

Title: Financial sustainability of deposit insurance: Can the Japanese deposit insurer pay off its debts?

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Abstract:

The study analyzes the past and present funding practices of the Japanese deposit insurer (DICJ) and asks whether the system is unsustainable financially and if its funding approach needs major improvements. We find that the past tendency of the DICJ to the ex-post funding strategy can be explained by the indirect influence of cost-minimizing behavior of the member banks, and at present the insurer's funding decisions are likely to be also driven by political factors. The study explores the problem of fitting the parameters of a funding strategy to the needs arising in the domestic financial environment and develops a set of parameters that promise to improve the financial sustainability of the DICJ.

JEL Classification: E52, G28, G21.

Keywords: Deposit insurance, DIS funding design, Financial optimization.