



Savings Deposit Insurance Fund (SDIF)

Risk-based Premium System of SDIF

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Part I

Risk-based Premium System in Turkey

History of premium system in Turkey

- ❖ **1983** :Establishment of SDIF, Explicit & Limited Coverage &
Premium rate : 10 bps quarterly (flat rate)
Premium base: eligible/insurable deposit (savings deposit)
- ❖ **1992** : DRS with “*CAR*” factor (25 or 26 bps)
- ❖ **2002** : Improved DRS with “*CAR and FX Position*” factors
- ❖ **2003** : Improved DRS with “*CAR, FX Position, NPL, Free Capital, Connected Lending*” factors and lowered premium rates (between 12,5 and 23,5 bps)
- ❖ **2004** :Changed premium base as “insured deposit” and increased premium rates (between 15 and 28 bps)
- ❖ **2009** : New DRS with 14 risk factors and 4 different premium rates (11, 13, 15 and 19 bps)

Previous premium system (2003-2008)



CRITERIA		
THE BASIC PREMIUM RATIO		0,15%
CAR: The smaller of the two capital adequacy standart ratios (calculated by using consolidated and unconsolidated financial statements)	< 8%	0,05%
	≥ 8% & < 12%	0,02%
	≥ 12%	0,00%
FX Position: Arithmetic mean of “unconsolidated F/X Net Position on a weekly basis / Equity Capital”	> 20%	0,01%
Connected Lending: “Total loans made available to the bank’s risk group / Equity Capital”	> 20%	0,05%
NPL Ratio: “Total net value of loans classified as doubtful after special provisions are deducted / Total Loans”	> 5%	0,01%
Free Capital: (+) Equity Capital (-) Subsidiaries and affiliates (-) Tangible assets (-) Expenses paid in cash and deferred taxes	≤ 0	0,01%
MAXIMUM ADDITIONAL PREMIUM RATIO		0,13%
MAXIMUM PREMIUM RATIO		0,28%

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Steps to improve risk-based premium system




- 1) Determining the need for a new risk-based system
- 2) Designing a new risk-based premium system
- 3) Asking for the approval of financial safety net members and for the opinion of banking sector
- 4) Making amendment to the existing legislation
- 5) Implimentation

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The need for the change in premium system



	December 2002	March 2003	December 2008	March 2009
	Distribution of banks			
	Premium system with 2 factor	Premium system with 5 factor		Premium system with 14 factors
Basic rate	%90	%56	%97	%15
More than basic rate	%10	%44	%3	%85
	Distribution of insured deposits			
Basic rate	%95	%30	%99,98	%36
More than basic rate	%5	%70	%0,02	%64



Previous system



New (current) system

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Designing a new risk-based premium system



- 1) Determination of risk criteria
- 2) Determination of threshold values for each risk criteria (by analyzing the trend of values for each banking groups - small, medium, big and participation bank groups - and distribution of the last observed data)
- 3) Determination of weighted scores for each risk criteria
- 4) Grouping banks (based on their total scores)
- 5) Distribution of risk based premium to the banks in order to obtain a certain quarterly income

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New risk-based premium system (2009 -)



RISK CRITERIA		Threshold Values	Scores
1	CAPITAL ADEQUACY		25
	Capital Adequacy Ratio		20
	*Consolidated	%10-16	I. Group 20
	*Solo	%10-16	II. Group 13
	*Core Capital	%8-14	III. Group 0
	Asset Capital Multiplier	10-15	5-3-0
2	ASSET QUALITY		20
	Connected Lending Ratio	%8-15	5-3-0
	Non-Performing Assets Ratio	%1-3	5-3-0
	Credit Concentration Ratio	%20-30	5-3-0
	Asset Growth Ratio	%15-25	5-3-0
3	PROFITABILITY		10
	Return On Assets	%5-3	5-3-0
	Effectiveness Ratio	%50-75	5-3-0
4	LIQUIDITY		10
	Free Capital Ratio	%60-80	5-3-0
	Insured Deposits Ratio	%20-30	5-3-0
5	OTHER CRITERIA		35
	Supervisory Rating (CAMELS)	1-2-3-4-5	30-24-16-8-0
	Free Float of Bank Shares	%25-10	5-3-0
TOTAL			100

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Score and premium categories



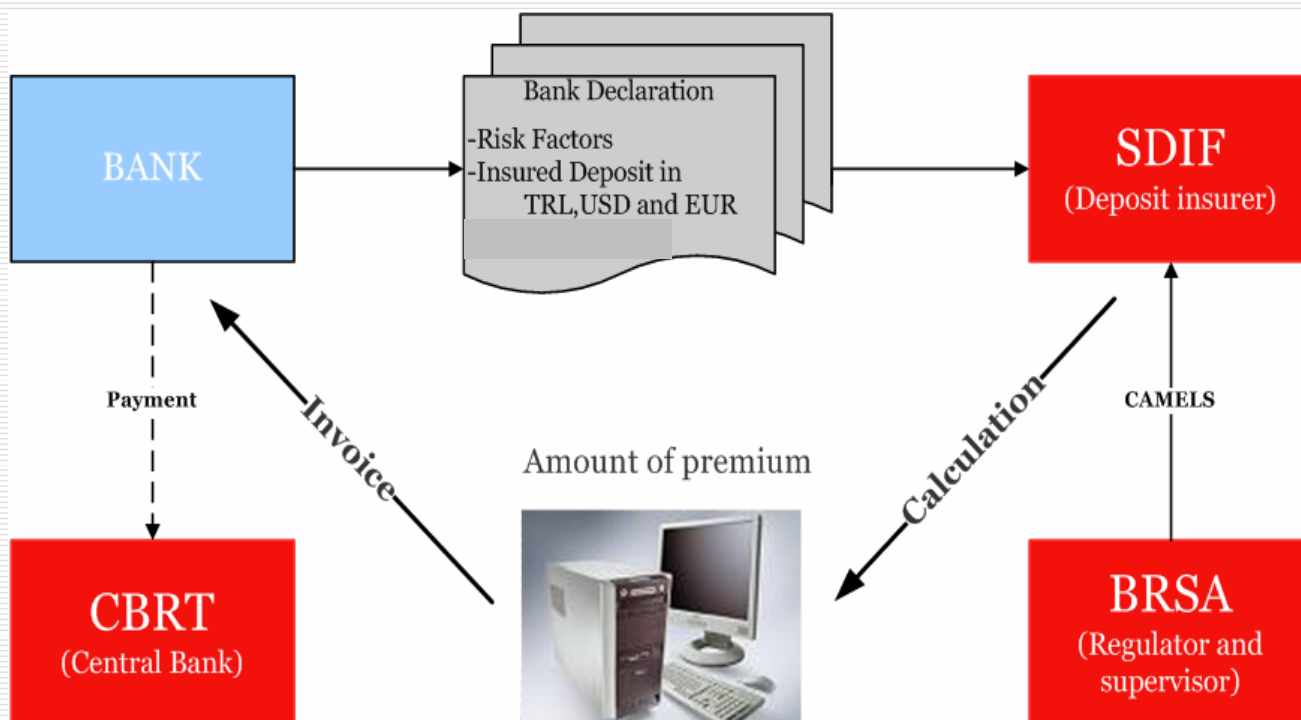
Total Score	Premium Category	Premium Rate (bps)
≥ 85	A	11
≥ 70 ve < 85	B	13
≥ 50 ve < 70	C	15
< 50	D	19

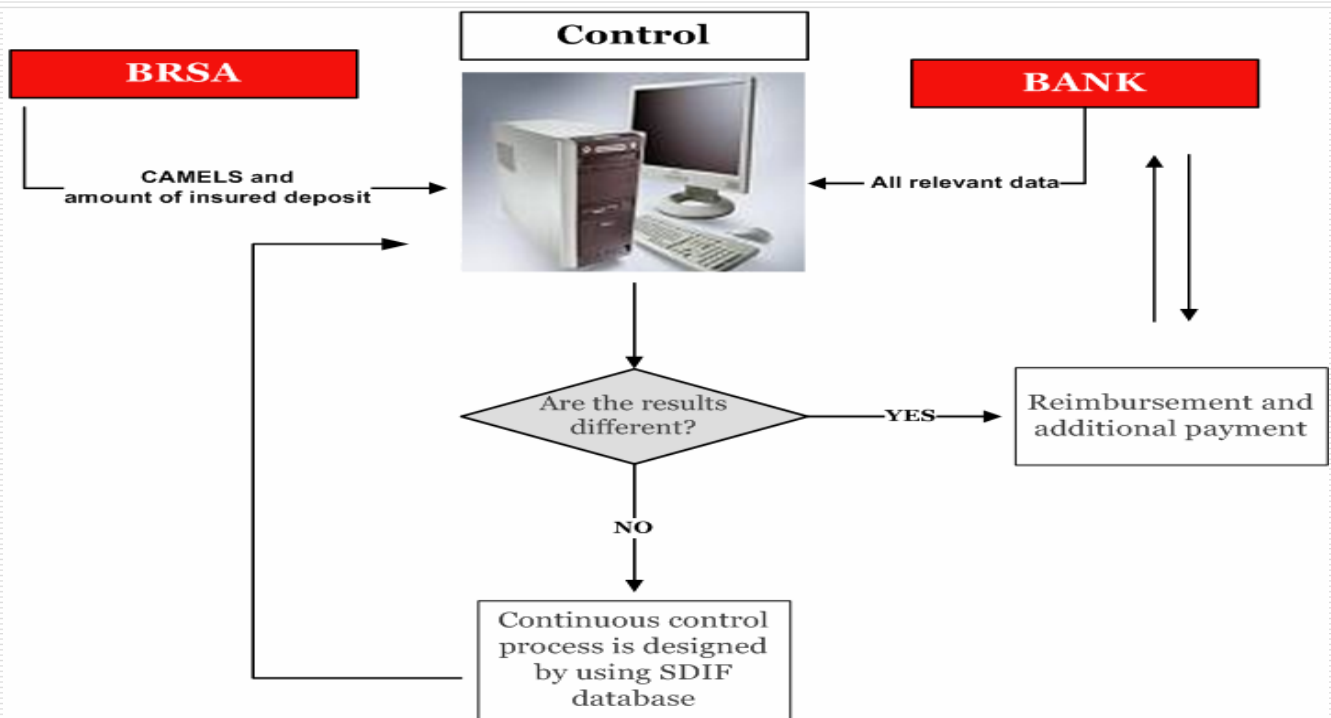
- ❖ Banks takes scores **over 100** based on the benchmark values of **14 risk factors**. Banks are assessed as **good, medium and weak** for every risk factor.
- ❖ Banks are categorized in four groups according to their total scores. A bank in Category A pays **11 bps** and a bank in Category D pays **19 bps** of covered deposits.

Part II

Premium Collection and Control Process

The premium collection process

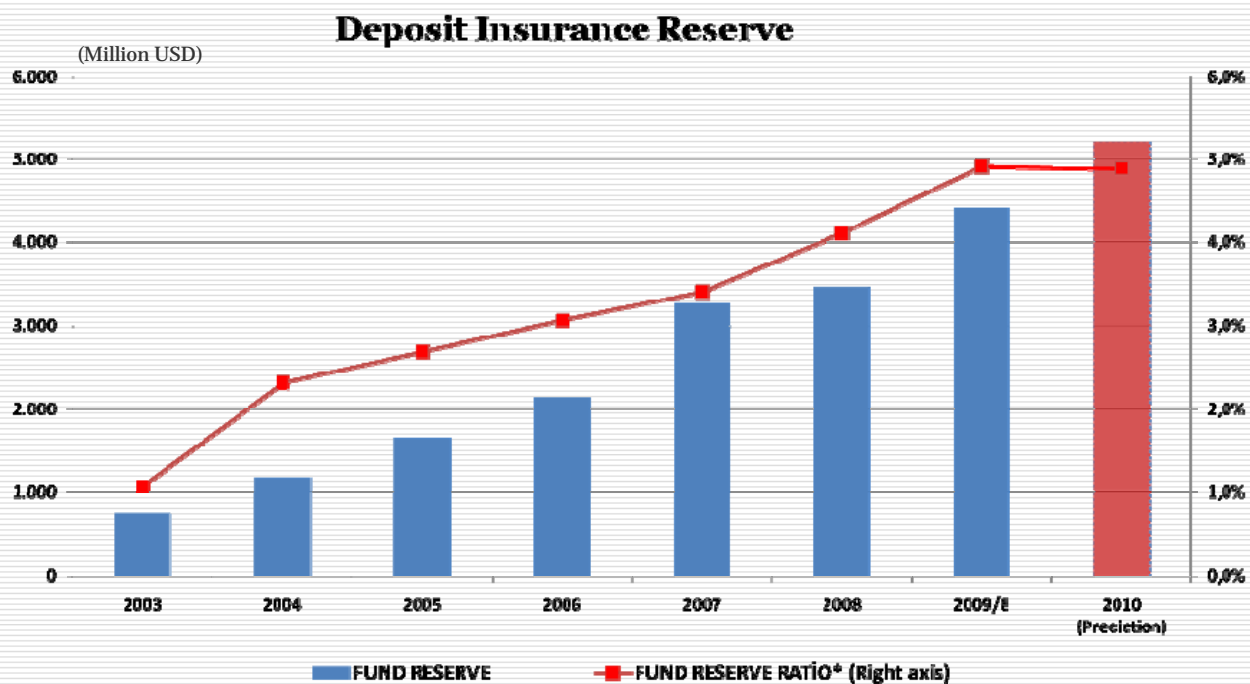




Part III

Management of Fund Reserve

Accumulation of fund reserve



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Investment policy of portfolio management



- Financial Risk Committee is responsible for setting portfolio management strategy and for determining credit limits for the banks.
- Based on investment policy, SDIF invests its portfolio into T-bond and bank deposit in FX and TRL.
- As part of its risk management policy, SDIF has limits to control interest rate risk, credit risk and FX position risk.
 - Longest maturity for a bank deposit account is one year
 - Maximum proportion of Fund Cash Reserve that can be invested in a bank is 35%
 - Maximum amount that can be invested in a bank is 20% of the bank's equity capital

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