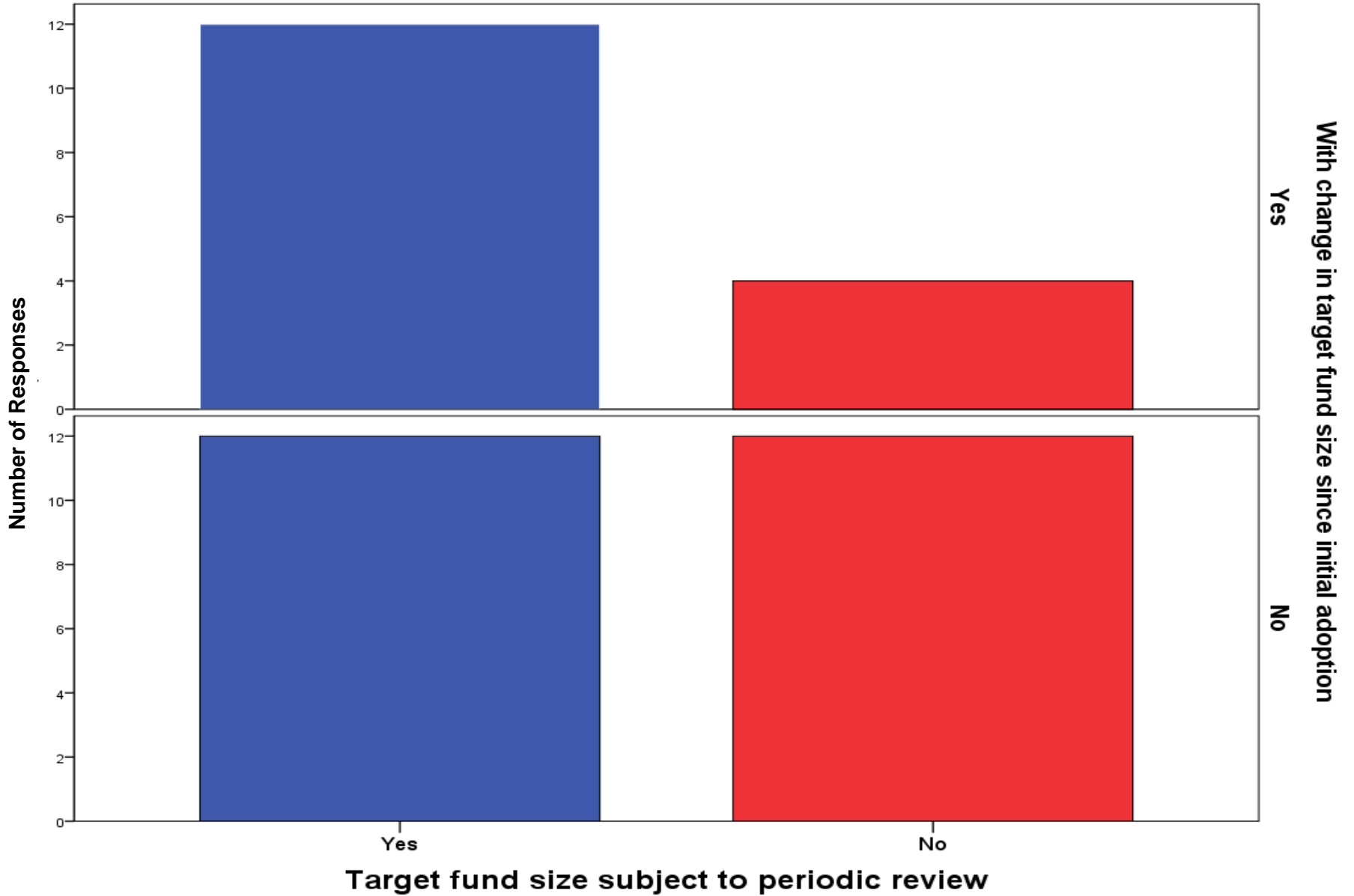
In response to credit crisis and international movement to higher targets

Recent comprehensive review / Review & enhancement of insurance reserves targeting framework / Result of periodic review

Increase in coverage/ guarantee amount / deposit protection limit

New DGS Directive

# TARGET FUND SIZE REVIEW AND CHANGE



# Survey Results:

## DIAs with Target Fund

**Has there been a Change in the Method of Estimation since the Initial Adoption of a Target?**

Yes	5
No	34
No Answer	3

If yes, what triggered the change?

### Summary of Responses:

Changes in economic conditions & credit union systems

IADI guidance & best practice

Fine tuning of model, settings & assumptions

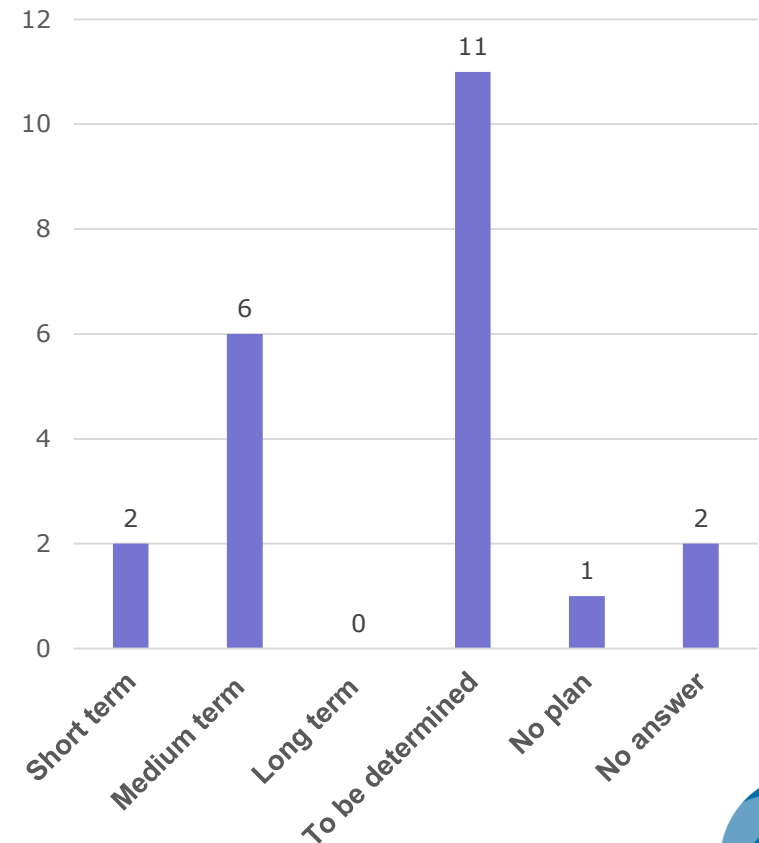
Legislation

Review/enhancement of targeting framework

# Survey Results: DIAs without Target Fund

## Time Frame to Set up Target Fund

Short-term	2
Medium-term	6
Long-term	0
To be determined	11
No Answer	2
No plan	1
Total	22



# Findings/Conclusions (Preliminary)

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1. Almost two-thirds of DIA respondents have target fund size, predominantly expressed in ratios.
  - 70% of ex-ante funded DIAs have target fund size
2. Two-thirds of DIAs with target fund have legislated targets.
3. The primary considerations in setting DIF target size are:
  - DIAs' mandate and powers
  - Financial system structure & characteristics
  - Prudential regulation/supervision
  - Macro-economic conditions
  - Availability & accessibility of backup funding

# Findings/Conclusions (Preliminary)

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4. Half of DIAs with target fund use the following estimation methods:
  - Based on historical failure/loss experience
  - Statistical risk-based models
  - Combination of both
  
5. More than half of DIAs with fund target have a time frame set to achieve target.
  - Almost 75% on schedule in achieving target

# Findings/Conclusions (Preliminary)

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6. Close to 60% of DIAs with fund target review their targets periodically.
  - Of those not conducting periodic review, 94% have legislated targets.
7. Almost two-thirds of DIAs with fund target have policy responses when target fund is reached.
8. Around one-third of DIA respondents without fund target have specific time frame to set up a target fund.
  - One-half have yet to determine time frame for set up.

## Next Steps

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1. Resolution on need to validate data adjustments made
2. Request respondents with incomplete or no answers to key questions to provide appropriate responses
3. Conduct more in-depth analysis of survey data
4. Documentation of outputs of the workshop to supplement case studies submitted by volunteer DIA subcommittee members
5. Preparation of research paper



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*Thank you*

**QUESTIONS ?**

**COMMENTS ?**

# DIF METHODOLOGY & DEVELOPER

