

KEYNOTE ADDRESS BY THE HONOURABLE MINISTER OF STATE FOR FINANCE DR. YERIMA LAWAN NGAMA AT THE 2ND IADI REGIONAL WORKSHOP ON “METHODOLOGY FOR ASSESSMENT OF COMPLIANCE WITH THE CORE PRINCIPLES FOR EFFECTIVE DEPOSIT INSURANCE SYSTEM” HELD AT TRANSCORP HILTON HOTEL ABUJA, DECEMBER 13 - 15, 2011.

Protocol

I am delighted to be here to give a keynote address on this very important workshop. The workshop is not only important but historic to us as it is the first in Africa to be organized by International Association of Deposit Insurers (IADI) to test the efficacy of the Assessment Methodology for the assessment of a Deposit Insurance System's (DIS) compliance with the Core Principles for Effective Deposit Insurance System. The workshop could not have come at a better time than now, when a number of nations are trying to recover from the aftermath of the recent global financial crisis, which threw a big challenge on the effectiveness of the financial safety net arrangement including the deposit insurance system, in sustaining confidence and ensuring financial stability in the system. You will recall that part of the measures adopted by a number of countries to contain the crisis was to enhance their DIS coverage to above the normal limits or give blanket guarantees to all depositors as the case may be. The consequences of that which came out very clearly was the need to reform the deposit insurance system in a number of countries. However, no meaningful reform could be undertaken on DIS without benchmarking with the best practices, which in this case is represented by the IADI Core principles.

In Nigeria, though we were not completely insulated from the crisis, as the oil sector for which the country depended on for foreign exchange earnings and for which also some of our banks were heavily exposed to, got badly affected, we had to raise our DIS coverage limit to a higher level in order to partly douse tension and further boost depositors confidence in the banking system. Furthermore, it was also evident that a review of our DIS coverage limit was also imminent at that time, considering other factors such as exchange rate, GDP per capita, deposit structure, inflation, among others.

Distinguished ladies and gentlemen, it is imperative to mention at this juncture that the Nigeria Deposit Insurance Corporation, which would be used as a case study in this workshop, has been an active member of the country's financial safety net arrangement. Its interactions as well as collaboration with other safety net players such as the Central Bank of Nigeria, the Ministry of Finance, which incidentally is its supervising body, and others in the industry has yielded positive results, as the system could be said to have enjoyed relative stability. The stability of the financial system as we all know is a necessary ingredient for economic growth and development. That is why President Goodluck's Transformation Agenda has embedded the Financial Sector Strategy (FSS 2020), which is being vigorously driven by the CBN with the active support of the NDIC and other regulatory bodies in the financial services industry. For these reasons therefore, I want to assure IADI and the World Bank and other bodies behind this workshop that we recognize and welcome any opportunity, in which

the performances of our DIS would be assessed based on the Core Principles and for its strength and weaknesses to be brought out and for corrective actions to be prescribed so that it can contribute effectively to the stability of system.

Distinguished ladies and gentlemen, as you may be aware, our DIS has come of age as one of the oldest in Africa after that of Kenya, but apparently the most robust, not only because of its broad mandates but also because of the vast experiences the Corporation gathered over time in the areas of failure resolution. The recent intervention in some banks numbering 8, whose financial conditions faced serious deterioration and for which the Corporation in collaboration with the CBN has made efforts to resolve, partly through open bank assistance and bridge banking, is a clear example of the contributions of DIS to the stability of the banking system in the country. Also, the NDIC's continuous support to the African Regional Committee of IADI through the hosting of seminars, workshops and attachment programmes offered to our sister DIS within the African continent as well as its interactions with other IADI members, clearly confirms our commitments to upholding the values of IADI.

Distinguished ladies and gentlemen, the idea of coming up with the Core Principles for effective deposit insurance system by IADI, with the support of World Bank, IMF and European Forum for Deposit Insurance (EFDI) as well as its subsequent recognition as part of the internationally recognized Standards for Sound Financial Systems by the Financial Stability Board (FSB), is a laudable one. I understand that the Core Principles, which are 18 in number, cover issues

bordering on policy, design features, legal issues and effective bank resolution. While these principles are not designed to cover all the needs and circumstances of every deposit insurance system or prescribe a single specific form of deposit insurance, they nevertheless provide countries with the necessary benchmarks for assessing and reforming their existing DIS as well as for those wishing to set up new systems. One of the broad objectives of the Core Principles as you will be informed is that they contribute to financial stability and enhance depositor protection when applied and complied with.

Distinguished participants, ladies and gentlemen, let me also remind us that these Core Principles were pretested on some countries such as Mexico, Turkey etc and were found to be applicable and effective, before being issued as best practices and admitted into the compendium of International Standards for Sound Financial System. The onus is therefore on all of us as deposit insurance practitioners to make the best use of them. Compliance with these principles will no doubt enhance the capacities of deposit insurance systems to achieve the policy objectives of depositor protection and promotion of financial system stability. I also want to seize this opportunity to call on IADI to continue to uphold its mission of effective collaboration and information sharing on deposit insurance and related financial system stability issues among deposit insurance systems, through issuance of necessary guidance points as well as seminars and workshops of this nature that draw participants from different countries to share their experiences.

Before I conclude, ladies and gentlemen, I want to commend the efforts of the NDIC for hosting this Regional Workshop and congratulate you for being the first African country to be assessed using the Core Principles. This is a practical demonstration of your vision “to be one of the leading deposit insurance systems in the world”. I however want to implore you to make the best use of this opportunity to build capacity in order to continue to effectively and efficiently discharge your mandates. The Ministry of Finance as your supervising body will continue to give you all the necessary support to discharge your mandates in this turbulent time. To other sister deposit Insurance Systems in Africa and countries wishing to set up new DIS that are represented here, I also implore you to make the best use of this opportunity.

Finally ladies and gentlemen, while wishing you fruitful deliberations, I also wish everyone an enjoyable stay in Nigeria. At this juncture, I declare the workshop open.

Thank you for your attention.

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