



IMF Working Paper

Post-Resolution Treatment of Depositors at Failed Banks: Implications for the Severity of Banking Crises, Systemic Risk, and Too-Big-To-Fail

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Monetary and Exchange Affairs Department

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Abstract

<p>The views expressed in this Working Paper are those of the author(s) and do not necessarily represent those of the IMF or IMF policy. Working Papers describe research in progress by the author(s) and are published to elicit comments and to further debate.</p>

Losses may accrue to depositors at insolvent banks both at and after the time of official resolution. Losses at resolution occur because of poor closure rules and regulatory forbearance. Losses after resolution occur if depositors' access to their claims is delayed or "frozen." While the sources and implications of losses at resolution have been analyzed previously, the sources and implications of losses after resolution have received little attention. This paper examines the causes of delayed depositors' access to their funds at resolved banks, describes how the FDIC provides immediate access, reports on a special survey of access practices in other countries, and analyzes the costs and benefits of delayed access in terms of both the effects on market discipline and depositor pressure to protect all deposits.

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Contents	Page
I. Introduction	3
II. Sources of Potential Losses to Depositors	5
III. Implications of Post-Resolution Delayed Depositor Access to Funds	7
IV. Reducing Potential Losses to Depositors	7
V. Procedures for Immediate and Full Payment of Depositor Claims at Resolution	8
VI. History of Immediate and Full Payments of Depositor Claims.....	10
VII. Disadvantages of Immediate and Full Payment of Depositor Claims.....	11
VIII. Modeling the Access Delay Decision	12
IX. The FDIC Survey of Depositor Access Practices Across Countries	14
Insured deposits	14
Uninsured deposits.....	16
X. Summary and Best Practices Recommendation Conclusions	18
References.....	21
Text Tables	
1. Funds Availability of Insured Deposits.....	15
2. Funds Availability of Uninsured Deposits.....	17
Figure	
1. Additional Market Discipline and Bailout Pressure	13