

Understanding, Awareness and Deposit Insurance

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Deposit Insurance Objectives

- Market Confidence
- Consumer Protection
- Single Market

Rationales for Deposit Insurance

- **Social** e.g. Distributive Justice/Paternalism
- **Economic** e.g.
 - Information Asymmetry; and
 - Externalities

Information Asymmetry and the Consumer

- Products
- Financial System
- Legal and Regulatory Environment
- Institutions
- Intentions

Addressing Information Asymmetry

- Disclosure
- Prudential Regulation
- Deposit Insurance

Disclosure

- Institutional Information
- Monitoring by Depositors
- Behavioural Economics
- Consequences of Market Discipline

Prudential Regulation

- Prior Approval and Supervision
- Non-Zero Failure
- Moral Hazard

Deposit Insurance

- Co-insurance
- Moral Hazard

Deposit Insurance and Realistic Incentives

- Taking Responsibility
- Protection
- Speed of Response
- Awareness