

Core Principles for Effective Deposit Insurance Systems – Executive Summary

The *Core Principles for Effective Deposit Insurance Systems* (core principles) of the International Association of Deposit Insurers are the international standard for the design, implementation and assessment of deposit insurance systems. They provide a benchmark for jurisdictions to evaluate and enhance their deposit insurance frameworks, with the dual objectives of safeguarding depositors and promoting financial stability.

Evolution and scope of the core principles

The core principles have evolved over time to address global financial developments and crises. Initially introduced in 2009 in collaboration with the Basel Committee on Banking Supervision, they have been periodically updated to remain relevant in the face of technological advancements, the growing scope of deposit insurance responsibilities and increasing demands for effective system-wide crisis management.

The most recent revision was adopted in 2025. This revision reflects significant developments, including structural changes in the financial sector, lessons drawn from the 2023 banking turmoil and the increasing role of deposit insurers in bank resolution processes.

Institutional arrangements and system design

The core principles are designed to be outcome-focused and adaptable, acknowledging that effective deposit insurance can be achieved through diverse institutional frameworks and customised to the legal, economic and technological conditions of each jurisdiction. They differentiate between the requirements specific to the deposit insurer as a legal entity and those applicable to the broader deposit insurance system and its interactions with other participants in the financial safety net.

Key factors influencing effective implementation

The operation of a deposit insurance system depends on a variety of external and internal factors, all of which must be carefully considered when assessing its effectiveness.



Moral hazard: Deposit insurance, if not carefully designed, can encourage excessive risk-taking by banks. To mitigate this, it should be complemented by strong supervision, sound corporate governance and effective failure resolution mechanisms.¹

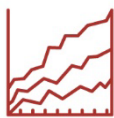


Financial safety net coordination: Effective deposit insurance systems require close collaboration with supervisors, resolution authorities, lenders of last resort and public backstop arrangements. This coordination ensures timely interventions, efficient crisis management and access to necessary funding, particularly during periods of systemic stress.

¹ In this context, moral hazard refers to the risk that the existence of deposit insurance may incentivise banks or depositors to take greater risks, believing that losses will be covered by the insurance system.



Macroeconomic and legal environment: Stable macroeconomic conditions and a robust legal framework are essential for effective deposit insurance. Key factors include a clear creditor hierarchy with defined depositor preferences, reliable accounting and disclosure regimes, and legal clarity to enable timely interventions and reimbursements.



Technological and societal trends: The core principles recognise the impact of fintech, digitalisation and financial inclusion initiatives, highlighting both the opportunities and risks they bring. Considerations such as climate change and environmental, social and governance (ESG) factors are also acknowledged, particularly in relation to fund management and operational resilience.

The core principles – comprehensive overview

There are 18 core principles, each supported by essential requirements and, where relevant, additional criteria as voluntary best practices. All principles are equally important for an effective deposit insurance system.

- **Principle 1 – Public policy objectives:** Deposit insurance systems must have clear, publicly disclosed objectives focused on protecting depositors and supporting financial stability.
- **Principle 2 – Mandate and powers:** The legal mandate and powers of the deposit insurer, covering everything from collecting premiums to reimbursing depositors and managing funds, must be clearly stated and aligned with the broader safety net.
- **Principle 3 – Governance:** Deposit insurers must be operationally independent, well governed, transparent, accountable and insulated from undue external interference.
- **Principle 4 – Business continuity management:** Deposit insurers must have robust business continuity plans to withstand, adapt to and recover from severe operational disruptions.
- **Principle 5 – Legal protection:** Legal protection must be provided for actions taken in good faith, ensuring accountability while shielding deposit insurers and their staff from undue liability.
- **Principle 6 – Recoveries:** The deposit insurer must have clear rights in law to recover funds, with a creditor status equal to that of insured depositors in liquidation proceedings.
- **Principle 7 – Membership:** Membership in a deposit insurer is compulsory for all insured deposit-taking institutions, and member institutions are subject to sound prudential regulation, supervision and effective resolution regimes.
- **Principle 8 – Coverage:** Coverage level and scope must be clearly defined and reviewed periodically. Coverage must be limited, credible and designed to fully protect the majority of depositors while leaving a substantial portion of deposit value exposed to market discipline.
- **Principle 9 – Funding for the deposit insurer:** Deposit insurers must have readily available funds, with clear ex ante funding from member institutions and extraordinary funding arrangements set up in advance.
- **Principle 10 – Public awareness:** Deposit insurers must carry out ongoing public education about the benefits and limitations of deposit insurance through a comprehensive public awareness programme that incorporates a variety of communication tools.
- **Principle 11 – Crisis preparedness and management:** Deposit insurers must have effective frameworks to ensure they are prepared to respond to failures of insured deposit-taking institutions, including regular testing, coordination with safety net participants and clear communication plans.

- **Principle 12 – Dealing with parties at fault in a failure:** Individuals responsible for, or contributing to, the failure of an insured institution must be investigated and held accountable for their actions or omissions.
- **Principle 13 – Early detection and timely intervention:** Deposit insurers must be part of a framework for early detection of troubled institutions and prompt intervention before non-viability, with information-sharing among safety net participants.
- **Principle 14 – Failure resolution:** Resolution regimes must ensure effective resolution of failing institutions in a manner that protects insured depositors, minimises disruption of access to insured deposits and contributes to financial stability.
- **Principle 15 – Reimbursement:** Deposit insurers must reimburse most insured depositors within seven working days in the event of the liquidation of the insured deposit-taking institution. There is a clear and unequivocal trigger for the reimbursement of the depositors' insured deposits.
- **Principle 16 – Use of the deposit insurance fund in resolution:** Conditions for using deposit insurance funds for resolution funding must be clearly defined in law, with transparent terms, limits and independent audit requirements.
- **Principle 17 – Financial safety net cooperation, coordination and information-sharing:** Formal frameworks must exist for cooperation, coordination and information-sharing among all safety net participants, with confidentiality safeguards and timely information exchange.
- **Principle 18 – Cross-border cooperation, coordination and information-sharing:** Jurisdictions with foreign insured institutions must have arrangements for cross-border cooperation and information-sharing, ensuring coordinated crisis response and reimbursement.

This executive summary and related tutorials are also available in [FSI Connect](#), the online learning tool of the Bank for International Settlements.