



# ***INTERNATIONAL DEPOSIT INSURANCE SYSTEMS***

*Francesco Pistelli\**

*Rome, November 1999*

---

\* *Fondo Interbancario di Tutela dei Depositi*, Research Department. (Corresponding author. Tel.: +39 06 69986510; [fpistelli@fitd.it](mailto:fpistelli@fitd.it)). I wish to thank Luca Di Marco, Giuseppe Vulpes, Cristiano Zazzara for very helpful comments. I am greatly indebted to Annamaria Cossiga for excellent research assistance. The findings, interpretations and conclusions expressed in this paper are entirely those of the author. They do not necessarily represent the views of the Fondo Interbancario di Tutela dei Depositi.

## INDEX

<i>AUSTRIA</i> .....	3
<i>BELGIUM</i> .....	6
<i>CANADA</i> .....	10
<i>DENMARK</i> .....	17
<i>FINLAND</i> .....	20
<i>FRANCE</i> .....	23
<i>GERMANY</i> .....	28
<i>GREAT BRITAIN</i> .....	33
<i>GREECE</i> .....	37
<i>IRELAND</i> .....	40
<i>ITALY</i> .....	43
<i>JAPAN</i> .....	47
<i>LUXEMBOURG</i> .....	53
<i>NETHERLANDS</i> .....	56
<i>PORTUGAL</i> .....	59
<i>SPAIN</i> .....	63
<i>SWEDEN</i> .....	68
<i>UNITED STATES</i> .....	71
<i>APPENDIX</i> .....	81

## ***AUSTRIA***

### ***LEGAL FRAMEWORK***

- EU Directive 94/19 of May 30, 1994 on deposit protection schemes;
- First Amendment to the Austrian Banking Act dated August 22, 1996, implementing EU Directive 94/19. The amendment was published in the Austrian Official Gazette (Bundesgesetzblatt) n° 445/1996, and became effective on August 1, 1996.

### ***ORIGINS AND MANAGEMENT OF THE SYSTEM***

The Austrian Deposit Guarantee System was established in 1979, and its organizational structure was modified in 1996 following the implementation of the EU Directive. It requires each trade association to maintain a deposit protection scheme, accepting as members all credit institutions that are members of the relevant trade association and licensed to accept deposits. Five Deposit Guarantee Schemes are currently operating in Austria, all of which are privately managed, covering the commercial banks (*Einlagensicherung – Der Banken & Bankiers G.M.B.H.*), the Savings Banks, the Mortgage Banks, and two types of cooperative banks. The managing directors of the System are formally elected by the General Assembly, and represent each single trade association.

Austrian branches of EU banks may participate in the schemes on a voluntary basis for topping-up purposes. Participation of branches of non-EU institutions is mandatory, unless their home-country protection scheme is deemed equivalent by Austrian authorities.

Both EU and non-EU branches participate in the scheme implemented by the trade association to which they would hypothetically belong according to the juridical nature of the mother bank.

The said schemes operate independently from the relevant trade association.

### ***FUNDING ARRANGEMENTS***

The Deposit Guarantee System levies contributions on members institutions only in the case of bank insolvency (ex-post system).

When the available resources are not sufficient for intervention, each scheme is authorized to obtain financial resources directly from the market by issuing debt securities that are guaranteed by the Treasury.

### ***AMOUNT OF CONTRIBUTIONS BY PARTICIPATING CREDIT INSTITUTIONS***

In the case of a reimbursement to depositors of a participating bank, each member in the same scheme is required to pay a contribution based on the ratio between its own protected deposits and the total of protected deposits, as per December 31 of the year preceding the one when the crisis occurred.

### ***AMOUNT OF COMPENSATION***

As of January 1, 1999, deposits and other reimbursable funds were increased to a maximum of 20,000 EURO, approximately ATS 275,000. The limit was previously set at ATS 260,000.

For deposits made by depositors other than natural persons, the payment obligation is limited to 90% of the deposit, without prejudice to the maximum previously mentioned.

In the case of a joint account, the amount is divided by the number of depositors and the maximum limit is then applied. Deposits in an account operated by two or more persons as partners of the same partnership, are added together for the purpose of calculating the upper limit and applying the 90% limit. Such deposits are considered as belonging to a single person.

### ***COVERED DEPOSITS***

All due and payable credits in Austrian shillings, euros and EEA currencies, are eligible for compensation. Debts to which proof is given by a certificate issued by the credit institution are also covered under the scheme, except mortgage bonds, bonds by local authorities, funded bank bonds, as well as debt securities by credit institutions. The scheme also protects depositors of Austrian branches in EU countries, as well as the branches of participating EU and non-EU banks. Protection is also given to branches in non-EU countries of Austrian member banks.

### ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The System does not cover:

- a) deposits made by other credit and financial institutions on their own behalf and for their own account;
- b) elements of the capital resources of the bank, according to the law;
- c) deposits arising from transactions in connection with which there has been a criminal conviction for money laundering (sections 165 and 278a (2) of the Criminal Code);
- d) deposits by states and central governments as well as deposits by regional and local authorities;
- e) deposits by undertakings for the collective investment in transferable securities, as well as those by the management of investment funds, as well as deposits by insurance companies and pension funds;
- f) deposits by persons holding at least 5% of the capital of the credit institution, by persons responsible for carrying out the statutory audits of the accounts of the credit institution, or by managers and members of bodies set up to supervise the institution concerned or holding similar functions at subsidiary undertakings;
- g) deposits by close relatives and third parties acting for account of the depositors listed in the paragraph above;
- h) deposits for which the depositor has, on an individual basis, obtained from the credit institution, rates or other financial concessions which have contributed to aggravating the financial situation of the credit institution;
- i) deposits in currencies other than Austrian shillings or the national currencies of EEA countries;
- j) debt securities issued by the credit institution and liabilities arising from its own acceptances and promissory notes;
- k) deposits by members of the management Board of the institution concerned, as well as those by members of bodies set up to supervise the credit institution;
- l) Deposits by undertakings meeting the criteria of large companies according to the meaning established in the Commercial Code.

## ***ACTIVATION OF THE SYSTEM***

The deposit protection schemes may intervene when:

- bankruptcy proceedings are instituted against a member institution;
- an official receiver is appointed for a member institution;
- an Authority issues an order for the suspension of payments in respect to the protected deposits at a member institution;
- the competent Authorities of the home Member State of a credit institution voluntarily participating in the scheme for supplementary cover have issued a declaration that the deposits are unavailable.
- 
- In the case of an intervention, member banks are required to provide all necessary information in order to calculate the pro-rata contributions.

If the deposit protection scheme concerned is not able fully to make repayments, the deposit protection schemes of the other trade associations shall be obliged promptly to make pro-rata contributions to cover the shortfall, according to the ratio between the secured deposits of the bank concerned and those protected by the scheme as a whole.

If the deposit protection schemes cannot, in total, fully pay out protected deposits, the deposit protection scheme primarily concerned shall issue debt securities for which the Federal Minister of Finance may assume a guarantee on behalf of the Republic of Austria.

In addition to the repayment of depositors, by previous agreement of all members the scheme may provide support interventions in order to reorganize the institution in crisis.

All deposit protection schemes are required to cooperate with each other within the framework of an early-warning system as well as to exchange the information required for this purpose.

Each scheme is moreover required to present its annual accounts to the Federal Minister of Finance and to the Austrian National Bank, not later than six months after the end of its financial year, and promptly to notify the Federal Minister of Finance when a credit institution is excluded from the protection scheme.

## ***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de l'Union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper/95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

## **BELGIUM**

### **LEGAL FRAMEWORK**

- Royal Decree n°175 of June 30, 1935, establishing the Institut de Rèescompte et de Garantie (IRG);
- Royal Decree n°185 of 7/9/1935 (Banking Act);
- Law dated December 4, 1990, establishing the Caisse d'interventions des sociétés de bourse;
- Law dated March 22, 1993 on the legal status and supervision of credit institutions;
- EU Directive 94/19 dated May 30, 1994 on deposit protection schemes;
- Law dated December 23, 1994 implementing EU Directive 94/19 and establishing a sole deposit protection scheme which superseded all previously existing schemes;
- EU Directive 97/9 dated March 3, 1997, concerning depositor protection schemes;
- Law of December 17, 1998, which went into effect on April 30, 1999, concerning the liquidation of the IRG and of the Caisse d'interventions des sociétés de bourse, and establishing a sole Fund for the protection of depositors and investors (*Fonds de protection des dépôts et des instruments financiers*), thus implementing EU Directive 97/9 of March 3, 1997.

### **ORIGINS AND MANAGEMENT OF THE SYSTEM**

Following the Law dated December 17, 1998, investors have also been included in the system previously protecting depositors only. This law, which became effective on April 30, 1999 and which established the *Fonds de protection des dépôts et des instruments financiers (FIF)*, terminated all the activities carried out by the IRG and the Caisse d'interventions des sociétés de bourse, the liquidation of which was defined by the royal decrees of January 29 and April 11, 1999.

The new system is a public entity and is administered by a Board of directors including the President and 11 members, five of whom are nominated by the King, four are the representatives of participating credit institutions and two of the financial institutions.

The previous Belgian deposit protection scheme was established by the Law of December 23, 1994, effective from January 1, 1995, which also implemented EC Directive 94/19. Under the preceding scheme, which was agreed on by the Institut de Rèescompte et Garantie and all Belgian credit institutions with their professional associations, the IRG was in charge of the protection of the depositors of the bank in crisis.

Following the new law, membership in the system is mandatory both for credit and financial institutions.

Subsidiaries of EEA banks may participate on a voluntary basis for topping-up purposes, while non-EEA subsidiaries are obliged to become members, unless their home-country scheme is deemed equivalent by Belgian authorities.

### **FUNDING ARRANGEMENTS**

The system is funded through annual contributions by participating institutions (*ex ante contribution scheme*). Resources remaining from previous years are included in the new fund.

When resources are insufficient for interventions, the Board of directors may levy special contributions on members, up to an amount which is twice as much as the regular contribution.

## ***AMOUNT OF MEMBER BANKS' CONTRIBUTIONS***

Contributions by members amount to 0.2‰ of protected deposits. The board of directors may increase the contribution limit up to 0.4‰ when the available funds are not sufficient for intervention.

## ***FISCAL ASPECTS OF THE CONTRIBUTION***

Annual contributions to the system are fiscally deductible.

## ***TOTAL AMOUNT OF AVAILABLE FUNDS***

Before the creation of the new Fund, the total resources for interventions as of January 1, 1998, amounted to BEF 15.803 billions.

## ***AMOUNT OF COMPENSATION***

Deposits and other reimbursable funds are protected by the system up to a maximum of 20,000 euros per depositor. Until December 31, 1999, according to the provisions of EC Directive 94/19, the minimum amount of compensation will remain fixed at 15,000 EURO.

## ***COVERED DEPOSITS***

All deposits in BEF, euros, and other EEA currencies are protected under the system. The fund also protects, within the limits provided, the depositors of Belgian banks in other EEA countries, as well as the depositors of the subsidiaries of EEA and non-EEA countries in Belgium. Depositors of Belgian banks in non-EEA countries are generally not protected, unless at least two thirds of the members of the Board of Directors of the system decide otherwise.

Bonds and registered debt securities are also protected under the system. As of September 30, 1997, the total of protected deposits amounted to BEF 6,415 billions.

## ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The system does not reimburse:

- a) deposits by Belgian or foreign credit institutions acting on their own behalf and for their own account;
- b) deposits by financial companies governed by the law of July 9, 1975; by foreign insurance companies; or by pension funds;
- c) deposits by undertakings for collective investments;
- d) deposits by States, by Belgian or foreign regional, provincial or local authorities;
- e) deposits by directors, managers and others taking part in the credit institution's management, together with deposits by holders of at least 5% of the credit institution's capital, by persons responsible for the legal auditing of the credit institution's accounts or by those sharing similar responsibilities in the management of other companies belonging to the same group;
- f) deposits by spouses and close relatives, to the second degree, of the persons mentioned in e), together with third parties acting on behalf of those same persons;

- g) deposits by companies in the same group as the credit institution;
- h) deposits for which the depositor has, on an individual basis, obtained from the same credit institution rates and financial concessions which have helped to aggravate its financial situation;
- i) deposits originating from criminal operations;
- j) debts arising from acceptances and promissory notes;
- k) deposits by companies of such a size as not to be authorized to draw up an abridged balance sheet in accordance with Article 11 of the fourth Council Directive (78/660/EEC) of July 25, 1978, based on article 54, § 3, letter g) of the Treaty concerning the annual accounts of certain types of companies;
- l) deposits, particularly subordinated credits, belonging to the categories listed in Article 2 of Council Directive 89/229/EC of April 17, 1989, concerning the credit institution's own funds, without regard, however, to the restrictive conditions listed in article 3 of the same Directive.

### ***ACTIVATION OF THE SYSTEM***

Before the reorganization of December 17, 1998, the Fund could intervene either after the liquidation of a credit institution or, on a preventive basis, through a series of support measures. Special funds for support interventions, formed under former schemes, are maintained by banks as accounts in the name of the IRG.

The Law of December 23, 1994 has created the legal basis for preventive financial support by the IRG. Bank failures may be prevented by:

- assisting the bank in its reorganization procedures;
- transferring the bank's assets and liabilities.

While the reimbursement of depositors was governed by detailed regulations, public authorities had opted for a more flexible procedure as far as preventive support was concerned. Decisions concerning financial support interventions were taken by a board of representatives of participating banks, which was officially recognized by the IRG.

Following the law of December 17, 1998, the new FIF is allowed to intervene only through repayment procedures.

According to the law, the crisis of a member and all anticipated delays in the repayment of deposits should be adequately advertised in the *Moniteur Belge*.

Holders of eligible deposits and funds are required to file reimbursement claims using the prescribed forms and within two months from publication of the occurrence of a failure.

Deposits are repaid after three months from the date of failure. Three extensions of this limit may be granted, none of which may exceed three months.

In the last two years, no critical situation has taken place involving banks participating in the scheme; therefore, no intervention was made in order to protect depositors.

### ***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Istitut de Rèescompte et de Garantie, Rapporto 1996

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper/95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

Nastasi, V., Crisi bancarie e tutela dei depositanti, il Mulino, 1988

Ruozi R., Le crisi bancarie, Newfin, 1995

Tison M., Implementation of the deposit guarantee directive in Belgium - a general overview, European Financial Services Law, August/September 1995

# CANADA

## **LEGAL FRAMEWORK**

- 1967 Deposit Insurance Corporation Act of Canada, establishing a depositors' protection system, frequently amended over the years.

## **ORIGINS OF THE SYSTEM**

The Canada Deposit Insurance Corporation (CDIC) was established in 1967 through the Deposit Insurance Corporation Act of Canada.

The Board of Directors includes the president, nominated by the Government, four members by right (the Governor of the Central Bank, the vice-minister of Finances, the Managing Director and the vice-Managing Director of the Office of the Superintendent of Financial Institutions), and four additional members, also nominated by the Government, and representing the private sector. The Board is in charge of the administration of the CDIC.

Participation in the scheme is *mandatory* for all banks, trust funds and loan companies. Provincial institutions qualified for money collection, when authorized by their provincial corporations abiding by the rules of practice set forth by Federal institutions, may also join the Corporation.

The main goals of the Corporation are the protection of depositors of a member bank in crisis and the promotion of the stability of the Canadian financial system through the development of suitable standards for the correct management of a bank's economic and financial activities.

## **FUNDING OF THE SYSTEM**

The Canadian protection system is funded through periodic contributions (*ex-ante system*) by participating banks. Should the necessity arise, the CDIC is also allowed to borrow additional funds from the government or to resort to monetary financing on the private market. Since the 1980s, the CDIC has often resorted to government financing for a total amount of 9.33 billion Canadian dollars, interests included. In the 1998 financial year the said debt was repaid in full.

## **AMOUNT OF CONTRIBUTIONS BY PARTICIPATING CREDIT INSTITUTIONS**

The system of contribution by member banks was amended by the Board of Directors of the CDIC on January 21, 1998. Following the new mechanism, effective from March 31 and valid for the 1999 contribution quotas, banks are classified into four groups corresponding to a different percentage of contribution. Each bank is situated in a group on the basis of a series of quantitative and qualitative criteria as established in the table below:

<i>Criteria</i>	
-----------------	--

<b><i>Capital Quantitative Measures:</i></b>	<b><i>Maximum score</i></b>
<ul style="list-style-type: none"> <li><i>Capital Adequacy</i></li> </ul> <p>Assets-to-Capital Multiple Tier 1 Risk Based Capital Ratio Total Risk-Based Capital</p>	20
<b><i>Other Quantitative Measures:</i></b>	
<ul style="list-style-type: none"> <li><i>Profitability</i></li> </ul> <p>Return on Risk-Weighted Assets Mean-Adjusted Net Income Volatility Volatility-Adjusted Net Income</p>	5 5 5
<ul style="list-style-type: none"> <li><i>Efficiency</i></li> </ul> <p>Efficiency Ratio</p>	5
<ul style="list-style-type: none"> <li><i>Asset Quality</i></li> </ul> <p>Net Impaired Assets Plus Net Unrealized Losses on Securities to Total Regulatory Capital Ratio</p>	5
<ul style="list-style-type: none"> <li><i>Asset Concentration</i></li> </ul> <p>Single (Including Related Group) Counterparties Asset Concentration Ratio Industrial Sector Asset Concentration Ratio Mortgage and Real Estate Asset Concentrations</p>	5 5 5
<i>Sub-total: Quantitative Score</i>	60
<b><i>Qualitative:</i></b>	
<ul style="list-style-type: none"> <li><i>Regulatory or CAMEL Rating</i></li> </ul>	25
<ul style="list-style-type: none"> <li><i>Standards Adherence</i></li> </ul>	10
<ul style="list-style-type: none"> <li><i>Other Information</i></li> </ul>	5
<i>Sub-total: Quantitative Score</i>	40
<b>Total Score</b>	100

Depending on the score assigned to each bank, a classification is made according to the table below:

<b>Premium Categories</b>	
<b><i>Score</i></b>	<b><i>Premium Category</i></b>
$\geq 80$	1
$\geq 65$ but $< 80$	2
$\geq 50$ but $< 65$	3
$< 50$	4

Once the bank has been classified in one of these categories, the associated premium is calculated according to the table below:

<b>Premium Category</b>	<b>Premium Rate (as a % of insured deposits)</b>
1	1/24 of 1%
2	1/12 of 1%
3	1/6 of 1%
4	1/3 of 1%

In order to allow banks in the third and fourth category to improve their risk profile, for the first two years -- corresponding to the 1999 and 2000 contribution -- no difference in the contribution quotas will be applied.

### ***FISCAL ASPECTS OF THE CONTRIBUTION***

Premiums levied on member institutions are *fiscally deductible*.

### ***TOTAL AMOUNT OF AVAILABLE FUNDS***

In the financial year 1996/97, the Canadian Fund reduced its *deficit* to 539 million Canadian dollars, compared to the deficit of the previous year which amounted to 1.176 million dollars.

### ***LIMITS OF COMPENSATION***

The Canadian scheme is mainly oriented towards the protection of small depositors, even when non-resident. The maximum limit for reimbursement *is 60.000 Canadian dollars (34,860 euros)* per depositor.

### ***PROTECTED DEPOSITS***

The CDIC protects:

- a) savings deposits;
- b) checking account deposits;
- c) term deposits with a maturity of less than five years as well as debentures;
- d) money orders and drafts;
- e) certified checks;
- f) traveler's checks issued by members;
- g) postal bonds.

### ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The following deposits are not covered by the scheme:

- a) foreign currency deposits;
- b) deposits by other credit institutions;
- c) term deposits with a maturity date of more than five years;
- d) bonds and debentures issued by financial institutions authorized to operate as commercial banks by the Canadian Banking Act;
- e) state bonds;
- f) deposits by mutual Funds;
- g) stocks.

### ***ACTIVATION OF THE SCHEME***

In order to safeguard the stability of the financial system, member institutions are required to follow a number of standards set forth by the CDIC. They are therefore expected to have in place and use sound and prudent policies and appropriate and effective procedures to manage and control their business activities and the risks to which they are exposed. Standard adherence is based on eight management areas: Internal Control, Liquidity management, Interest rate risk management, Foreign Exchange risk management, Credit risk management, Securities portfolio, Real Estate Appraisals and Capital management. Adherence to the said standards is one of the aspects which are to be considered for the classification of member banks into one of the four groups of the new contribution system.

Standards adherence is assessed under the Standard Assessment and Reporting Program (SARP) which includes a member's self-assessment. Such assessments are then reviewed by the CDIC and, when necessary, by the institution's regulatory examiners. A range of scores from 0 to 10 is determined in relation to the results of the assessment of an institution's adherence to the Standards. These scores are determined as set out in the following table:

<b><i>CDIC Standards Adherence</i></b>	<b><i>Score</i></b>
Information indicates full adherence to the standards. All significant risks appear to be consistently and effectively identified, measured, monitored, and controlled, and risk management practices appear to be satisfactory in relation to the size, complexity and risk profile of the member.	10
Information indicates that although deficiencies exist in following the standards, they appear readily correctable, have been self-identified, are receiving appropriate attention and action, and, if corrected in a timely manner, would not appear to be a threat to the safety and soundness of the member. With the exception of these deficiencies, risk management practices appear satisfactory relative to the size, complexity and risk profile of the member and all significant risks appear to be effectively identified, measured, monitored, and controlled.	9
Information indicates that deficiencies exist in following the standards, which, although appearing readily correctable, and if corrected in time would not appear a threat to the safety and soundness of the member, have not been self-identified. Apart from these deficiencies, risk management practices generally appear satisfactory relative to the size, complexity and risk profile of the member and all significant risks appear to be effectively identified, measured, monitored and controlled. Yet, given the circumstances of the situation, it would appear that management and the board of directors have not undertaken appropriate action to implement sound and prudent risk management practices and to correct problems.	5

Information indicates that deficiencies exist in following the standards which, although self-identified, do not appear to be readily correctable and require immediate attention and correction to ensure the continued safety and soundness of the member. Apart from these deficiencies, risk management practices appear otherwise reasonable relative to the size, complexity, and risk profile of the member and all significant risks appear to be effectively identified, measured, monitored, and controlled.	3
Information indicates that critical deficiencies exist in the following of the standards, which were not self-identified, which do not appear readily correctable and are threatening the viability of the member and therefore require immediate attention and correction to ensure the continued safety and soundness of the member. Generally, it would appear that risks are not adequately identified, measured monitored or controlled and given the circumstances of the situation, it would appear that management and the board of directors have not undertaken appropriate action to implement sound and prudent risk management practices, and to correct problems.	0

The CDIC cooperates very closely with the Office of the Superintendent of Financial Institutions (OSFI), established in 1987, which is responsible for the regulation and supervision of the banking system. The two institutions especially cooperate in exchanging information relative to members. Since the beginning of its activities, the CDIC has had the power to guarantee the depositors of member institutions through:

- a) Purchase and assumption transactions (P&A);
- b) Agency agreements;
- c) Liquidation and deposit pay-out.

Moreover, the CDIC may decide on support interventions when reasonable prospects for recovery exist.

**Purchase and Assumption (P&A) transactions:** such procedure involves the either the purchase of the shares of a failed institution, or the purchase of the failed member’s assets and assumption of the deposit liabilities. P&A transactions may vary depending on the amount of assets purchased and liabilities assumed by the acquirer. In a “clean institution” purchase and assumption, the acquirer normally purchases only the highest-quality assets and assumes only the deposit liabilities. In a “whole institution” transaction, the acquirer purchases all the failed member’s assets, good and bad alike.

Generally, the CDIC will provide enough assistance to cover the difference between its estimate of the market value of the institution’s assets acquired and the liabilities assumed, through the provision of financial assistance and other guarantees.

**Agency agreements:** this is a variation of the P&A transaction, where a CDIC member institution is appointed, for a fee, to manage the disposition of the failed member’s assets, reimburse depositors, and pay other liabilities as they come due. The agency agreement normally runs for five years. Cash proceeds from the realization of assets are used to reimburse the depositors and pay the other creditors.

Normally, at the end of the agency, all the deposits and other liabilities of the failed institution have been paid in full.

**Liquidation:** Over the past fifteen years, this is the resolution method most often used by the CDIC. There are two means by which formal liquidation proceedings may be started against a member. CDIC may, as a deemed creditor, apply to the court for an order winding-up the member.

Alternatively, the Attorney-General of Canada, at the request of the Minister, may apply to the court for a similar order.

Pay-out procedures, which normally last two months, may take place in two ways:

- 1) deposits of the winded-up institution are transferred to an account especially opened for this purpose in a third institution;
- 2) a check for the amount of the protected deposit is sent to each depositor.

Usually, the first method of pay-out is used. The institution to which the deposits are transferred pays a commission to CDIC for the advantage received in acquiring these new resources. The amount of the said commission, which contributes to reducing the reimbursement costs, is progressively increased. The commission, which was around \$7 per deposit in 1991, became \$22 per deposit in 1995.

**INTERVENTIONS FROM 1967 TO 1997 (amount in millions of dollars)**

<b>Name of institution</b>	<b>Year of Intervention</b>	<b>Amount of intervention</b>	<b>Estimated Loss (March 31,1997)</b>
<b><i>Formal Liquidation</i></b>			
<i>Security Trust</i>	1972	9	0
<i>Commonwealth Trust</i>	1970	5	0
<i>Astra Trust</i>	1980	21	3
<i>AMIC Mortgage Corp.</i>	1983	28	13
<i>Northguard Mortgage Corp.</i>	1984	28	8
<i>Canadian Commercial Bank</i>	1985	352	262
<i>Continental Trust</i>	1985	113	0
<i>London Loan Limited</i>	1985	24	7
<i>Northland Bank</i>	1985	318	103
<i>Pioneer Trust</i>	1985	201	25
<i>Western Capital Trust</i>	1985	78	5
<i>Columbia Trust</i>	1986	99	0
<i>Principal Savings &amp; Trust</i>	1987	116	(34)
<i>Bank of Credit and Commerce Cda.</i>	1991	22	2
<i>Saskatchewan Trust</i>	1991	64	6
<i>Standard Trust/Loan</i>	1991	1.321	204
<i>Shoppers Trust</i>	1992	492	20
<i>Dominion Trust</i>	1993	431	71
<i>Prenor Trust</i>	1993	820	26
<i>Confederation Trust</i>	1994	680	(14)
<i>Monarch Trust</i>	1994	65	5
<i>Income Trust</i>	1995	193	20
<i>Security Home Mortgage</i>	1996	42	4
<b><i>Purchase &amp; Assumption Transaction Agency Agreement</i></b>			

<i>Settlers Savings and Mortgage Corp.</i>	1990	84	19
<i>District Trust</i>	1982	231	15
<i>Crown Trust Company</i>	1983	930	0
<i>Fidelity Trust Company</i>	1983	792	387
<i>Greymac Trust/Mortgage</i>	1983	414	245
<i>Seaway Trust/Mortgage</i>	1983	420	114
<i>CCB Mortgage Investment Corp.</i>	1985	123	31
<b><i>Support interventions</i></b>			
<i>North West Trust</i>	1987	275	275
<i>Bank of British Columbia</i>	1986	200	200
<i>Financial Trust</i>	1988	74	0
<i>Central Guaranty Trust (CGT/CGMC/ACC/TD-DCA)</i>	1992	1.758	527
<i>First City Trust/Mortgage and North American Trust/Mortgage</i>	1992	653	611
<b><i>Total</i></b>		<b><i>11.477</i></b>	<b><i>3.160</i></b>

Source: CDIC

## ***REFERENCES***

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper/95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

Nastasi, V., Crisi bancarie e tutela dei depositanti, il Mulino, 1988

Ruozi R., Le crisi bancarie, Newfin, 1995

## **DENMARK**

### **LEGAL FRAMEWORK**

- Law n° 850 of December 23, 1987, establishing the depositor guarantee scheme;
- EC Directive 94/19 of May 30, 1994, on deposit protection schemes and EU Directive 97/9 on Investor Guarantee Schemes;
- Deposit Guarantee Fund Act n° 367 of June 14, 1995, implementing EU Directive 94/19;
- Executive Order on the Deposit Guarantee Fund n° 754 of September 15, 1995;
- Act n° 415 of June 26, 1998, effective from October 15, 1998, establishing a new system for the protection of both depositors and investors, and implementing EU Directive 97/9 of March 3, 1997 on investor guarantee funds;
- Executive Order on the Guarantee Fund, No. 216 of April 9, 1999 establishing the operative principles of the new protection system .

### **ORIGINS OF THE SCHEME**

The Danish deposit protection scheme (Indskydergarantifonden) was established in 1987 by Law n°850 of December 23. Its current configuration, following the first modification in 1995, which was aimed at implementing EU Directive 94/19, was established by law n°415b of June 26, 1998, extending protection also to investors, as set up in EU Directive 97/9. The operative principles of the new system, called *Garantifonden for Indskydere og investorer*, were set up by the Executive Order on the Guarantee Fund n°216 of April 9, 1999.

Membership is mandatory for all credit institutions operating in Denmark, and in 1998 the scope was widened by the above mentioned act to include protection for investors.

At the end of 1998, 194 banks, 10 mortgage credit institutions and 31 stock brokers participated in the scheme.

The Fund is an independent institution with its own governing Board, which is nominated by the Minister of the Economy, and includes experts in juridical matters, accounting and economics, as well as representatives from participating institutions and protected subjects. By special agreement, the Danish Central Bank is in charge of the ordinary administration of the scheme.

### **FUNDING ARRANGEMENTS**

Annual contributions are levied on participating institutions (ex-ante contribution scheme).The Fund may also borrow money directly from the Government, within certain limits.

### **MEMBER BANKS' CONTRIBUTIONS**

According to the Act of 1998, the Danish Financial Supervisory Authority, after consultation with the Central Bank, lays down the provisions regulating annual contributions by participating institutions. The current amount of contributions is approximately 1% of the total average of protected deposits, according to the June and September reports of the previous fiscal year.

The Board of Directors determines the allocation of the total annual contributions on payments and pledges to be paid on demand..

When the total capital of the Fund exceeds 3.2 billion DKK, which is currently the case, no new contributions need to be levied. The existing resources in cash payments and guarantees are being

redistributed every year among the active institutions, according to their respective share of covered net deposits.

### ***FISCAL ASPECTS OF THE CONTRIBUTION***

Contributions by member banks are fiscally deductible.

### ***TOTAL AMOUNT OF AVAILABLE FUNDS***

As far as the Deposit Protection part of the Fund is concerned, available resources, 25% of which must be in cash, cannot be less than 3.2 billion DKK. Should the capital exceed the said amount, surplus resources may be refunded to participating institutions after having obtained authorization by the Danish Financial Supervisory Authority. At the end of the 1998 fiscal year, total assets amounted to 3,214 million DKK, 672 of which being bank contributions, 2,278 million pledges by the same institutions, and 269 million accumulated surplus in the Fund.

### ***AMOUNT OF COMPENSATION (Deposit Protection Scheme only)***

Coverage is limited to 300,000 DKK (40,045 euros) per depositor after deduction of any liabilities that the depositor might have towards the institution concerned.

The current legislation, however, guarantees total compensation for a number of deposits, among which personal pension accounts, children's savings accounts, home saving contracts, lawyers' client accounts and educational savings.

The deposit guarantee scheme, however, may decide that other types of deposits shall also be fully covered.

At the end of 1997, the total amount of protected deposits was nearly DKK 318 billion.

### ***COVERED DEPOSITS***

The Deposit Guarantee Scheme covers:

- a) all deposits made in Denmark,
- b) deposits of EU credit institutions operating in Denmark and having requested membership;
- c) deposits of non-EU credit institutions whose home-country scheme is not equivalent.

### ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The scheme does not cover:

- a) deposits made by managers or directors of the failing institution, depositors holding 10% or more of the share capital;
- b) deposits from other banks or financial institutions;
- c) deposits of subordinated loan capital;
- d) deposits arising from transactions in connection with which there has been a conviction for money laundering.

## ***ACTIVATION OF THE SCHEME***

Information on participating credit institutions may be required both by the Fund's Board of Directors and by the Financial Supervisory Authority. They also decide on sanctions in case of incorrect and misleading information, or in any other law default case.

In the case of a failure, the Fund is required to provide adequate information to the public by publishing a notice in one or more local and national newspapers. The Fund must also promptly inform the public on how to file claims for repayment.

Reimbursement is effected within three months after the date in which deposits have been declared unavailable. Upon request from the Fund, the Financial Supervisory Authority may authorize an extension up to a maximum of nine months.

Interventions by the scheme may also consist in the Purchase and Assumption (P&A) of the assets and liabilities of the failed bank.

Operative and financial decisions taken by the Board, however, must be approved by the Danish Financial Supervisory Authority.

## ***SCHEME'S INTERVENTIONS IN RECENT YEARS***

Since the establishment of the Fund in 1987, depositors have been covered in 8 institutions, all fairly small, the total compensation paid by the Fund being just over 500 million DKK.

## ***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper/95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

Nastasi, V., Crisi bancarie e tutela dei depositanti, il Mulino, 1988

## ***FINLAND***

### ***LEGAL FRAMEWORK***

- Act on Credit Institutions of January 1, 1970, establishing mandatory membership for all Finnish banks in a deposit protection scheme of the relevant trade association;
- EU Directive 94/19, concerning deposit protection schemes;
- Amendment to the Act on Credit Institutions, effective from July 1, 1995, implementing EU Directive 94/19;
- Amendment n° 1229/97 to the Act on Credit Institutions, issued on December 19, 1997 and effective from January 1, 1998, establishing the new deposit protection scheme which superseded the ones previously in existence.

### ***ORIGINS OF THE SCHEME***

The current Finnish Deposit Guarantee Fund, *Talletussuojarahasto*, was instituted by the amendment of January 1, 1998 to the Act on Credit Institutions of 1970, previously rectified in 1995 in order to implement EU Directive 94/19. With the said amendment all previously existing deposit protection schemes were therefore superseded. Membership is mandatory for all institutions accepting deposits in Finland.

The scheme is governed by a Board of Directors nominated as representatives of participating banks. The Government may nominate its own representative when the protection scheme has obtained a loan granted by the State.

Before 1998, three independent associations existed in Finland: the first, established in 1924, covered all cooperative banks operating in the country; the second, founded in 1931, covered savings banks; while the third, created in 1965, protected deposits made at commercial banks. Membership in one of these guarantee schemes was made mandatory by the Act on Credit Institutions of January 1, 1970.

### ***FUNDING ARRANGEMENTS***

Resources for interventions include annual contributions levied on member banks (*ex-ante system*). When financial resources for intervention are not sufficient, the scheme may borrow money, without any maximum limit.

### ***MEMBER BANKS' CONTRIBUTIONS***

Before October 1, members are required to pay an annual contribution the amount of which must be approved by the Financial Supervision Authority.

The amount of the contribution includes both a fixed and a variable quota. The first one is 0.05% of the bank's guaranteed deposits, while the latter is based on the bank's capital adequacy. The higher the bank's capital adequacy, the smaller the variable part will be. In any case this variable part cannot not exceed 0.25% of the bank's protected deposits.

The assets of the fund may not exceed the fixed minimum level of 2% of all deposits protected by the Fund, which currently amount to around 3.5 billion Finnish marks. Assuming no compensation payments, the expectation is that the minimum level will be reached within 10-15 years.

## ***FISCAL ASPECTS OF THE CONTRIBUTION***

Annual fees are fiscally deductible.

## ***AMOUNT OF COMPENSATION***

As of January 1, 1998 the Fund covers deposits up to a maximum limit of 150,000 Finnish marks (approximately 25,000 euros).

Before that date the protection limit was consistently higher, exceeding the minimum limit imposed by EU Directive 94/19.

## ***COVERED DEPOSITS***

The Funds cover all due and payable deposits, both in local and foreign currencies, when not included in the exclusions indicated by the following paragraph.

## ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The Fund does not cover:

- a) deposits by other credit institutions, as defined in article 1, subsection 6 of EU Directive 89/646;
- b) deposits by other credit institutions on their own behalf and for their own account ;
- c) deposits by the administration of the State or by other public territorial authorities;
- d) deposits arising from illegal transactions;
- e) debt certificates issued by credit institutions as well as debts arising from promissory notes by the same institution;
- d) deposits already covered by the Investors Compensation Fund:

## ***ACTIVATION OF THE SCHEME***

Financial resources of the fund are used to repay, in national currency, due and payable deposits . Reimbursement is the only kind of intervention available to the fund for the protection of the depositors of any participating bank. Other forms of interventions may only be decided on by the Minister of Finance and, especially, by the Financial Supervision Authority.

Participating institutions are required to provide the *Talletussuojarahasto*, before the end of March, with all the information necessary for the calculation of the contribution quota, as well as any other information which is deemed to be relevant for credit-risk valuation purposes.

In order to ensure the liquidity of the fund, accumulated resources are invested in no-risk operations, and especially in state bonds. Financial resources, however, may be also be used, up to a maximum of 25% of the total, for the purchase of property and real-estate bonds.

## ***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper/95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

Nastasi, V., Crisi bancarie e tutela dei depositanti, il Mulino, 1988

## **FRANCE**

### **LEGAL FRAMEWORK**

- Banking Act no. 84-46 of January 24, 1984;
- EU Directive 94/19, on deposit guarantee systems and transcribed into French law by Act 94-679 of 8 August 1994;
- Regulation of the Association Française des Banques of 8 February 1994 on the deposit protection scheme (solidarity mechanism), ratified on 27 February 1997;
- Regulations of the Comité de la réglementation bancaire n° 95-01 of July 21, 1995 (Banking Regulation Committee).
- Decision by the CRBF of 21 February 1997 notifying the lists of guarantee schemes legally recognized in France and of equivalent systems;
- Law 99-532 of 25 June 1999 modifying the savings guarantee mechanisms.

### **ORIGINS OF THE SYSTEM**

A list of deposit guarantee schemes legally recognized in France, along with those systems which are deemed equivalent, was published by the CRBF on 21 February 1997, according to article 52-1 of the French Banking Act.

Three are the main schemes:

- 1) Scheme managed by the Association Française de Banques (AFB);
- 2) Scheme managed by the Groupement des institutions financières spécialisées;
- 3) Scheme managed by the Association Française des sociétés financières.

The equivalent systems are:

- 1) those managed by the Caisse Nationale de credit agricole;
- 2) by the Chambre Syndicale des banques populaires;
- 3) by the Confédération Nationale de credit mutuel;
- 4) by the Caisse central de crédit coopératif;
- 5) by the Centre national des caisses d'épargne et de prévoyance;
- 6) and by the Chambre Syndicale des sociétés anonymes de crédit immobilier.

These last guarantee mechanisms only ensure indirect protection to depositors, since crisis prevention is their main aim.

The French deposit guarantee system requires all trade associations to adapt their own deposit protection scheme. All credit institutions participating in an association must be members.

The *Mécanisme de solidarité*, to which the present analysis is limited, was established on 14 January 1980 by the Association française des banques which, after the first bank failure in 1977, often intervened on the urgency of defining the general principles of a deposit protection mechanism.

The scheme is administered by a Steering committee which includes the President and the Secretary General of the AFB, as well as four other members nominated by the AFB itself.

Any decision the Committee should make, concerning the management or the activation of the mechanism, must be approved by the AFB.

Participation is compulsory for all institutions defined as *banques* by the French law; the AFB, however, may accept membership requests by other credit institutions. Branches of EEA banks may participate in the scheme on a voluntary basis, while membership for non-EEA branches is compulsory, unless the AFB establishes the equivalence of their home-country scheme. At the end 1998, banks participating in the solidarity mechanism were 365.

### ***FUNDING ARRANGEMENTS***

The solidarity mechanism is an *ex-post* contribution scheme. Each member institution makes contributions for intervention expenses in the case of a crisis.

### ***MEMBER BANKS' CONTRIBUTIONS***

The contribution of each bank or group of banks includes one per capita and one proportional part:

1. the per capita part equals 0.01% of the overall financial burden. FF 200,000 per bank failure is the maximum of this portion;
2. The variable part is calculated on a basis which is equal to 1/9 of the total amount of deposits of the members of the solidarity mechanism, and on 1/3 of the credits of all member banks.

The total amount of contributions for each bank, however, cannot exceed 0,03 ‰ of the deposits on which the contribution basis has been calculated for members in the year when the crisis occurs. The mechanism is allowed to employ intervention quotas remaining from the past two years and, if those aren't sufficient, to make use of the contributions due in the next two years.

According to article 52 of the Banking Act, when the crisis of one of the member banks is deemed to put the whole banking system in jeopardy, the Governor of the Bank of France may decide to levy special contributions on participating banks.

### ***FISCAL ASPECTS OF THE CONTRIBUTION***

Contributions by member banks are *fiscally deductible*.

### ***AMOUNT OF COMPENSATION***

Deposits and other reimbursable funds are protected by the scheme up to a maximum of French francs 400.000 (61,000 euros) per depositor. In the case of a joint deposit, the maximum limit is paid to each single depositor.

Deposits by notaries on behalf of their clients are reimbursed in full without applying the 400,000 franc limit.

### ***COVERED DEPOSITS***

Nominative and non-negotiable deposits in French Francs, euros, or other currencies of the European Economic Area are covered under the scheme (repayments are made in French Francs). Coverage of depositors of French banks abroad is limited to EEA countries.

## ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The following deposits are not covered under the scheme:

- a) Deposits by credit and financial institutions and by the persons specified in article 8 of the 1984 Banking Act;
- b) Deposits by insurance companies or undertakings;
- c) Deposits by national governments and their central administrative authorities, or by their agencies;
- d) Deposits by undertakings for collective investment schemes;
- e) Deposits by pension and retirement funds;
- f) Deposits by other companies of the same group as the bank;
- g) Capital, reserves and other elements of the bank's capital, according to the law;
- h) Deposits by administrators, managers, personally liable shareholders, holders of at least 5% of the capital of the credit institution, persons responsible for the legal supervision of the institution's accounts, and other such persons sharing similar responsibilities in other companies of the group;
- i) Close relatives and third parties acting on behalf of the depositors mentioned in the previous paragraph;
- j) Deposits for which the depositor has obtained preferential rates and financial advantages from the credit institution, which have contributed to aggravate the financial situation of the institution concerned;
- k) Debt instruments, including debentures, issues by the credit institution and commitments arising from its acceptances and promissory notes;
- l) Non-nominative deposits;
- m) Deposits originating from money laundering activities;

## ***ACTIVATION OF THE SCHEME***

The solidarity mechanism is activated upon receipt of a notification by the Banking Commission or by the courts that deposits at a member bank have become unavailable, or following a court decision (solidarity mechanism regulations, article 11).

Once the triggering of the mechanism has been announced, the AFB mandates a designated bank, called the "operating bank," to carry out reimbursement operations; the operating bank makes the payment within two months from the date when the deposits have become unavailable.

At the end of the reimbursement period, the AFB and the operating bank determine the amount borne by the solidarity mechanism. This amount includes, in addition to the total reimbursements made to the defaulting bank's customers, interest at the average monthly money market rate plus 12 basis points due to the operating bank for its advance of funds according to the date of payment. The AFB divides the burden between the institutions.

When the debt owed to the AFB is recovered, particularly in the event of the defaulting bank being taken over or liquidated, the dividends, less any expenses incurred by the AFB, are paid back to the banks in proportion to their contributions.

All member institutions are required by the mechanism to have a rating which is equivalent to Standard & Poor's A3, Moody's P3 or IBCA A3. The rating of the *parent company* is applied to banks belonging to a group, to branches of foreign banks, and to those subsidiaries whose parent company holds more than 67% of their shares. As an alternative to the rating minimum level previously indicated, member banks may submit a written commitment by solvent shareholders or guarantors.

Member banks are also required to respond to any request for information by the Steering Committee of the mechanism, as well as to provide, upon request, all necessary accounting and auditing documentation.

***INTERVENTIONS IN RECENT YEARS (in millions)***

<b>Year</b>	<b>Name of Institution</b>	<b>Amount of intervention</b>	<b>Recovered amount</b>
1976	Banque Baud	11,3	7.2
1978	Banque Lacaze	39,1	29.3
1979	Banque Hispano Francaise	14	7
1979	Banque roy	6,3	2.8
1980	Banque Catalene	0	0
1980	Banque Gadoin	10,7	5.4
1980	Banque Bonasse	28,2	16.9
1989	Banque de Participations et de plac.	33	16.2
1989	United Banking Corporation	54	15.4
1989	Labanese Arab Bank	45,5	6.4
1990	Banque Industrielle de Monaco	108,7	48.9
1991	Bank of Credit and Commerce International	40	14.2
1992	Banque Majorel	132	Reclaim in progress
1994	Banque Commerciale Privée	56	22
1995	Banque Pallas Stern	56	Reclaim in progress
	<b>Total</b>	<b>634.8</b>	<b>197.7</b>

Source: Mecanisme de solidarité

**AMENDMENTS TO THE FRENCH DEPOSIT PROTECTION SCHEME FOLLOWING THE IMPLEMENTATION OF LAW 99-532 OG June 25, 1999**

Law 99-532 of June 25, 1999, which was issued to counter the ever-increasing crisis of the financial system, replaces, with fourteen new articles (arts. 52-1 to 52-14), article 52-1 of the Banking Law concerning deposit guarantee schemes. The Comité de Réglementation bancaire et financière, however, is in charge of the application of the said law.

The most outstanding variation is the establishment of a single deposit guarantee system, privately managed. Membership in the system is compulsory for all credit institutions, whatever their juridical status might be.

According to the new law, the system's activation in the case of an insolvency may take the form of a:

- compulsory intervention, only upon request of the Commission bancaire when it has been ascertained that a credit institution is not able to reimburse, within 21 days, deposits which are due and payable;
- optional intervention, as a precautionary measure when, in the opinion of the Commission bancaire, a bank might be unable in the future to repay deposits which are due and payable. The guarantee system, however, may refuse the implementation of any intervention procedure.

The Fund may take on the beneficiary rights of its intervention in order to recover, in part or in full, the moneys concerned. The Fund may also press charges against the former management of the bank in crisis.

While in accordance with the previous law member banks were required to intervene only in the case of a crisis (ex-post system), the current legislation requires members to pay annual fees for management expenses (ex-ante contribution system). The said contributions shall be calculated according to the CRFB regulations following the provisions of article 52-14.

Contributions may consist of in association certificates to be issued when each protection scheme is established. The said certificates shall constitute an initial fund to be employed should a crisis take place in the first years after the start-up of the new system. The same certificates may serve as an alternative financing source should the annual contribution be insufficient for interventions.

If not employed, association certificates are considered as ordinary investments, while they are regarded as contributions when used by the system. In this case, their nominal value is proportionally reduced in the balance sheet of member banks.

Certificates may be reimbursed only when an institution is no longer authorized to accept deposits. In the case of an expulsion, the certificates are annulled and the paid sums remain as part of the fund.

The new system is administered by a board of directors under the supervision of a special commission of twelve members representing one or more of the participating institutions. The Supervisory commission nominates the system's directors and president.

## ***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Association Francaise des Banques, Solidarity mechanism regulations, Febbraio 1997

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper/95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

Nastasi, V., Crisi bancarie e tutela dei depositanti, il Mulino, 1988

Ruozi R., Le crisi bancarie, Newfin, 1995

# **GERMANY**

## **LEGAL FRAMEWORK**

- Banking Act of December 5, 1935, subsequently modified in different occasions;
- EU Directive 94/19 of May 30, 1994 on deposit guarantee systems;
- Deposit Guarantee and Investor Protection Act, implementing EU Directives on deposit and investor guarantee schemes.

## **ORIGINS OF THE SYSTEM**

A new, public deposit guarantee system was established in Germany on August 1, 1998, implementing the various EU Directives on deposit and investor protection schemes.

New public systems are currently functioning in the country, along with private deposit protection schemes already in existence. Participation in the public system is mandatory for private and public credit institutions, and other financial establishments operating in Germany. Credit institutions already participating in the private deposit guarantee scheme of their banking association may, nonetheless, maintain their membership for the purpose of “topping up” the limits on compensations set forth by the new Act.

As indicated in EU Directive 94/19, the maximum payment under the scheme is limited to 90% of the protected deposit, not exceeding 20,000 euros or the equivalent in German Marks.

The following are excluded from protection:

- a) deposits by other credit institutions;
- b) deposits by financial undertakings;
- c) deposits by public authorities;
- d) deposits by medium-sized and large companies;
- e) deposits by insurance companies.

The public deposit protection scheme is funded through periodic contributions levied on participating credit institutions. Should the need arise, the scheme may also raise special contributions and take up loans. Normal contributions amount to 0.03% of the total of protected deposits.

According to the 1998 Act, implementing the EU Directive, the responsibilities and powers of a compensation system of a public nature may be assigned to a private corporation, if such an institution is willing to undertake such responsibilities. The Association of Private Banks (*Bundesverband der Deutschen Banken e. V.*, or *BDB*) and the Federal Association of Public Banks have taken on the capacity of serving as a compensation body for institutions belonging to their respective sectors. BDB, therefore, operates both the private Deposit Protection Fund (*Einlagensicherungsfonds*) and the new public guarantee system (*Entschadigungseinrichtung deutscher Banken GmbH – EdB*), which is completely controlled by the BDB itself.

The following gives details on how the private deposit insurance system, one of the largest and most important in Germany, is operated.

The German system reflects the institutional diversification of the banking sector, which includes commercial, savings, and folk banks, as well as co-operatives, each institution having its own particular aspects.

As far as savings banks, i.e. public banks, and co-operative banks are concerned, protection is given to the institution in crisis as a whole. In the case of private commercial banks, on the other hand, only actual depositors are insured and no protection is provided to the institution itself.

Membership in the private deposit guarantee system is voluntary. The fourth amendment of the Banking Act (effective from March 1993) states in art. 23 that any institution which does not participate in the Fund or in any other deposit guarantee scheme is required to inform its depositors. The deposit guarantee system of commercial banks was established in 1966, following the second Banking Act of 1961. Since no public solution was agreed on, the actual organization of the Fund was entrusted to the sectorial association (Federal Banking Association).

As of October 1998, there were 287 members participating in the deposit protection system.

The current configuration of the system is linked to the revision of the previous scheme, which was effective from 1 January 1976.

The system is supported by the following institutions:

- a) the Liquiditat und Konsorzialbank (Liquidity Syndicated Bank),
- b) the Prüfungsverband deutscher Banken,
- c) the Deutsche Bundesbank, which operates indirectly.

- a) The Liquiditat und Konsorzialbank (Li-ko Bank) is a public institution which is in charge of banks of any nature. Its role is to make sure that all institutions have sufficient liquidity and to guarantee that payments inside the country are carried out regularly. The Bundesbank holds 30% of the bank's capital, while 31.5% is held by private banks, 26.5% by public credit institutions, 11% by cooperative banks, and the remainder by specialized institutions. Li-Ko Bank may lend money to other financial agencies, make deposits in these agencies, and make financial operations of any kind which may also involve employing a line of credit with the Bundesbank. A bank in a situation of temporary liquidity crisis may issue a draft which, once accepted by Li-Ko Bank, may be re-discounted by the Bundesbank.
- b) The Prüfungsverband deutscher Banken is the institution in charge of the analysis and auditing for preventive purposes of all banks participating in the deposit protection system. Membership in the institution is mandatory for all banks participating in the Fund, which are requested to undergo periodic revisions and auditing by the Prüfungsverband. Thanks to this procedure situations of bank weakness are promptly detected, so that the necessary reorganization measures may be taken to prevent insolvency. The Institution may also make recommendations and nominate officers who will be in charge of adopting the reorganization measures.
- c) The Bundesbank may either grant new funds to credit institutions in temporary liquidity crisis, through the Li-Ko Bank, or urge interventions by other institutions.

## ***FUNDING ARRANGEMENTS***

The funds needed for providing compensation are raised through contributions from participating institutions (ex-ante system).

## ***MEMBER BANKS' CONTRIBUTIONS***

Each year by June 30 member banks pay annual contributions of 0.03% of the liabilities to ordinary depositors, calculated from the last approved balance sheet. These contributions may be increased up to a maximum of 0.06%.

New participants in a position to submit financial statements for three business years are required to make a one-off payment amounting to 0.09 % of the liabilities to ordinary depositors.

The payment of annual contributions may be reduced (or dispensed with), if the assets of the Fund have reached a reasonable level. The Executive Board of the Federal Association may also double the annual contribution if this is required to discharge the functions of the Fund.

## ***FISCAL ASPECTS OF THE CONTRIBUTION***

Annual contributions by member banks are fiscally deductible.

## ***AMOUNT OF COMPENSATION***

All liabilities of banks are protected for each creditor up to a protection ceiling of 30% of the sum of the core capital as defined in § 10 of the German Banking Act and as calculated from the last approved balance sheet. Subsequent variations in the balance sheet are also taken into account.

## ***COVERED DEPOSITS***

The German system protects all deposits including:

- a) deposits by non-residents;
- b) deposits in foreign currencies;
- c) deposits made at branches of foreign banks;
- d) deposits of German banks made at their foreign branches.

## ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The scheme does not cover:

- a) deposits by financial institutions;
- b) certificates of deposit;
- c) deposits by managers, general and limited partners of the bank or other institutions belonging to the same group, by holders of at least 5% of the credit institution's capital, and by those designated to supervise the bank's accounts;
- d) deposits by close relatives, to the second degree, of the persons referred to in c) or by third persons acting in their account;
- e) debt securities issued by credit institutions and debts arising from promissory notes by the bank in crisis.

## ***ACTIVATION OF THE SYSTEM***

Banks participating in the Fund are required to submit to their Associations a written declaration by which they authorize the *Federal Banking Supervisory Office* to require all necessary information concerning any matter which might make deposits held in the bank appear to be in potential jeopardy. They are also required to inform the Association of the creation, modification and termination of a significant participation, of the opening of branches abroad, as well as to provide the data for rating and auditing procedures.

Other measures may also be adopted, such as support interventions to the bank in crisis (financing, granting of guarantees, assumption of liabilities) or repayment of depositors.

Since 1976, when it was established, the German deposit protection scheme has made around twenty interventions, with an output of 1.4 billion marks.

Interventions are articulated as follows:

- a) auditors by each sectorial Association verify the bank's situation. Once a situation of crisis is ascertained notice of it is given to the Federal Supervisory Authority which, after further verification, decides on intervention procedures;
- b) a moratorium of payments is granted to the bank concerned by the supervisory authorities in order to allow the bank to initiate reorganization procedures through the acquisition of new funds;
- c) the Fund initiates winding-up repayment procedures;
- d) deposits are reimbursed, according to their expiration date.

#### ***INTERVENTIONS IN RECENT YEARS (amount in millions)***

<b>Year</b>	<b>Name of Institution</b>	<b>Amount of Intervention</b>
1980	<i>HKB Handerskreditbank Frankfurt</i>	154
1980	<i>Bankhaus Hassel &amp; Cie. Frankfurt</i>	10
1982	<i>Asknische Basnk Trautwein Berlin</i>	151
1982	<i>Pister Bank fur Finanzierung Mannheim</i>	37,6
1983	<i>Bank Robert Meyerding Hamburg</i>	45
1983	<i>Herms Bank KG. Hamburg</i>	115
1983	<i>Hensel Kreditbank GmbH. Darmstadt</i>	60
1983	<i>Jan Weymar &amp; Co. KG. Koln</i>	22,8
1984	<i>Martin Friedburg &amp; Co. Hamburg</i>	0,4
1985	<i>Wilh. Basse KG. Hannover</i>	100
1985	<i>Schneider &amp; Munziong KG. Munchen</i>	484,9
1988	<i>Bankhaus Steinhart KG. Pforzheim</i>	318
1989	<i>Bankhaus Sinziger KG. Munchen</i>	90
1990	<i>Heinrich Rottger Bank. Osnabruck</i>	16,1
1991	<i>Bankhaus Carl M. Gotte. Koln</i>	220
1992	<i>Baudrexel.- Kempten</i>	24,1
1993	<i>Gewerbekreditbank Dusseldorf</i>	347,8
	<i>Total</i>	<i>2.196,7</i>

#### ***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper/95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

Nastasi, V., Crisi bancarie e tutela dei depositanti, il Mulino, 1988

Ruozi R., Le crisi bancarie, Newfin, 1995

## ***GREAT BRITAIN***

### ***LEGAL FRAMEWORK***

- Banking Act of 1979;
- Banking Act of 1987;
- EU Directive 94/19, concerning deposit protection schemes;
- The 1995 Credit Institution (Protection of Deposits) Regulations, implementing EU Directive 94/19, executive from July 1, 1995;
- The 1998 Bank of England Act, executive from June 1, 1998, which transferred the supervisory functions of the Bank of England to the Financial Services Authority.

### ***ORIGINS OF THE SCHEME***

The British Deposit Protection Fund was established by law under the 1979 Banking Act and was continued under the Banking Act of 1987. On July 1, 1995, the system was amended by the Credit Institution (Protection of Deposits) Regulations of 1995 which implemented in the UK the terms of a European Directive on Deposit Guarantee Schemes.

Membership in the system is *mandatory* for all English banks authorized under the Banking Act of 1987 and incorporated in the UK including their branches in the European Economic Area. EEA institutions may also participate in the scheme for “topping up” purposes. Non-EU banks are required to become members unless the managers of the UK system are satisfied that a home scheme exists which covers depositors with UK offices, and that the level and scope of the scheme is no less than what is available under the UK system. They must become members if their home scheme is not equivalent to the UK system.

Public sector institutions such as the National Savings Banks and the National Girobank are excluded. Their deposits are guaranteed directly by the Treasury. Also excluded from membership are Building Societies, which participate in a protection scheme operated by the Building Societies Association and are supervised by the Chief Registrar of Friendly Societies.

The system is managed by the Deposit Protection Board, which includes, ex officio, the Chairman of the FSA; the Deputy Governor of the Bank of England who is responsible for Financial Stability; and the Managing Director of the FSA who is responsible for Financial Supervision. Other members are appointed directly by the Chairman.

### ***FUNDING ARRANGEMENTS***

The British system is funded through contributions by participating institutions. When necessary, special contributions may be levied in order to restore the Fund to a minimum of £5mn and a maximum of £6mn; the Board also has powers to borrow funds.

### ***TOTAL AMOUNT OF AVAILABLE FUNDS***

The Fund is generally kept at a level *of between a minimum of £5mn and a maximum of £6mn*. At the end of the Board’s 1997/98 financial year the Fund stood at £6.8mn.

## ***AMOUNT OF COMPENSATION***

The total amount of protected deposits covered by the scheme is limited to £20,000 or the sterling equivalent of 22,000 euros, whichever is greater.

The maximum payment under the scheme is limited to 90% of the protected deposit, the maximum payment therefore being £18,000 or the sterling equivalent of 20,000 euros, whichever is greater.

## ***COVERED DEPOSITS***

Most types of deposits are covered, including current, deposit and savings accounts.

The calculation of protected deposits is based:

- on the total liability of the institution towards the principal amount of the deposits, denominated in local and EEA currencies.
- on the accrued interest on such deposits up to the date when they became due and payable.

Deposits in the same name are aggregated and joint accounts are divided equally between holders.

## ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The following are not covered under the British system:

- a) deposits made in currencies other than those of an EEA country;
- b) deposits by directors, controllers and managers of the bank and their close relatives;
- c) deposits by close relatives or third persons acting on behalf of those mentioned in b);
- d) deposits by a person who, in the opinion of the Board, has any responsibility for or who may have profited directly or indirectly from the circumstances giving rise to the bank's financial difficulties;
- e) deposits made in the course of a transaction in connection with which a person stands convicted of a money laundering offence or has been charged with such an offence but not yet tried;
- f) secured deposits;
- g) deposits by credit institutions;
- h) deposits by companies in the same group as the bank;
- i) deposits by insurance undertakings and other financial institutions;
- j) deposits which form part of the capital of the bank.

## ***MEMBER BANKS' CONTRIBUTIONS***

The scheme is funded by a one-off initial contribution, to which further and special contributions may be added, based on the amount of deposits covered by each participating institution.

Contributions are subject to upper and lower limits. The minimum initial contribution is £10,000 while the maximum amount levied in respect of an initial or further contribution may not exceed £300,000. There is also a ceiling which currently limits payments made under all calls, after allowing for any repayments, to an amount not exceeding 0.3% of each institution's deposit base, which is defined as the total amount of all the bank's deposits, either in pounds, or euros, or one EEA currency, minus:

- 1) deposits by the Bank of England or other credit institutions;
- 2) deposits by other financial institutions;

- 3) deposits by insurance companies;
- 4) deposits by companies belonging to the same group as the bank, as well as the deposits by their main shareholders;
- 5) deposits by directors, controllers and managers of the bank and their close relatives;
- 6) secured deposits;
- 7) deposits which form part of the capital of the bank;
- 8) deposits for which the institution has issued a certificate of deposit in one of the EEA currencies.

The *initial contribution* is levied when an institution becomes a member of the system.

When necessary, *further contributions* may be levied in two cases:

- a) following approval by the Treasury, if the Fund's resources have been reduced below £3million, in order to restore the fund to a minimum of £5mn and a maximum of £6mn;
- b) following approval by Parliament, when the Board deems it necessary an increase in the size of the fund above the 5-6 million pound level. Such a request can be made at any time.

*Special contributions* may be levied at any time if payments from the Fund are likely to exhaust its cash resources before the end of a financial year. Such contributions shall be repaid pro-rata at the end of the financial year.

The Board has also powers to borrow funds up to a maximum of £10mn when the size of the Fund is not sufficient. The Treasury, after consultation with the Board, may increase the maximum limit of the loan.

### ***FISCAL ASPECTS OF THE CONTRIBUTION***

All contributions, of any kind, made by an institution, are *fiscally deductible*.

### ***ACTIVATION OF THE SCHEME***

The scheme is activated when a Court's decision puts a bank in provisional liquidation, liquidation, or administration. The scheme will also be activated if the FSA determines that for reasons directly related to the institution's financial circumstances, the institution is unable to repay protected deposits which are due and payable, and has no current prospect of being able to do so.

If the Deposit Protection Scheme is activated, the Deposit Protection Board will obtain from the bank the name and the address of each depositor with an account denominated in an EEA currency or in euros. The Board will then write to each depositor enclosing a claim form for each account. Full details of how to complete the form will be advised at the time. In the normal course, depositors need take no action until they have heard from the Board. Each claim will need to be verified before payment can be made. This will usually involve the Board asking the liquidator or administrator to confirm the amount of the deposit and to confirm that a deposit is due and payable under the terms on which it was made and it is not a type of deposit which is excluded from protection.

If the bank has been placed in liquidation or administration by the UK Court, depositors will need to lodge a proof of debt or a claim for repayment with the liquidator or administrator respectively. This procedure will normally be notified to depositors by the relevant liquidator or administrator. If a full liquidator or an administrator has not been appointed, depositors will be asked to complete an appropriate form by the Board, which the Board will be able to lodge on their behalf with a liquidator if one is appointed at a later date.

All payments to depositors will be made as soon as practicable after a deposit becomes due and payable. In a liquidation, all deposits become due and payable immediately and therefore payments can be made as soon as a claim is verified. However, in other cases, deposits normally continue to their original maturity date. Depositors will therefore have to wait for a compensation payment until that maturity date is reached. Payments will be made by check in favor of the individual depositor in the currency of the deposit.

## ***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper 95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

Nastasi, V., Crisi bancarie e tutela dei depositanti, il Mulino, 1988

Ruozzi R., Le crisi bancarie, Newfin, 1995

## **GREECE**

### **LEGAL FRAMEWORK**

- Banking Act (Law 1665/1951) and following amendments;
- EU Directive 94/19 concerning deposit guarantee schemes;
- Law 2324/95 implementing the EU Directive and establishing the Greek Deposit Guarantee Scheme.

### **ORIGINS OF THE SCHEME**

The Greek Deposit Guarantee Fund (*Tameio Egyssis Kataheseon - TEK*), established in 1995 by a special act which implemented EU Directive 94/19, is a private entity of an insurance nature, under the supervision of the Ministry of National Economy.

Membership in the Fund is mandatory for all banks operating in Greece, as well as for non-EU credit institutions which are not covered by an equivalent protection scheme in their home countries. EU banks may become members for topping-up purposes. Thirty two banks currently participate in the scheme.

The Fund is jointly governed by the Central Bank, the Association of Greek Banks, and the Minister of Finance. From the year 2000, only the Association of Greek Banks will be responsible for the management of the Fund.

### **FUNDING ARRANGEMENTS**

The scheme (ex-ante system) is funded as follows:

- regular annual contributions;
- supplementary contributions, in the case of a necessity;
- revenue from the liquidation of claims;
- borrowings from participating institutions and/or other sources;
- contributions by new participants in the scheme.

### **TOTAL AMOUNT OF AVAILABLE FUNDS**

The funds currently amount to 60 billion drachmas, consisting of the initial capital, 3 billion drachmas, paid up by the Bank of Greece (6/10) and by the Hellenic Banks Association (4/10) plus periodic contributions by member institutions.

### **AMOUNT OF COMPENSATION**

The TEK covers deposits up to the drachma equivalent of 20,000 euros.

## **COVERED DEPOSITS**

The Fund covers all due and payable deposits, both in local and foreign currencies.

## **EXCLUSIONS FROM DEPOSIT PROTECTION**

The Fund does not cover the following:

- a) deposits by other credit institutions in their name and on their own behalf;
- b) securities defined as “own funds” in article 2 of EU Directive 89/299 of 17 April 1989, concerning the own funds of credit institutions;
- c) deposits of financial institutions;
- d) deposits of insurance companies and other institutions of collective investments in securities;
- e) deposits of the State and of central administrations;
- f) deposits of management staff, of members of the Board, of shareholders holding at least 5% of the capital of the financial institution and also depositors that hold the same position in other companies controlling the financial institution;
- g) deposits of husbands, wives or children directly related to the above mentioned categories and also third parties acting on their behalf;
- h) deposits of other companies related to the financial institution;
- i) negotiable deposit certificates;
- j) debentures and bank bonds issued by financial institutions, as well as liabilities rising from the acceptance of drafts and other promissory notes;
- k) deposits generated from illegal actions;
- l) debt securities issued by a credit institution and all debts deriving from promissory notes issued by the institution itself.

## **MEMBER BANKS' CONTRIBUTION**

Regular annual contributions, which are paid in two semi-annual installments, are calculated on the average balance at the end of June of qualifying deposits in drachmas and foreign currencies. The level of these contributions is calculated on a regressive scale which is readjusted every year. For 1998 the scale was as follows:

<b>FOR DEPOSITS</b>	<b>CONTRIBUTION IN GDR</b>
0 – 68 billion GDR	1.250 ‰
68-340 billion GDR	1.200 ‰
3040-1013 billion GDR	1.175 ‰
1013-2365 billion GDR	0.205 ‰
over 2365 billion GDR	0.025 ‰

20% of the contribution is credited to TEK's account with the Bank of Greece and invested in government bonds of maturity up to 12 months.

The remaining 80% is credited to TEK's time deposit account kept with the contributing credit institutions, paying interest equal to that for investments of funds in Hellenic Republic Treasury Bills of 3 months maturity. The interest rate is re-adjusted every three months and the interest is capitalized.

New members and non-EU credit institutions, in addition to the regular annual contribution, must pay an initial contribution equal to the amount of accumulated resources of TEK multiplied by the ratio of their own funds and the sum of own funds of all the credit institutions already participating in the scheme. The initial contribution may be paid in six equal semi-annual installments over a three-year period.

### ***FISCAL ASPECTS OF THE CONTRIBUTION***

Contributions by participating institutions are *fiscally deductible*.

### ***ACTIVATION OF THE SCHEME***

Repayment of deposits is the only form of intervention implemented by TEK. The terms and conditions of such reimbursement are set forth in articles 1 (§3) and 10 of EU Directive 94/19. The scheme is activated when competent or legal authorities have declared that an institution is in no position to repay due payable deposits.

Reimbursement is made within three months from such a declaration, and after claims by the depositors have been verified. In very special cases, competent authorities, upon request of the TEK, may grant two extensions to the repayment, not exceeding three months each.

Participating institutions are required to submit, upon request by the Board of Directors of TEK, any information concerning their financial statements, calculation of contributions, and covered and excluded deposits.

The TEK's balance sheet is audited by a special agency. Its report is sent to the competent Parliamentary Commission, to the Minister of National Economy, to the Central Bank, and to the Association of Hellenic Banks.

Since the establishment of the Fund, there has been only one case of intervention. The total amount of compensation paid accounted to almost 550 million drachmas.

### ***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper 95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

## ***IRELAND***

### ***LEGAL FRAMEWORK***

- EU Directive of May 30, 1994 on deposit guarantee schemes;
- The 1995 European Communities (Deposit Guarantee Schemes) Regulations, implementing EU Directive 94/19, effective from July 1, 1995, set out the terms and conditions governing deposit protection in Ireland.

### ***ORIGINS OF THE SCHEME***

Since 1989, the protection of depositors in Ireland has been directly guaranteed by the Central Bank through the Banking Supervision Department. No independent institution has been established towards this end. Terms and regulations of the guarantee scheme have been defined by the 1995 European Communities Regulations, noted above, through which the Minister of Finances has implemented EU Directive 94/19.

Fifty-six institutions participated in the scheme as of December 31, 1998.

### ***FUNDING ARRANGEMENTS***

The scheme is funded through periodic contributions by participating credit institutions (*ex-ante system*).

In exceptional circumstances, funds may be borrowed from the Central Bank.

### ***TOTAL AMOUNT OF AVAILABLE FUNDS***

Financial resources available to the scheme currently amount to 85.7 billion IEP

### ***AMOUNT OF COMPENSATION***

The maximum level of cover provided to any depositor is 90% of the aggregate deposits held by that depositor, subject to a maximum compensation, in Irish pounds, equivalent to 15,000 euros, which will be increased to 20,000 euros by December 31, 1999.

### ***COVERED DEPOSITS***

Deposits eligible for compensation are those denominated in euros or in any currency held with the EEA branches of credit institutions authorized in Ireland.

Deposits of EEA and non-EEA branches operating in Ireland are also protected.

The current amount of protected deposits is 56 billion Irish pounds.

### ***EXCLUSIONS FROM DEPOSIT PROTECTION***

Deposits not eligible for compensation include:

- a) interbank deposits;
- b) certificates of deposits;
- c) the bank's equity capital, reserves, and any other capital elements;
- d) deposits in connection with which money laundering offences have been committed;
- e) deposits by companies connected with the credit institution;
- f) deposits by a person who had responsibility for or profited from the failure of the credit institution;
- g) deposits by members of the board of directors or the management personnel and their close relatives;

### ***MEMBER BANKS' CONTRIBUTIONS***

The level of contribution required from each credit institution is 0.2% of the total amount of deposits, with a minimum contribution of Irish £ 20,000.

When the level of the fund is below the minimum level, the Central Bank of Ireland is authorized to levy special contributions, in order to re-establish the proper level. Should the special contribution aggravate the financial conditions of a member bank, the Central Bank has the power to exonerate the said institution from payment.

### ***ACTIVATION OF THE SCHEME***

The compensation payment process is initiated by:

- the Central Bank determining that a credit institution is unable to repay deposits which are payable and due;
- a court when it rules that, for reasons directly related to a credit institution's financial circumstances, the depositors' ability to make claims against that institution could be suspended.

The Central Bank, or liquidator when one has been appointed, is expected to pay compensation to depositors within three months of a determination by the Central Bank that deposits are unavailable, or of a ruling by the court (always subject to the terms and conditions set out in the Regulations). The Central Bank may grant an extension of the three-month period for a total duration not exceeding nine months.

When a liquidator has been appointed, it becomes liable to depositors in the name of the failing bank. The liquidator is required to deliver to the Central Bank, within a month from its nomination, an estimate of the amount of repayable deposits, as well as an estimate of the time needed to effect reimbursement.

### ***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper 95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

## ***ITALY***

### ***LEGAL FRAMEWORK***

- Legislative Decree dated September 1, 1993, n°385 (Banking Act);
- EU Directive 94/19 concerning deposit protection systems;
- Law n° 23 of February 6, 1996, Article 23, putting the Government in charge of the implementation of the said EU Directive;
- Legislative Decree of December 4, 1996, n° 659, implementing EU Directive 94/19 and partially modifying Legislative Decree 385/93.

### ***ORIGINS OF THE SYSTEM***

Two different systems for the protection of depositors are currently operating in Italy: the ***Interbank Deposit Protection Fund*** ( FITD-Fondo Interbancario di Tutela dei Depositi) and the ***Mutual Banks Depositor Protection Fund*** (Fondo di Garanzia dei Depositanti di Credito Cooperativo).

The Mutual Banks Depositor Protection Fund is aimed to the protection of depositors of the Italian mutual banks and their foreign branches wanting to integrate the guest country scheme. It also provides protection to non-EU banks operating in Italy, unless the home-country scheme has been deemed equivalent to the Italian one by the Central Bank of Italy, the ICCREA, and by the Casse Centrali di Trento e Bolzano.

The Interbank Deposit Protection Fund provides protection to all Italian banks other than mutual banks, as well as to non-EU banks operating in Italy unless they are members of an equivalent foreign protection scheme. Membership is open to the branches of EU banks for the purpose of supplementing their home country protection schemes. Membership in the Fund is mandatory for all Italian banks.

The total amount of deposits protected by the FITD is consistently larger than the amount covered by the Mutual Banks Depositor Protection Fund, although the number of members in the latter is higher. We will therefore concentrate on the FITD only.

The FITD was established, as a voluntary consortium, in 1987. Its current configuration, however, was established by the above mentioned Legislative Decree 659/1996, implementing EU 94/19 as well as the new Italian banking supervisory principles and the Fund's new statutes and by-laws.

### ***FUNDING ARRANGEMENTS***

Contributions are levied on member banks only in the case of an intervention (*ex-post* contribution system).

### ***AMOUNT OF COMPENSATION***

In the case of a reimbursement , deposits are protected up to a maximum of 200 million lira (or about 103,000 euros) per depositor.

## ***COVERED DEPOSITS***

Claims eligible for compensation are those relating to repayable funds raised by the members, both in Italian lira and other EEA currencies, in the form of deposits and other forms as well as bankers' drafts and equivalent instruments.

## ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The Fund does not cover:

- a) Bearer funds and other funds repayable to bearer;
- b) Obligations and credits deriving from acceptances, promissory notes and security transactions;
- c) The bank's equity capital, reserves, and other capital elements, calculated according to the law in force;
- d) Deposits deriving from transactions in regard with which a conviction for the crimes set forth in Articles 648-bis and 648-ter of the Penal Code has been handed down,
- e) The deposits of government departments, regional, provincial and municipal governments and other local public bodies;
- f) Deposits made by banks in their own name and for their own account, as well as the credits of banks;
- g) Deposits by the financial companies indicated in Article 59, paragraph 1 (b) of Legislative Decree 385 of September 1, 1993 (the 1993 Banking Act);
- h) The deposits by members of the corporate offices and the top management of the bank, or of the parent undertaking of the banking group;
- i) The deposits, including those made through nominees, of shareholders holding 5% or more of the member's equity capital;
- j) Deposits in respect to which the depositor has obtained from the member bank, on a personal basis, rates or terms that have played a part in damaging the financial position of the bank, as determined by the commission liquidators.

## ***MEMBER BANKS' CONTRIBUTIONS***

The total amount of financial resources which each participating institution undertakes to pay annually is established by the General Assembly at between 0.4 and 0.8 % of the repayable funds of all the members as of June 30 of the previous year. If, as a result of interventions, the amount of such financial resources is below 0.4%, this minimum percentage must be restored within four years.

Contributions levied on individual members for interventions and for operating expenses, as well as the initial one-off contribution to the consortium fund, are determined according to the member's contribution base.

## ***FISCAL ASPECTS OF THE CONTRIBUTION***

According to Italian law, the provisions made by banks in view of a possible intervention are not fiscally deductible.

## ***ACTIVATION OF THE SYSTEM***

The Fund intervenes in the case of compulsory administrative liquidation, when a member bank has been placed under special administration, and, with regard to the Italian branches of EEA banks, when the home country scheme has intervened.

Interventions are of three kinds:

1. Compensation of depositors;
2. Interventions in transfers of assets and liabilities;
3. Support interventions:

**Compensation of depositors:** In the case of a compulsory administrative liquidation of a member bank, or following the intervention by a foreign deposit protection scheme in order to back up Italian branches of EU banks, the Fund reimburses each depositor up to a maximum of 200 million lira. The Fund takes the over the depositor's claim on the member bank placed in compulsory liquidation up to the amount of the reimbursement effected. Up to that limit, it is entitled to receive the assets distributed by the liquidator before the depositors themselves are reimbursed. Their reimbursement, up to a maximum of 20,000 euros, is made within three months from the compulsory liquidation order. This term may be extended by the Bank of Italy in exceptional circumstances or special cases, for a total period not exceeding nine months. Reimbursement of the residual amount due is effected according to what the Board decides, without prejudice to the existing law. The said reimbursement, however, cannot exceed, in any financial year, the maximum limit of  $\frac{1}{4}$  of the financial resources available for interventions as determined by the General Assembly.

**Interventions in transfers of assets and liabilities:** The Fund, as an alternative to the reimbursement of depositors, and provided that the costs to the Fund can be presumed to be less, may intervene in operations involving the transfer of assets and liabilities, of companies or divisions of companies, or of the total of goods and claims of the institution involved.

**Support interventions:** The Fund may decide on interventions aimed to the support of a member placed under special administration, provided that reasonable chances exist for the bank's recovery, and that the costs to the Fund may be presumed to be less than those involved in case of liquidation. Support interventions may consist of credits, guarantees, acquisition of equity interests and other technical forms. Should the intervention take the form of an equity interest, the Fund may be in possession of the said interest only for the time needed to proceed with its disposal as advantageously as possible.

### ***FITD'S INTERVENTIONS SINCE 1987 (in billions of lire)***

<b><i>Year</i></b>	<b><i>Bank</i></b>	<b><i>Type of intervention</i></b>	<b><i>Cost of intervention</i></b>	<b><i>Total amount of recovered money</i></b>
1988	<i>Cassa di Risparmio di Prato</i>	Support intervention	800	166
1990	<i>Banco di Tricesimo</i>	Reimbursement of Depositors	6.6	5.98
1991	<i>Banca di Girenti</i>	Transfer of assets and liabilities	72	
1996	<i>Banca di Credito di Trieste</i>	Transfer of assets and liabilities	168	
1997	<i>Credito Commerciale Tirreno</i>	Transfer of assets and liabilities	99.469	

***FITD'S INTERVENTIONS (cont.)***

<i>Year</i>	<i>Bank</i>	<i>Type of intervention</i>	<i>Cost of intervention</i>	<i>Total amount of recovered money</i>
1997	<i>Sicilcassa</i>	Transfer of assets and liabilities	1,000	
<b><i>Total</i></b>			2,146.09	171.98

***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Fondo Interbancario di Tutela dei Depositi, Statuti vari anni

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper 95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

Nastasi, V., Crisi bancarie e tutela dei depositanti, il Mulino, 1988

## ***JAPAN***

### ***LEGAL FRAMEWORK***

- Deposit Insurance Law n°34 of 1971, establishing the Deposit Insurance Corporation (DIC);
- Special Reorganization Law dated June 21, 1996, modifying a number of operative aspects of the Corporation;
- The February, 1998 amendment to the 1996 Special Reorganization Law aimed at facilitating the resolution of non-performing loan problems, as well as at the stabilization of the whole financial system, principally through the injection of new capital and the use of new means of interventions, valid until the year 2001.

### ***ORIGINS OF THE SYSTEM***

The Deposit Insurance Corporation was established by the Deposit Insurance Law of July 1, 1971 in order to protect the depositors of any bank in crisis, and to maintain the stability of the financial system, following the increasing competition which resulted from the financial liberalization in progress in Japan.

The system is managed by the *Deposit Insurance Corporation* (DIC) which, along with the Minister of Finances (MOF) and the Central bank (BOJ) is an essential part of the Japanese safety net. Following the example of other countries, the supervision of all credit and financial institutions, as well as of insurance undertakings, was transferred from the Minister of Finance to the Financial Supervisory Authority on June 22, 1998.

All financial institutions operating in Japan are required to become members of the Corporation, except for branches of foreign banks and governmental banks.

The Corporation covers the deposits of commercial and mutual banks, as well as those of Credit Cooperatives. A separate protection scheme exists for special financial institutions such as farming and fishing cooperatives

### ***FUNDING ARRANGEMENTS***

The Japanese protection system was originally funded in equal amounts by member banks, the Central Bank, and the Department of Finances.

Currently, periodic contributions are levied on member institutions only (*ex-ante system*).

The scheme is also authorized to borrow money up to the limit of YEN 1,000 billion directly from the Central Bank and from other financial institutions in order to repay any previous loan or adopt those measures provided by the law for the protection of the depositors of a bank in crisis.

### ***AMOUNT OF COMPENSATION***

Deposits are covered up to the amount of 10 million yen (81,700 euros) per depositor.

During the last fiscal year the total amount of protected deposits was 551,270 billion yen, which represents 77,3% of all the deposits in Japanese banks.

### ***COVERED DEPOSITS***

The system insures deposits and other liabilities of member institutions, except those indicated in the following paragraph.

### ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The following are not protected under the scheme:

- a) deposits in foreign currencies;
- b) negotiable certificates of deposit;
- c) Japanese off-shore market accounts;
- d) deposits from central and local government, public corporations, and other semi-governmental organizations;
- e) deposit from the Bank of Japan and other financial institutions;
- f) deposits from the DIC;
- g) anonymous deposits;
- h) deposits under assumed names.

### ***MEMBER BANKS' CONTRIBUTIONS***

Insurance premiums by member banks are computed on the basis of the total insured deposits and other liabilities as of the last day of the preceding fiscal year and must be paid by all members within three months of the beginning of each fiscal year:

An installment payment system was introduced in 1996, under the condition that 50% of the annual premiums are paid within three months of the beginning of the fiscal year, while the remaining 50% can be paid within three months after the lapse of the first six months of the year.

The general insurance premium rate is determined by the DIC's Policy Board and is approved by the Minister of Finance: The premium rate has been currently fixed at 0.048, compared to the 0.012 of previous years.

### ***MANAGEMENT OF THE FUND***

The Deposit Insurance Fund is managed by the DIC and includes one general account and two special accounts, the first for non-cooperative credit institutions, the second for cooperative credit institutions.

In order to face the recent financial crisis which caused the DIC's deficit (as of the last fiscal year it amounted to 395.107 billion yen), the Japanese parliament approved a bill in February 1998 which provided for the allotment, to be paid in several years, of 30 billion yen in state bonds in order to recapitalize the system and protect depositors from other crises.

### ***FISCAL ASPECTS OF THE CONTRIBUTION***

Insurance premiums are fiscally deductible.

### ***ACTIVATION OF THE SYSTEM***

Should a crisis arise, the DIC may intervene in the following ways:

- 1) repay depositors; purchase the deposits of the bank in crisis;
- 2) give financial assistance to the bank; make transactions of purchase and assumption of the assets and liabilities of the bank in crisis;
- 3) represent depositors in bankruptcy procedures.

Repayments to each depositor up to a maximum of 10 million yen are made when one of the following conditions occurs:

- a) suspension of reimbursements, in which case the system, following a determination by the Board, decides whether to intervene to protect depositors within a month from the suspension of reimbursement;
- b) suspension of the operating license of participating credit institutions, and a declaration of bankruptcy, in which case the system is automatically required to repay depositors.

If, given the above mentioned situations, a long delay in the reimbursement of depositors is foreseen, the system may anticipate the repayment, up to a maximum of 200,000 yen, in order to cover immediate expenses for the support of the depositors themselves.

The decision to repay deposits is publicly notified by the DIC in the Official Gazette and in daily newspapers, and it must be posted in the branches and offices of the financial institution in crisis. The date and place of repayment, as well as reimbursement procedures, are to be specified in the notice.

The DIC may also purchase insured deposits in order to protect depositors. In this case, deposits are purchased in an amount equivalent to the estimated proceeds payment, i.e. the estimated recovery value of the deposit under bankruptcy procedures. This is calculated by multiplying “estimated proceeds payment rate” and the outstanding balance of deposits at the date of suspension of the repayment of deposits.

As a temporary measure valid through the end of March, 2001, the Minister of Finance may determine a special estimated proceeds payment rate when this is deemed necessary to maintain the stability of the financial system.

When the proceeds collected by the DIC from purchased deposits exceed the estimated proceeds’ value, any such surpluses are refunded to depositors.

Purchase of deposits must be communicated to the public as previously indicated.

The DIC may give financial assistance to a financial institution which decides to merge with a failing bank, to take over its business or acquire its stock, thus facilitating the merger, or the other actions mentioned above.

Financial assistance may take such forms as guarantees, loans, deposits, purchase of assets, guarantee of liabilities and acceptance of liabilities by the Corporation (Purchase and Assumptions transactions).

Forms of Purchase and Assumption transactions may vary according to the amount of purchased assets and accepted liabilities.

In a “Clean Bank Scheme”, the acquiring bank normally purchases all assets and liabilities except for those of a low quality, while in a “Whole Bank Scheme” the acquiring bank assumes all assets and liabilities, whatever their quality might be.

A relieving financial institution may apply for financial assistance when it has received the approval of the Minister of Finances for the merger or other actions with a failing financial institution, or when it has received the Minister’s mediation proposal.

The approval of the Minister of Finances is granted in the following three conditions:

- a) that the merger or other actions will contribute to the protection of depositors;
- b) that financial assistance by the DIC is indispensable for the merger or other actions;

- c) that the dissolution of the failing bank will probably undermine the financial stability in the geographical or business area where the institution in question is operating, and cause a serious loss of convenience to users.

In accordance with the Special Regulation Law of June 21, 1996, the DIC is authorized to undertake provisional operations and functions in order to facilitate the reorganization and liquidation procedures of failing members. Especially, the DIC may express its vote on behalf of depositors in order to approve the reorganization project of a credit institution in crisis, and may also act in the interest of the said institution during reorganization and liquidation procedures.

Although banking crises had already occurred in the 1970s and 1980s the DIC made its first intervention in 1992, providing financial support for the acquisition of a small-sized failing bank. No reimbursement to depositors has ever been made by the DIC since its institution.

### **INTERVENTIONS BY THE DIC**

*(Updated to August 31, 1998 – Amount in billions of yen)*

#### ***Until the end of 1995***

<b>Name of relieving institution</b>	<b>Name of institution in crisis</b>	<b>Type of financial assistance</b>	<b>Amount</b>
<i>Iyo Bank (1992)</i>	<i>Toho Sogo Bank</i>	<i>Loan</i>	<i>8</i>
<i>Sanwa Bank (1992)</i>	<i>Toyo Shinkin Bank</i>	<i>Guarantees</i>	<i>20</i>
<i>Bank of Iwate (1993)</i>	<i>Kamaishi</i>	<i>Guarantees</i>	<i>26</i>
<i>Credit Cooperative Osaka Koyo (1993)</i>	<i>Osaka Fumin Credit Cooperative</i>	<i>Guarantees</i>	<i>19,9</i>
<i>Credit Cooperative Kansai Kogin (1995)</i>	<i>Credit Cooperative Gifu Syogin</i>	<i>Guarantees</i>	<i>2,5</i>
<i>Tokyo Kyodo Bank (1995)</i>	<i>Tokyo Kyowa Credit Cooperative and Anzen Credit Cooperative</i>	<i>Guarantees</i>	<i>40</i>
<i>Kanagawa-Ken Labor Bank (1995)</i>	<i>Yuai Credit Cooperative</i>	<i>Guarantees</i>	<i>2,8</i>
<i>Midori Bank (1996)</i>	<i>Hyogo Bank</i>	<i>Guarantees</i>	<i>473</i>
<i>Tokyo Kyodo Bank (1996)</i>	<i>Cosmo Credit Cooperative</i>	<i>Guarantees</i>	<i>125</i>
<b><i>Total</i></b>		<i>Loan</i>	<b><i>8</i></b>
		<i>Guarantees</i>	<b><i>709,2</i></b>

Source: Deposit Insurance Corporation

#### ***Year 1996***

<b>Name of relieving institution</b>	<b>Name of institution in crisis</b>	<b>Type of financial assistance</b>	<b>Amount</b>
<i>Fukui Bank</i>	<i>Fukui-Ken Dai ichi Credit Cooperative</i>	<i>Guarantees</i>	<i>0,62</i>
<i>Wakashio Bank</i>	<i>Taiheiyo Bank</i>	<i>Guarantees</i>	<i>117</i>
<i>Danyo Credit Cooperative</i>	<i>Sanyo Credit Cooperative</i>	<i>Guarantees</i>	<i>12,9</i>
		<i>Purchase of assets</i>	<i>3,3</i>

<i>Danyo Credit Cooperative</i>	<i>Kenmin Yamato Credit Cooperative</i>	Guarantees <i>Purchase of assets</i>	10,8 3,8
<i>Tokai Bank</i>	<i>Osaka Credit Cooperative</i>	Guarantees <i>Purchase of assets</i>	169,7 82,9
<i>Resolution and Collection Bank</i>	<i>Kizu Credit Cooperative</i>	Guarantees	1.034
<b>Total</b>		Guarantees <i>Purchase of assets</i>	<b>1.344,918</b> <b>90</b>

Source: Deposit Insurance Corporation

#### **Year 1997**

<b>Name of relieving institution</b>	<b>Name of institution in crisis</b>	<b>Type of financial assistance</b>	<b>Amount</b>
<i>Resolution and Collection Bank</i>	<i>Sanpuku Credit Cooperative</i>	<i>Guarantees</i>	26,2
<i>Hyogo-Ken Credit Cooperative</i>	<i>Hashin Labor Credit Cooperative</i>	Guarantees <i>Purchase of assets</i>	3,7 0,4
<i>Fukuoka Bank</i>	<i>Kitakyushu Credit Cooperative</i>	Guarantees <i>Purchase of assets</i>	4 3,8
<i>Yokohama Bank</i>	<i>Kanagawa-Ken Credit Cooperative</i>	Guarantees <i>Purchase of assets</i>	19,2 23,2
<i>Kii Deposit Management Bank</i>	<i>Hanwa Bank</i>	Guarantees <i>Purchase of assets</i> <i>Assumption of liabilities</i>	84,9 208,6 4
<i>Juroku Bank</i>	<i>Toki Credit Cooperative</i>	Guarantees <i>Purchase of assets</i>	4,3 1,1
<i>Ogaki Kyoritsu Bank</i>	<i>Tokai Credit Cooperative</i>	Guarantees <i>Purchase of assets</i>	15,5 2,3
<b>Total</b>		Guarantees <i>Purchase of assets</i> <i>Assumption of liabilities</i>	<b>154,6</b> <b>239,4</b> <b>4</b>

Source: Deposit Insurance Corporation

#### **Year 1998**

<b>Name of relieving institution</b>	<b>Name of institution in crisis</b>	<b>Type of financial assistance</b>	<b>Amount</b>
<i>Sakura Bank</i>	<i>Tanabe Credit Cooperative</i>	Guarantees <i>Purchase of assets</i>	82,8 26,4
<i>Chogin Kinki Credit Cooperative</i>	<i>Chogin Osaka Credit Cooperative</i>	Guarantees <i>Purchase of assets</i>	268,3 47,6
<i>Teishin Credit Cooperative</i>	<i>Dai-ichi Kangyo Credit Cooperative</i>	Guarantees <i>Purchase of assets</i>	2,2 1,2

<i>Total</i>	Guarantees	352,2
	<i>Purchase of assets</i>	75,2
<i>Total (up to August 31, 1998)</i>	Guarantees	<b>705,5</b>
	<i>Purchase of assets</i>	<b>150,4</b>

Source: Deposit Insurance Corporation

## **REFERENCES**

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Craig Valentine V., Japanese Banking: a time of crisis, FDIC Banking Review

Deposit Insurance Corporation of Japan, Annual Report 1996

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kitami Ryoji, Resolution and collection methods in japanese financial markets, paper presentato alla conferenza internazionale sull'assicurazione dei depositi, tenutasi a Washington D.C., il 10 Settembre 1998

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper/95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

Milhaupt Curtis J., Japan's Experience with Deposit Insurance and Failing Banks Implications for Financial Regulatory Design?, Bank of Japan, Institute for Monetary and Economic Studies, Discussion Paper N0. 99-E-8

Nastasi, V., Crisi bancarie e tutela dei depositanti, il Mulino, 1988

Ruozi R., Le crisi bancarie, Newfin, 1995

## **LUXEMBOURG**

### **LEGAL FRAMEWORK**

- Law of May 20, 1983, establishing the “Institut Monétaire Luxembourgeois” (IML) as auditing authority;
- EU Directive 94/19 concerning deposit guarantee funds;
- Law dated June 11, 1997 implementing EU Directive 94/19.

### **ORIGINS OF THE SYSTEM**

The Deposit Guarantee Association of Luxembourg (*Association pour la Garantie des dépôts, Luxembourg – AGDL*) was founded in 1989 as a private association. Its current structure, however, was established by the law dated June 11, 1997 implementing EU Directive 94/19.

Membership is mandatory for all credit institutions operating in Luxembourg. Branches of non-EU banks are also required to become members, unless otherwise stated by the Monetary Institute of Luxembourg. At the end of 1998, 162 banks were members of the Association.

The *Association pour la Garantie des dépôts, Luxembourg – AGDL* is managed by a steering committee, composed by no more of eleven and no less than fifteen members, elected by the General Assembly. They remain members of the committee for a period not exceeding two years.

### **FUNDING ARRANGEMENTS**

No periodic contribution is due from participating institutions. Payments are made only in the case of an insolvency (ex-post system).

### **AMOUNT OF COMPENSATION**

The Association will repay depositors up to a maximum 15,000 euros through December 31, 1999. Following that date the 20,000-euro limit will apply.

### **COVERED DEPOSITS**

Article 6 of the Statutes provides a list of covered deposits according to the “Tableau” issued by the Monetary Institute. All deposits of participating banks, including their accrued interest, are covered, both in local and foreign currencies.

Small companies, with assets not exceeding 93 million Luxembourg francs, a turnover not exceeding 186 million, and no more than 50 employees, are also covered under the scheme.

### **EXCLUSIONS FROM DEPOSIT PROTECTION**

The Association does not cover the following:

- a) deposits made by other banks in their own name and for their own account;
- b) deposits of financial establishments;

- c) deposits of insurance companies;
- d) deposits of States and central governments;
- e) deposits of provincial, regional, local or municipal, Luxembourg or foreign authorities;
- f) deposits of investment funds;
- g) deposits of pension or retirement funds;
- h) deposits of members of the Board of Directors and management of the bank, of personally liable partners, of natural and legal persons holding at least 5% of the capital of the bank and the deposits of natural and legal persons having the same capacity in other companies belonging to the group which owns the bank;
- i) deposits of spouses and relatives, up to and including relatives three times removed, together with those of the above mentioned depositors; items constituting shareholders' equity;
- j) credit notes issued by the bank and commitments resulting from own acceptances and promissory notes;
- k) deposits for which the depositor has obtained from the bank rates and financial advantages which contributed to the deterioration of the financial situation of the establishment concerned;
- l) deposits which are eligible for reimbursement by a foreign guarantee scheme;
- m) deposits resulting from illegal transactions.

### ***MEMBER BANKS' CONTRIBUTIONS***

If the Guarantee is invoked following the failure of a member, a contribution will be levied on each participating credit institution. Each member will contribute in proportion to the amount of its own deposits in relation to the total of all deposits of members as they stood on December 31<sup>st</sup> of the year prior to the date of failure.

*In no case can the amount of each contribution exceed 5% of the shareholders' equity.*

### ***FISCAL ASPECTS OF THE CONTRIBUTION***

According to the laws of Luxembourg, provisions foreseen by banks in their liabilities are *deductible* up to a limit of 10% of the guaranteed deposits.

### ***ACTIVATION OF THE SYSTEM***

The amount of covered deposits, as well as the contribution which each member is required to pay in the case of a failure, are calculated by the Luxembourg Monetary Institute. Each year, members notify their figures as of December 31 of the preceding year, thus enabling the Institute to calculate the said sums.

Reimbursement is the only intervention available to the ADGL, and is made within three months from the date when the unavailability of deposits is declared and duly checked. Under exceptional circumstances, the Association may ask the IML for two further extensions, which cannot exceed three months each.

In the case of a liquidation the Association may levy special contributions on each participating institution.

Should the AGDL obtain partial or total reimbursement of the amount of money paid to depositors, any such sum, once expenses have been deducted, is distributed among member banks according to their contribution quotas.

### ***INTERVENTIONS IN RECENT YEARS (Amount in millions)***

<b>Year</b>	<b>Name of institution</b>	<b>Amount of intervention</b>
1991	<i>BCCI</i>	3,700

Source: IML

## ***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper/95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

## ***NETHERLANDS***

### ***LEGAL FRAMEWORK***

- The 1978 Act on the Supervision of the Credit System (Staatsblad 1978, 255), effective from 1979, setting the rules for the supervisory activities of the Central Bank (Nederlandse Vereniging van Banken) over the banking system, and establishing the creation of a depositor guarantee scheme;
- The 1992 Act on the Supervision of the Credit System (Staatsblad 1992,722), effective from 1 January 1993, replacing the above mentioned Staatsblad 1978, 255;
- EU Directive 94/19 of May 30, 1994 on deposit protection schemes, and the following implementation acts;
- EU Directive 97/9 of March 3, 1997, concerning investors guarantee schemes.

### ***ORIGINS OF THE SYSTEM***

The first Dutch Collective Guarantee Scheme was established in 1978 by the Act on the Supervision of the Credit System (Staatsblad 1978, 255).

A new deposit insurance system was agreed on between the Central Bank (Nederlandse Vereniging van Banken) and the organizations representing the banking sector (Cooperatieve Centrale Raiffeisen-Boerenleenbank, B.A., Vereniging voor de Effectenhandel e Nederlandse Spaarbankbond)), and became effective on July 1, 1995, following the implementation of EU Directive 94/19..

The Collective Guarantee Scheme was subsequently reorganized on September 25, 1998, following the decision by the legislator to guarantee protection also to investors, as outlined in EU Directive 97/9.

### ***FUNDING ARRANGEMENTS***

Contributions are levied on participating credit institutions only in the case of an insolvency (*ex-post system*). Funds may be borrowed from the Central Bank, which provides loans at interest rate zero.

### ***AMOUNT OF COMPENSATION***

The maximum amount for which the system provides cover is 20,000 euros (around 44,000 Dutch guilders).

### ***COVERED DEPOSITS***

The system covers all registered deposits in Dutch guilders or other EU currencies, made by natural persons, associations, foundations and small businesses. Depositors of EEA branches of Dutch banks are also protected, as well as deposits of branches of EEA and non-EEA countries in Holland. Depositors of Dutch banks in countries other than those of the European Economic Area, are not protected under the system.

## ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The system does not cover:

- a) deposits by financial institutions according to article 1, subsection 6 of EU Directive 89/646;
- b) deposits by other credit institutions;
- c) deposits by insurance companies;
- d) deposits by the central government or governmental administrations;
- e) deposits by regional, municipal and local entities;
- f) deposits by undertakings of collective investment;
- g) deposits by pension funds;
- h) deposits by directors, managers and others taking part in the credit institution's management, together with deposits by holders of at least 5% of the credit institution's capital, by persons responsible for the legal auditing of the credit institution's accounts, or by those sharing similar responsibilities in the managing of other companies belonging to the same group;
- i) deposits by close relatives and spouses of persons mentioned in g), or by third parties acting on behalf of the same persons;
- j) deposits by other companies of the same group as the bank;
- k) non-nominative deposits;
- l) deposits arising from the signing of own acceptances and promissory notes;
- m) deposits for which the depositor has, on an individual basis, obtained from the credit institution, rates or other financial concessions which have contributed to aggravating the financial situation of the credit institution;
- n) deposits by companies of such a size as not to be authorized to draw an abridged balance sheet in accordance with Article 11 of the fourth Council Directive (78/660/EEC) of July 25, 1978, based on article 54, § 3, letter g) of the Treaty concerning the annual accounts of certain types of companies.

## ***MEMBER BANKS' CONTRIBUTIONS***

Contributions by participating credit institutions are based on the ratio between the banks' reimbursable funds and the total of reimbursable funds covered by the scheme.

The amount of contributions cannot exceed, in each year, 5% of own funds or 5% of the own funds of all member banks.

## ***ACTIVATION OF THE SYSTEM***

The system comes into effect as soon as the Central Bank has established that a credit institution is no longer financially capable of repaying deposits and appears unlikely to be capable of doing so in the foreseeable future. When such a situation is ascertained, contributions are levied on participating credit institutions in order to repay depositors.

## ***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper/95/134, 1995

Nastasi, V., Crisi bancarie e tutela dei depositanti, il Mulino, 1988

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

Ruozzi R., Le crisi bancarie, Newfin, 1995

## ***PORTUGAL***

### ***LEGAL FRAMEWORK***

- Decree-Law 298/92, of December 31, 1992, Legal Framework of Credit Institutions and Financial Companies, which also established the Portuguese deposit protection system, or Fund;
- EU Directive 94/19 of May 30, 1994;
- Notice n° 11/94, of December 29, 1994, relating to the method of calculation of the annual contributions to be paid to the Fund by member institutions;
- Decree-Law 246/95 of September 14, 1995, implementing EU Directive 94/19;
- Executive orders 285-A and B/95, establishing the Fund's protection limit and approving the regulations governing the Fund;
- Notice n° 8/95, of September 19, 1995, fixing the value of the initial contributions by member institutions;
- Notice n° 4/96, establishing that part of the periodic contributions, up to a maximum of 75%, that can be replaced by irrevocable payment commitments collateralized by transferable securities.

### ***ORIGINS OF THE SYSTEM***

The Portuguese fund (*Fundo de Garantia de Depositos*) was established on December 31, 1992 by Legislative Decree n° 298. It has been granted administrative and financial autonomy and is governed by a Board of three members, one nominated by the Central Bank and the other two by the Minister of Finance.

The Central Bank also provides the technical and administrative support necessary for the running of the Fund.

Membership is *mandatory* for all institutions having their Head office in Portugal and authorized to take deposits, apart from the banks of agricultural credit which are guaranteed by an independent mechanism (Integrated Mutual Agricultural Credit Scheme).

### ***FUNDING ARRANGEMENTS***

The system has a real nature, and is funded by:

- *initial* contributions from member institutions;
- *periodic* contribution by member banks (*ex-ante contribution system*);
- *special* contributions;
- sums received on loans by other credit institutions, when the available funds are not sufficient;
- income from investment of resources;
- endowments;
- proceeds of fines exacted from credit institutions (from a minimum of 500,000 to a maximum of 500 million escudos).

### ***TOTAL AMOUNT OF AVAILABLE FUNDS***

By December 31, 1997, the fund amounted 83 billion escudos, while reimbursable funds amounted to 17,000 billion.

### ***AMOUNT OF COMPENSATION***

The scheme covers in full all the deposits up to an amount of 5 million escudos, or the equivalent of 25,000 euros.

Protection was previously guaranteed in full only to deposits of up to 3 million escudos, the equivalent of around 15,000 euros. For higher deposits, the cover was as follows:

- a) 75% between 3 and 6 millions (= 11,250 euros);
- b) 50% between 6 and 9 millions (= 7,500 euros).

### ***COVERED DEPOSITS***

The Fund guarantees:

- a) deposits taken in Portugal or other EEA Member States;
- b) deposits by branches of credit institutions having their office in other EEA member countries that voluntarily participate in the Fund;
- c) credit institutions of non-EEA countries where the guarantee protection scheme is not equivalent.

### ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The System does not cover:

- a) Deposits made on their own behalf and for their own account by credit institutions, financial companies, insurance companies, pension fund managing companies or bodies of the administrative public sector;
- b) Deposits arising from transactions in which there has been a final conviction for money laundering;
- c) Deposits by investment funds, pension funds and other collective investment undertakings;
- d) Deposits by members of the management or auditing board of the credit institution, its qualifying shareholders, official accountants working for the institution, external auditors responsible for carrying out the audits of the institution or depositors of similar status in other companies of the same group or holding a controlling interest in the institution;
- e) Deposits by the spouse, relatives or persons related to them by affinity in the first degree, or third parties acting on behalf of the depositors referred to in the previous paragraph;
- f) Deposits by other companies in the same group or holding a controlling interest in the institution;
- g) Deposits for which the depositor has, on a personal basis, unjustifiably obtained from the credit institution rates or financial concessions which have contributed to the deterioration of its financial situation.

### ***MEMBER BANKS' CONTRIBUTIONS***

***Initial Contributions:*** Member institutions pay to the Fund, within 30 days from the registration of the commencement of their activity, an initial contribution the amount of which is fixed at 10

million escudos by the Banco de Portugal, on a proposal by the Fund. Credit institutions resulting from merger, splitting or transformation operations, are exempted from the initial contribution.

**Periodic Contributions:** The amount of the contribution is based on the average amount of monthly credit balances of deposits over the previous year. The applicable rate varies according to the solvency ratio average of the previous year (June 30<sup>th</sup> and December 31<sup>st</sup>). They are calculated as follows:

<i>Solvency Ratio Average</i>	<i>Multiplying Factor</i>	<i>Percentage Rate</i>
SR<8	1,20	0,12-0,20
8<=SR<10	1,10	0,11-0,22
10<=SR<12	1,0	0,1-0,2
12<=SR<14	0,9	0,09-0,18
SR>=14	0,8	0,08-0,16

Legislative Decree n° 246/96 provided that the Banco de Portugal, in consultation with the Fund, may authorize member banks to replace part of their annual contributions up to a maximum limit of 75% with an irrevocable commitment to pay, collateralized by bonds.

**Special contributions:** when the Fund's resources are insufficient for the fulfillment of its obligations, the Minister of Finance may determine, on the basis of a proposal of the Fund's management committee, that member institutions make special contributions, and may set the amounts, installments, time limits and other conditions of such contributions. The overall value of a special contribution cannot exceed the value of the annual contribution.

### ***FISCAL ASPECTS OF THE CONTRIBUTION***

Contributions by member institutions are *fiscally deductible*.

### ***ACTIVATION OF THE SYSTEM***

The Portuguese system is activated only when a liquidation occurs and a member institution is not able to repay depositors.

Repayment takes place within three months from the date when deposits become unavailable. In exceptional circumstances the Fund may apply to the Banco de Portugal for a maximum of three further extensions of the time limit, none of which may exceed three months.

The bank in crisis is required to provide the Fund with all necessary information in order to verify repayments claims and effect reimbursement. Reimbursement procedures must be communicated by affixing notes in the public spaces of the bank concerned, and published in at least one of the main newspapers.

Depositors may be repaid directly by the Fund or by a third credit institutions to which the Fund itself has given mandate to do so.

### ***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Deposit Guarantee Fund, Annual Report and Accounts 1995

Deposit Guarantee Fund, Legal System Governing the Portuguese Deposit Guarantee Scheme, January 1997

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper/95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

## **SPAIN**

### **LEGAL FRAMEWORK**

- Banking Act of 1946 (Ley de Ordenacion Bancaria), of which only some articles are still in effect;
- Royal Decree 3048/77 of November 11, 1977, establishing the deposit guarantee scheme of commercial banks (*Fondo de Garantia de Depositos en Establecimientos Bancarios, FGDEB*);
- Royal Decree – Law n° 4/80 of March 28, 1980 establishing the FGDEB as a juridical entity with its own board of directors;
- Royal Decree 2860/80 of December 4, 1980 establishing the deposit guarantee system of savings banks (*Fondo de Garantia de Depositos en Cajas de Ahorros - FGDCA*);
- Royal Decree – Law n° 18/82 of September 24, 1982, establishing the FGDCA as a juridical entity with its own board of directors, and establishing as well the deposit protection scheme of the cooperative credit banks (*Fondo de Garantia de Depositos en las Cooperativas de Credito – FGDC*);
- Law on the Auditing and Discipline of Credit Institution, n° 26/1988, of July 29, 1988;
- EU Directive 94/19 of May 30, 1994, concerning deposit protection schemes;
- Royal Decree – Law 12/95 of December 28, 1995, which partially implemented EU Directive 94/19 and also governed the financing of the scheme. This law abolished the annual contribution by the Central Bank, and authorized the Central Bank itself to issue a special loan for the year 1996 in order to cover the FGDEB's deficit following the Banesto case;
- Royal Decree 2024/95 through which the legislator fixed the maximum limit of reimbursement at the equivalent in pesetas of 15,000 euros until December 31, 1999, and of 20,000 euros after that date;
- Royal Decree 2606/96 of December 26, 1996. implementing EU Directive 19/94 in full.

### **ORIGINS OF THE SYSTEM**

Three different deposit protection schemes are currently operating in Spain: the *Fundo de Garantia de Depositos en Establecimientos Bancarios* or *FGDEB*, for commercial banks; the banks' *Fondo de Garantia de Depositos en Cajas de Ahorros – FGDCA* for savings banks, and the *Fondo de Garantia de Depositos en las Cooperativas de Credito – FGDC* for cooperative credit banks.

The FGDEB was established in 1977 by the Royal Decree 3048/77 of November 11, 1977. Originally, the Fund lacked juridical status and was managed directly by the Central Bank. The Fund was created as an independent entity with its own board of directors by Law n° 4/80 of March 28, 1980.

The FGDCA was established by the Royal Decree 2860/80 of December 4, 1980, with the aim of guaranteeing depositors at the savings banks. It was granted independent juridical status in 1982, by Royal Decree – Law 18/82 of September 24. The FGDC was established by the same Law.

Membership to the appropriate deposit protection system is mandatory for all banks. Banks could previously participate in one of the schemes on a voluntary basis. Application to the central bank for re-financing, however, was only possible through membership.

### **FUNDING ARRANGEMENTS**

Member institutions pay annual contributions to the pertinent scheme (*ex-ante system*). Up until 1996, the Bank of Spain also made annual contributions – usually matching the total amount of each bank’s contribution. Member banks may currently borrow money from the Central Bank only in exceptional cases.

In 1996 The Central Bank contributed 51,257 million pesetas in order to re-capitalize the system, which suffered a deficit after 1994 because of the support intervention for Banesto.

The three Funds may also issue debenture loans based on the market rate. Following the support intervention in 1994, which amounted to 315 billion pesetas, the FGDEB issued a loan debenture of 445 billions pesetas, underwritten by BCH, BBV, Argentaria, Banco Santander and Banco Popular.

### ***TOTAL AMOUNT OF AVAILABLE FUNDS***

At the end of the 1997 fiscal year, FGDEB’s resources amounted to 82,174 billion pesetas, 0.35% of the total of protected deposits. The said amount includes funds accumulated during the previous fiscal year (48,748 billion), as well as those obtained in the 1997 fiscal year (24,157 billions of contributions by member banks and 9,269 billions of net operating income).

The resources of the FGDCA and FGDCC in the same period amounted respectively to 302,227 billion pesetas and 15,499 billion pesetas, compared to own capital of 286,415 billion and 11,428 billion respectively, and 15,812 and 4,021 billion pesetas of net operating income.

### ***AMOUNT OF COMPENSATION***

Deposits are covered up to a maximum of the equivalent in pesetas of 15,000 euros until December 31, 1999, after which date the limit will be increased to 20,000 euros.

### ***COVERED DEPOSITS***

The Fund covers all due and payable deposits, in local and EEA currencies. Deposits of Spanish banks both in EEA and non-EEA countries are also protected, as well as those of EEA and non-EEA branches operating in Spain. Nominative deposits and deposits by persons who are in charge of the legal revision of the accounts of the failing bank are also guaranteed under the schemes.

### ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The system does not cover:

- a) deposits by credit institutions acting on their own behalf and for their own account;
- b) deposits by insurance companies, undertakings for collective investment, pension funds;
- c) non-nominative deposits;
- d) deposits by companies belonging to the same group as the bank concerned;
- e) deposits by government and central administrative authorities;
- f) deposits by directors, managers, and personally responsible shareholders of the bank concerned;
- g) deposits by close relatives of the persons mentioned in f); deposits arising from illegal actions for which the depositor has been convicted;
- h) deposits by a person who is responsible for or may have profited directly or indirectly from the circumstances giving rise to the credit institution’s financial difficulties.

## **MEMBER BANKS' CONTRIBUTIONS**

The annual contribution by participating banks originally amounted to 1 ‰ of protected deposits, in order to provide financial reserves for future interventions. The Minister of Economy, however, following a proposal from the Central Bank, has frequently modified this contribution percentage, according to the amount of resources available at each Fund, and reaching a maximum level of contribution of 2.5‰.

In any case, contributions are stopped when the total amount of the Fund is equal to or exceeds 1‰ of the total amount of the protected deposits of all participating banks.

Contributions by members of the FGDEB and FGDCC is currently 1‰ of their deposits, while FGDCA's banks are exempted from contributions since the total amount of the Fund has reached 1.16% of all deposits..

## **FISCAL ASPECTS OF THE CONTRIBUTION**

Contributions by participating credit institutions are fiscally deductible.

## **ACTIVATION OF THE SYSTEM**

Following the 1980 reform of the system, the Funds may intervene through:

- 1 Reimbursement of depositors;
- 2 Financial assistance.

This latter action may be effected by carrying out capital restructuring measures, granting financial aid and taking steps to improve the failing bank's management.

Capital restructuring may include measures involving an appropriate application of the institution's equity so as to absorb its losses, facilitate its merger or the transfer of its business to other institutions. The Funds may also subscribe to an increase in capital so as to take control of the institution and sell it after restructuring.

Financial aid may take the form of outright subsidies, giving guarantees, lending on favorable terms, acquisition of damaged and non-performing assets, or any other kind of financial support

Each Fund has the power to decide which is the most suitable solution in order to maintain internal stability as well as the stability of the whole banking system. In general, reimbursement of depositors is only decided upon in very extreme cases, or when small institutions are concerned.. In most cases, however, financial assistance is the most appropriate and financially suitable solution, since it favors a return to ordinary management, or acquisition by a third institution.

In order to prevent any critical situation developing in the banking system, the Funds are entitled to be provided by the Central Bank with all pertinent information regarding members' accounting documents and also have the power to verify the accuracy of the said documents through their own internal auditors.

## **INTERVENTIONS**

### **FGDEB**

<b>Name of Institution</b>	<b>Amount of Intervention</b>	<b>Recovered Amount</b>	<b>Cost of Intervention</b>
Banco Espanol de Credito	780.000	587.559	192.441

Banca Catalana	167.981	84.954	83.027
Banco Urquijo Union	58.500	19.800	38.700
Banco de Levante	59.727	35.071	24.656
Banco Occidental	63.750	39.468	24.282
Banco Union	53.290	36.344	16.946
Banco Catalan de Desarrollo	19.003	3.000	16.003
Banco de Descuento	23.669	8.682	14.987
Banco de Valladolid	24.659	13.739	10.920
Banco Credito e Inversiones	18.350	8.260	10.090
Banco de Granada	17.806	8.081	9.725
Banco Meridional	11.966	3.264	8.702
Bancode Prestamo y Ahorro	7.636	236	7.400
Banco Industrial del Mediterraneo	9.502	2.499	7.003
Banca Mas Sarda	6.807	1.587	5.220
Banco Promocion de Negocios	19.604	14.632	4.672
Banca Lopez Quesada	19.238	15.476	3.762
Banco de los Pirineos	2.824	204	2.620
Banco de Navarra	4.755	2.592	2.163
Banco Cantabrico	5.691	3.688	2.003
Banco Credipas	2.190	730	1.460
Banco de Alicante	9.575	8.317	1.258
Banco de Asturias	3.264	2.292	972
Banco Europeo de Finanzas	555	362	193
Bank of Credit and Commerce	4.362	4.362	-
Banco de Finanzas	2.500	2.500	-
Banco Simeon	1.839	1.839	-
Banco de Gerona	202	202	-
Banco Ibercorp	112	112	-
<b>Total</b>	<b>1.399.057</b>	<b>909.852</b>	<b>489.205</b>

Source: FGDEB annual reports

### FGDCA

Name of Institution	Amount of Intervention	Recovered Amount	Cost of Intervention
C.A.M.P. de Caceres	7.525	6.200	1.325
C.A. de Plasencia	5.700		5.700
C.A.M.P. de Cadiz	2.000	2.000	
Unicaja	4.000		4.000
C.A. Prestamos de Palencia	1.200	1.200	
C. Central de Avila	8.000	6.000	2.000
C. Provincial de Huelva	4.500	1.500	3.000
C.A. Popular de Valladolid	349		349

### FGDCA (-segue)

C.A. Provincial de Valladolid	622		622
Caja Espana de Inversiones	1.100		1.100
C.A.M.P. de Ceuta	2.526	1.900	626
C.A. Provincial de Granada	2.000		2.000
C.A. Provincial de Alicante y Valencia	3.014		3.014
C.A. de Jerez	2.500		2.500

Other recovered amounts		2.784	-2.784
<b>Total</b>	<b>45.036</b>	<b>21.584</b>	<b>23.452</b>

Source: FGDCA annual reports

## **REFERENCES**

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Fondo de Garantia de Depositos en Establecimientos Bancarios: Annual Report, 1997

Fondo de Garantia de Depositos en Cajas de Ahorros – FGDCA, Annual Report, anni vari

Fondo de Garantia de Depositos en las Cooperativas de Credito – FGDCC, Annual Report, anni vari

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper/95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

Nastasi, V., Crisi bancarie e tutela dei depositanti, il Mulino, 1988

Real Decreto - Ley 12/1995 del 28 dicembre

Real Decreto 2606/1996 del 20 dicembre

## ***SWEDEN***

### ***LEGAL FRAMEWORK***

- EU Directive 94/19 on deposit protection schemes;
- Act on the Deposit Guarantee Scheme (1995:1571), effective from 1 January 1996, implementing EU Directive 94/19.

### ***ORIGINS OF THE SCHEME***

Before the severe crisis in the banking system faced by Scandinavian countries in the mid-‘90s, no deposit guarantee scheme existed in Sweden. A system of temporary guarantees was established in 1992 by government decree and financed through public resources. On January 1, 1996, it was replaced by a formal deposit insurance scheme, directly funded by member credit institutions and responding to the rules and regulations set forth by the European Directive.

The scheme is administered by the Deposit Guarantee Board, which is an independent authority under the Ministry of Finance.

### ***FUNDING ARRANGEMENTS***

Annual contributions are levied on participating credit institutions (*ex-ante system*). Should these resources be insufficient for interventions, the Board may borrow money from the Swedish National Debt Office.

### ***AMOUNT OF COMPENSATION***

Deposits are covered up to a maximum limit of SEK 250,000.

### ***COVERED DEPOSITS***

Following the principles set forth in EU Directive 94/19, the deposit guarantee scheme covers deposits with Swedish institutions operating in Sweden, as well as those with a branch of a Swedish institution operating in another EEA State. The Board may decide that the scheme shall also cover deposits with a branch of a Swedish institution in a non-EEA country, or a branch in Sweden of a foreign institution.

EEA institutions operating in Sweden may participate, on a voluntary basis, in the Swedish scheme for topping-up purposes. As far as branches of Swedish banks operating in EEA countries, the Deposit Guarantee Act of 1995, following the principles set forth in article 4, § 1 of EU Directive 94/19, provided for all said branches to be protected within the limits guaranteed by the home-country scheme.

On 31 December 1997, the total of protected deposits amounted to 392 billion SEK, while in August 1998 it amounted to 742 billion.

### ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The scheme does not cover deposits by other banks or companies licensed to receive deposits from clients into an account.

### ***MEMBER BANKS' CONTRIBUTIONS***

Any institution covered by the guarantee scheme pays annual fees to the Deposit Guarantee Board. The fee for an institution shall amount to a minimum of 0.4 per cent and a maximum of 0.6 per cent of the sum of the deposits covered for that institution. The fee shall be related to the capital adequacy ratio of the institution, which means that a higher ratio leads to a lower fee.

When the net aggregated fees amount to a sum greater than 2.5% of the total of the covered deposits, the fee can be decreased to 0.1% of the deposits.

After deduction of the administrative costs, the Board deposits the fees received in an interest-bearing account with the Swedish National Debt Office.

### ***ACTIVATION OF THE SCHEME***

All institutions participating in the scheme are required to provide the Board with all the information needed for the calculation of the annual fees and for other activities according to the provisions of the Act on the Deposit Guarantee Scheme. When a participating institution does not fulfill its obligations, the Board can ask that institution to make redress. Should the institution fail to do so within one year, the Board can declare that the guarantee scheme no longer applies to the said institution. With regard to an EEA institution, and in accordance with the "home country rule", such a declaration may only be made upon consent from the competent authority in the home state of the institution. For non-EEA institutions, the exclusion may be active only when the Supervisory authority of the home country has been previously informed.

Once excluded from the guarantee scheme, the institution concerned is required promptly to inform its depositors.

When an institution participating in the scheme has been declared bankrupt, the liquidator is required to provide the Board with the appropriate information which will enable it to repay depositors.

### ***REFERENCES***

ABI, Indagine conoscitiva sui sistemi creditizi nell'ambito della Comunità europea - disciplina, struttura e norme di vigilanza, 1991, Bancaria Editrice

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper 95/134, 1995

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

## ***UNITED STATES***

### ***LEGAL FRAMEWORK***

US credit institutions are governed by a “dual banking system,” based on both federal and State legislation. Legislative acts and regulations related to deposit insurance in the USA are as follows:

The Federal Reserve Act of 1913 established the Federal Reserve System as the supervisory authority on bank holding companies and State banks;

The Banking Act of 1933 created the FDIC (Federal Deposit Insurance Corporation);

The Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), of 1989, was enacted to reform, re-capitalize and consolidate the federal deposit insurance system. The same act also created the BIF (Bank Insurance Fund), the SAIF (Savings Association Insurance Fund), the FSLIC (Savings and Loans Insurance Corporation), and the FRF (Federal Resolution Fund), which, although administered by the FDIC, are independent entities and have different objectives. The BIF and the SAIF are aimed at the protection of depositors in operating banks and Thrift Institutions, while the FRF is a resolution fund responsible for winding up the affairs of the former Federal Savings and Loans Insurance Corporation (FSLIC), which ceased its activities on August 9, 1989, following a ruling by the Congress.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), which consistently re-capitalized the BIF, enabled the FDIC to borrow directly from the US Treasury, and also created new auditing standards, introducing new contribution premiums based on the risk profile of insured institutions.

### ***ORIGINS OF THE SYSTEM***

The Federal Deposit Insurance System was established by the Banking Act of 1933 and is, therefore, a public entity.

### ***FUNDING ARRANGEMENTS***

According to the FIRREA of 1989, the FDIC administers three different Funds, i.e. the BIF, the SAIF and the FRF which are individual entities and are funded as follows:

- a) interest earned on investments in US Treasury obligations;
- b) BIF assessment premiums;
- c) income earned on and funds received from the management and disposition of assets acquired from failed banks;
- d) US Treasury and Federal Financing Bank (FFB) borrowings, if necessary, and up to a maximum of \$30 billion to be employed within 15 years.

### ***TOTAL AMOUNT OF AVAILABLE FUNDS***

As of December 31, 1997 the balance at BIF amounted to \$ 28.3 billion, while the SAIF's was \$ 9.4 billion, and that of the FSLIC resolution fund (FRF) was \$ 8.5 billion. Therefore the FDIC administered a total amount of \$ 46.2 billion, a limit never previously reached.

### ***AMOUNT OF COMPENSATION***

The FDICIA covers deposits up to a maximum of \$ 100,000.

### ***COVERED DEPOSITS***

All traditional categories of deposits are covered under the system (nominative deposits, current accounts, savings accounts, CD accounts etc.). Deposits by pension and retirement funds are also covered. Neither depositors at U.S. branches of foreign banks, nor depositors at foreign branches of American banks are covered.

### ***EXCLUSIONS FROM DEPOSIT PROTECTION***

The following are not covered under the scheme:

- a) deposits made for the acquisition of State bonds;
- b) deposits made for the acquisition of mutual funds;
- c) deposits made for the acquisition of bonds, shares and other investment instruments;
- d) deposits for the underwriting of bank investments contracts;
- e) deposits by financial institutions;
- f) deposits by insurance companies;
- g) deposits by undertakings for collective investment;
- h) deposits by other credit institutions.

### ***MEMBER BANKS' CONTRIBUTIONS***

Premiums payable to the FDIC are based on the capitalization level and rating of each bank. Banks are required to pay a semi-annual premium, the amount ( $p$ ) of which is calculated as follows:

$$p=k*d$$

where  $d$  is the amount of deposits acquired by each bank in the domestic market (domestic deposit), and  $k$  is the coefficient of contribution, calculated semi-annually according to the bank's capital and the assessments made by the supervisory authorities on each bank.

The FDIC classifies member banks into three categories: *well capitalized banks*, *adequately capitalized banks*, *undercapitalized banks*. Each category is in turn subdivided into three groups, corresponding to the rating classes assigned by the supervisory authorities following the application of the CAMEL (Capital adequacy, Asset quality, Management quality, Earnings potential, Liquidity, market sensitivity) rating system. The current contribution coefficient, for those banks participating in the BIF, and with the fund having reached a consistency of 1.25% of the secured deposits, ranges between a minimum of 0 and a maximum of 0.27, while it previously ranged between a minimum of 0.04% and a maximum of 0.31%, as determined by the FDICIA of 1991. Contributions by banks participating in SAIF have also been reduced, and the coefficient currently ranges between a minimum of 0 and a maximum of 0.27%.

Member banks' contributions are fiscally deductible.

***BIF – premiums as per 12.31.97 (amounts in cents per \$100 of assessable deposits)***

<b>BANKS</b>	<b>A</b>	<b>B</b>	<b>C</b>
<b>Well Capitalized</b> <i>Assessment rate</i> <i>number of banks</i>	0 8.981 (95,2%)	3 243 (2,6%)	17 44 (0,5%)
<b>Adequately Capitalized</b> <i>Assessment rate</i> <i>number of banks</i>	3 117 (1,2%)	10 20 (0,2%)	24 13 (0,1%)
<b>Undercapitalized</b> <i>Assessment rate</i> <i>number of banks</i>	10 5 (0,1%)	24 0 (0,0%)	27 9 (0,1%)

***SAIF – premiums as per 12.31.97 (amount in cents per \$100 of assessable deposits)***

<b>BANKS</b>	<b>A</b>	<b>B</b>	<b>C</b>
<b>Well Capitalized</b> <i>Assessment rate</i> <i>number of banks</i>	0 1.383 (90,9%)	3 94 (6,2%)	17 17 (1,1%)
<b>Adequately Capitalized</b> <i>Assessment rate</i> <i>number of banks</i>	3 12 (0,8%)	10 7 (0,5%)	24 6 (0,4%)
<b>Undercapitalized</b> <i>Assessment rate</i> <i>number of banks</i>	10 1 (0,1%)	24 1 (0,1%)	27 0 (0,0%)

***OPERATIVITY***

*Supervisory activities* , which are of basic importance at FDIC, are carried out by regional offices with the administrative support of the central division. The said activities consist in:

- a) **on-site examinations**: are carried out in each member bank by officials from the various supervisory authorities;
- b) **off-site examinations**: these consist of the constant monitoring of the activities of each member bank, based on examination of the periodic reports that banks are required to submit to the supervisory authorities every three months.

Banks are divided into five groups: *Well Capitalized*, *Adequately Capitalized*, *Undercapitalized*, *Significantly Undercapitalized*, *Critically Undercapitalized*, according to the criteria indicated in the chart below:

<b>CAPITALIZATION CATEGORIES ACCORDING TO THE <u>PROMPT CORRECTIVE ACTION</u></b>			
	<b>TOTAL RISK- BASED RATIO (1)</b>	<b>TIER 1 RISK-BASED RATIO (2)</b>	<b>TIER 1 LEVERAGE RATIO (3)</b>
<b>Well capitalized</b> (all three conditions must be satisfied)	≥ 10 %	≥ 6 %	≥ 5 %
<b>Adequately capitalized</b> (all three conditions must be satisfied)	≥ 8 %	≥ 4 %	≥ 4 % (4)
<b>Undercapitalized</b> (only one condition must be verified)	≤ 8 %	≤ 4 %	≤ 4 % (4)
<b>Significantly undercapitalized</b> (only one condition must be verified)	≤ 6 %	≤ 3 %	≤ 3 %
<b>Critically undercapitalized</b>	Ratio between “tangible” shares and total assets ≤ 2.		
Source: FDICIA.			
(1) Percentage ratio between total capital and assets weighted by risk.			
(2) Ratio between primary capital and assets weighted by risk.			
(3) Ratio between primary capital and total assets.			
(4) The value is equal to 3% if the institution did not grow excessively in recent years.			

According to the FDICIA of 1991, the FDIC, as part of its supervisory functions, must or, in some cases, may, impose a certain number of rules on banks considered to be at risk:

If its examinations reveal an unsatisfactory, or risky, or irregular, situation, and attempts at moral persuasion or other informal contacts prove fruitless, the FDIC can resort to cease and desist orders, eventually adopting monetary sanctions, or it can directly force the management to resign, as indicated in the following table:

<b>SUMMARY OF INTERVENTIONS BY THE SUPERVISORY AUTHORITY IN THE <u>PROMPT CORRECTIVE ACTION</u> ESTABLISHED BY THE FDICIA (1991)</b>	
<b>RISK CATEGORY</b>	<b>INTERVENTIONS THAT MUST BE ADOPTED BY THE SUPERVISORY AUTHORITY IN THE CASE OF BANKS IN THE RISK CATEGORY</b>
<b><i>Adequately capitalized</i></b>	<ol style="list-style-type: none"> <li>1. The institution is not allowed to underwrite the capital of an insurance company.</li> <li>2. The institution needs the FDIC's approval in order to accept <u>brokered deposits</u>.</li> </ol>
<b><i>Undercapitalized</i></b>	<p>Same as above and in addition:</p> <ol style="list-style-type: none"> <li>1. Supervision on the institution must be increased.</li> <li>2. The institution is required to draw up a re-capitalization plan.</li> <li>3. The institution's assets may increase within fixed limits.</li> <li>4. Approval must be given to the institution for the opening of new branches and activities as well as for new acquisitions.</li> <li>5. The institution cannot accept <u>brokered deposits</u>.</li> </ol>
<b><i>Significantly Undercapitalized</i></b>	<p>Same as above and in addition:</p> <ol style="list-style-type: none"> <li>1. The institution must be re-capitalized through the issuing of new bonds.</li> <li>2. Activities of the institution with subsidiaries' holding companies are forbidden.</li> <li>3. The institution is required to improve and finally to substitute its managerial staff.</li> <li>4. Increases in management salaries are restricted.</li> <li>5. The institution is required to dismiss subsidiaries which are in financial difficulties.</li> </ol>
<b><i>Critically undercapitalized</i></b>	<p>Same as above and in addition:</p> <ol style="list-style-type: none"> <li>1. The payment of interests on subordinated debts is forbidden.</li> <li>2. Within 90 days, the institution must be put under <u>receivership</u> or <u>conservatorship</u>.</li> <li>3. An institution remaining in the critically undercapitalized category for four consecutive quarters must be put under <u>receivership</u>.</li> </ol>
<b>RISK CATEGORY</b>	<b>INTERVENTIONS THAT THE SUPERVISORY AUTHORITY MAY DISCRETIONALLY ADOPT FOR BANKS IN THE RISK CATEGORY</b>
<b><i>Undercapitalized</i></b>	<ol style="list-style-type: none"> <li>1. The institution may be required to draw up a re-capitalization plan.</li> <li>2. The institution may be prevented from operating with its affiliates.</li> <li>3. Restrictions may be decided on borrowing rates.</li> <li>4. Special measures may be taken concerning the institution even though not specifically required.</li> </ol>
<b><i>Significantly Undercapitalized</i></b>	<p>Same as above and in addition:</p> <ol style="list-style-type: none"> <li>1. The institution may be put under <u>receivership</u> or <u>conservatorship</u> if a re-capitalization plan is not submitted.</li> <li>2. Measures which are mandatory for critically undercapitalized banks may be taken against the institution..</li> </ol>

Source: Dario Focarelli, *Recente evoluzione del sistema bancario americano: ci sono indicazioni per l'Italia?*, in "Temi di discussione del Servizio Studi" n°. 220 March, 1994

In the case of an insolvency, the FDIC may carry out various intervention procedures, provided that the costs of the said procedures are presumed to be less than reimbursement. The following aspects, however, are constantly taken into consideration in choosing the kind of intervention:

- 1) protection of the confidence of the public in the banking system;
- 2) the discipline of the market;
- 3) the impartial treatment of non-insured depositors and other creditors.

Alternative interventions in the case of an insolvency are:

- a) Straight Deposit Pay-off (SDPO) or Insured Deposit Transfer (IDT);
- b) Purchase and Assumption, i.e. operations involving the transfer of the assets and liabilities of the bank in crisis;
- c) closing of the insolvent bank and creation of a "bridge bank" controlled, under the FDIC's supervision, by the existing management or by a new one nominated by the FDIC itself;

- d) support intervention aimed at the bank's recovery and prospective sale (Open Bank Assistance – OBA);
- e) other intervention procedures.

a) ***Straight Deposit Pay-off – SDPO and Insured Deposit Transfer - IDT***

The deposit pay-off is an extreme intervention procedure which is carried out only when no other alternative procedure is feasible. From 1980 to 1994, out of a total of 1,617 interventions, 296 consisted in the reimbursement of depositors.

When such a measure is decided on, the FDIC plays two different roles: as an insurance system, it repays insured depositors; as a receiver, it sells the assets of the bank in crisis and repays pro-quota the other creditors.

There are two alternative procedures of deposit pay-off:

- direct reimbursement of depositors
- transfer of insured deposits to another bank (Insured Deposit Transfer – IDT).

Direct reimbursement is the most expensive form of intervention, both for the guarantee system and the depositors. The system, on the one hand, bears the liquidation costs while also reimbursing depositors; the depositors, on the other hand, find themselves in the position of going to a new bank to open their accounts. Such a procedure is therefore decided on mainly in the case of the crisis of small-sized banks.

An alternative to the direct reimbursement is the insured deposit transfer, introduced in 1983, through which direct payment is avoided. The transfer of deposits is, moreover, an advantage for the acquiring institution which obtains new funds (franchise-value). The said institution, however, is required to pay a premium to the FDIC, amounting to the value of the available funds.

Payments by the FDIC therefore equal the amount of transferred insured deposits less the franchise value.

Between 1983 and 1994, the FDIC carried out 176 IDTs, which represented 62% of the total of interventions for the reimbursement of depositors (290).

b) ***purchase and assumption***

The purchase and assumption (P&A) of assets and liabilities of a bank in crisis is the form of intervention used in most cases. Between 1980 and 1994 the FDIC has adopted this crisis solution in 1,188 cases out of 1,617.

The P&A provides the highest degree of guarantee for depositors, whether they are insured or not. Through this procedure the FDIC acquires the institution in crisis as a whole, insured and non-insured liabilities alike, and can therefore re-sell it to another institution which is able to ensure the recovery process. The P&A solution offers total reimbursement to the creditors of the bank in crisis, and also guarantees continuity in the services provided by the bank. In order to make the operation more flexible, the FDIC provides various form of P&A:

- Basic P&A consists in the sale of the liabilities in cash, of their equivalents, such as bonds, and of deposits (only when insured.) The bank's premises are put on sale on an optional basis and the price is determined according to the estimate given after the closing down of the bank concerned. In general, this kind of intervention is adopted when time is not sufficient to effect the "due diligence" of the bank's assets;
- Loan Purchase: in addition to cash and liquid assets, part of the bank's credit portfolio is also put on sale, namely that part which is most easily transferable to the

acquiring bank. Thanks to this form of intervention, the transferable quota of the bank's assets ranges between 10 and 25%;

- Modified P&A: in addition to the assets sold through the Loan Purchase, a portion of the mortgage loans is also put on sale. Thanks to this form, 50% of the bank's assets are transferred to the acquiring bank;
- With Put Option: a "put option" is granted to the failing bank on transferred assets. Depending on the said option the acquiring bank can decide, between 30 and 90 days, either to give back any acquired assets or to make a selection among those assets which it deems to be the best ones. Since a high risk of depreciating the assets existed, this form of intervention has been abandoned.
- P&A with Assets Pools: the various components of the credit portfolio are grouped into homogenous categories and sold separately from the deposits. Non-performing credits which are put on sale are also divided into groups. Those banks having an interest in their acquisition may make different offers for each "pool" and for the "franchise value" of the deposits;
- Whole Bank P&A: Potential acquirers are requested to make offers for the acquisition of all the bank's assets, "as is", at a "discounted" price which differs from the book value, and without any further guarantee by the FDIC. It is quite evident that this is a very profitable form of intervention, since relationships with clients are not interrupted, FDIC's expenditures are minimized, no further obligations towards the acquiring bank are involved, and activities deriving from winding-up operations are reduced. It is evident, however, that such a form of intervention is not easily effected, since experience shows it normally attracts only a small number of bidders that are not sufficient to reach a profitable selling price;
- Loss Sharing P&A: the bank's assets are sold according to their book value and the FDIC shares with the acquiring bank any possible future loss. Thanks to this form, large credit portfolios are easily sold. Usually, the FDIC assumes the burden of 80% of future losses, while receiving 80% of the recoveries on credits previously defined as losses. The sharing agreement between the FDIC and the acquiring bank may last two to five years. Credit losses exceeding the FDIC's estimate are guaranteed; in this case, the FDIC assumes the burden of 95% of the losses: The problem is that such a form of P&A causes high administrative costs during the sharing period;

c) ***Bridge Bank***

This solution, which can be considered a special form of P&A, involves the closing down of the bank in crisis, while its assets and liabilities are transferred to a Bridge Bank. The said bank, fully operative, is authorized by the Office of the Controller of the Currency (OCC) and is under the FDIC's supervision. The Bridge Bank is in charge of the suspension of relationships with the clients and also has the responsibility of creating the necessary conditions to transfer assets and liabilities to a third bank on a permanent basis. The Bridge Bank, which only operates for a defined period of time, is usually established for the solution of an extremely difficult crisis, when it is necessary to evaluate all the assets over a long period of time and to find acquiring institutions.

Given the high costs involved, such a form of intervention has been made in only 10 cases.

d) ***Open Bank Assistance***

In this case, the closing-down of the insolvent bank is avoided, due to the destabilizing effects which such a procedure might have on the credit system. The Open Bank Assistance consists in a series of financial assistance interventions which enhance the chances that the

failing bank will be acquired by another institution. This type of intervention may make use of loans, of the purchase of assets and the granting of guarantees;

e) *other forms of intervention*

The FDIC has also developed other formulas for the solution of a crisis. Known as “Forbearance Programs,” they all aim at the rescue of institutions in crisis and were adopted mostly in the 1980s to solve the Savings and Loans issue.

The Programs provided various forms of support:

- Net Worth Certificate Program: this involves the issuing of capital to the institution in crisis. The NWC is purchased by the FDIC through the issuing of a promissory note with the same conditions as the NWC. In this way no cash transfer takes place. The NWC is considered as own capital and should be considered as a temporary measure which the bank discontinues as soon as recovery is reached;
- Income Maintenance Agreements: these are measures aimed at facilitating the merger of the failing bank with, or its acquisition by, a healthy institution. In order to achieve such a goal, the FDIC guarantees a minimum return on acquired assets, by paying a the difference between the return of acquired assets and the cost of the bank’s funding, plus a spread which compensates for administrative and structural costs;
- Capital Forbearance Program: through this program, “well managed” institutions which were deemed financially sound and owing a percentage of credit in the agricultural and energy sectors exceeding 25%, were entitled to a capital ratio which was lower than the minimum established by the supervisory authorities;
- Loan Loss Amortization Program: banks with assets up to \$100 millions, and with a percentage of credit in the agricultural and energy sectors of at least 25%, were entitled to a depreciation allowance on the credits of the agricultural sector over a period of seven years.

The measures outlined just above were taken in order to face the crisis of the agricultural sector in the 1980s.

## **INTERVENTIONS IN RECENT YEARS**

### **BANK INSURANCE FUND – BIF (Amount in thousands of \$)**

<b>Year</b>	<b>Number of Interventions</b>	<b>Losses (less net recoveries)</b>
1989	207	6.186.386
1990	169	2.839.454
1991	127	6.033.606
1992	122	3.642.298
1993	41	677.128
1994	13	219.801
1995	6	126.280
1996	5	43.238
1997	1	3.500
	<b>Total</b>	<b>19.771.691</b>

Source: FDIC

### **SAVINGS ASSOCIATION INSURANCE FUND – SAIF (Amount in thousands of \$)**

<b>Year</b>	<b>Number of Interventions</b>	<b>Losses (less net of recoveries)</b>
1989	318	51.633.829
1990	213	21.675.852
1991	144	11.040.409
1992	59	5.062.374
1993	9	600.834
1994	2	20.199
1995	2	65.824
1996	1	14.000
1997	0	0
	<b>TOTAL</b>	<b>90.113.321</b>

Source: FDIC

### **REFERENCES**

Barth, J.R., Nolle D.E., Rice T.N., Commercial Banking Structure, Regulation and Performance: An international Comparison, 1997, Office of the Comptroller of the Currency, Economics Working Paper

Federation Bancaire de L'union Europeenne, Deposit-Guarantee schemes of commercial banks in EEA and EFTA countries, the United States of America, Japan and Canada, August 1997

Federal Deposit Insurance Corporation Improvement Act of 1991

Federal Deposit Insurance Corporation, Annual Report, 1995

Federal Deposit Insurance Corporation, Annual Report 1996

Federal Deposit Insurance Corporation, Annual Report 1997

Focarelli, D., Recente evoluzione del sistema bancario americano: ci sono indicazioni per l'Italia? Temi di discussione della Banca d'Italia n.220, marzo 1994

Garcia, G.G.H., Deposit Insurance: a survey of actual and best practices, IMF Working Paper/99/54, April 1999

Kyei, A., Deposit Protection Arrangements: A Survey, International Monetary Fund, working paper/95/134, 1995

Nastasi, V., Crisi bancarie e tutela dei depositanti, il Mulino, 1988

Masciandaro D., Capella L., Comparing national deposit insurance systems, Conference on: "Market approach to financial stability: a role for deposit insurance", Università Bocconi, Milano, 15 ottobre 1999

Ruozzi R., Le crisi bancarie, Newfin, 1995

## ***APPENDIX***

**Table n. 1**

Country	Name of Guarantee/Insurance System	Year First Established	Year of amendment of current system	Administration of the system (Public/Private)	Membership
<b>Austria</b>	Deposit Guarantee System	1979	1996	Private	Compulsory
<b>Belgio</b>	Fonds de Protection des depots et des instruments financiers (FIF)	1974	1999	Public/Private	Compulsory
<b>Canada</b>	Canada Deposit Insurance Corporation	1967	1998	Public	Compulsory
<b>Denmark</b>	Garantifonden for Indskydere og investorer	1987	1999	Public/Private	Compulsory
<b>Finland</b>	Talletussuojarahasto	1965	1995	Private	Compulsory
<b>France</b>	Mécanisme de solidarité	1980	1999	Private	Compulsory
<b>Germany</b>	Deposit Protection Fund Entschädigungseinrichtung deutscher Banken GmbH	1966 1998	1976 1998	Private Private	Voluntary Compulsory
<b>Japan</b>	Deposit Insurance Corporation	1971	1998	Public/Private	Compulsory
<b>Great Britain</b>	Deposti Protection Fund	1982	1995	Public	Compulsory
<b>Greece</b>	Tameio Egyissis Katatheseon – TEK	1995	1995	Public/Private(*)	Compulsory
<b>Ireland</b>	Deposit Protection Account	1989	1995	Public	Compulsory
<b>Italy</b>	Fondo Interbancario di Tutela dei Depositi – FITD	1987	1997	Private	Compulsory
<b>Luxembourg</b>	Association pour la Garantie des Depots, Luxembourg (AGDL)	1989	1997	Private	Compulsory
<b>Netherlands</b>	Collective Guarantee Scheme	1979	1998	Public/Private	Compulsory
<b>Portugal</b>	Fundo de Garantia de Depositos	1992	1995	Public	Compulsory
<b>Spain</b>	Fondo de Garantia de Depositos en Establecimientos Bancarios	1977	1995-1996	Public/Private	Compulsory
<b>United States</b>	Federal Deposit Insurance Corporation – FDIC	1933	1991	Public	Compulsory
<b>Sweden</b>	Swedish Deposit Guarantee Scheme	1992	1996	Public	Compulsory

Source: table developed from data by the Federation Bancaire de l'Union Européenne, International Monetary Fund, Office of the Comptroller of the currency, foreign Funds statutes

Notes: (\*) From the year 2000, only the Association of the Greek banks will be responsible for the management of the Fund.

**Table n. 2**

Country	Funding	Contribution by participating institutions	Risk-related premium	Size-related premium	Other funding sources
<b>Austria</b>	<i>Ex-post</i>	Computed on the ratio between the reimbursable deposits of a given bank and the total of deposits protected by the system	No	Yes	Debt securities guaranteed by the Minister of Finances
<b>Belgium</b>	<i>Ex-ante</i>	0,02% of protected deposits (up to a max of 0.04% when the intervention exceeds the financial capabilities of the system)	No	Yes	None
<b>Canada</b>	<i>Ex-ante</i>	Based on the bank risk level and ranging from a minimum of 1/24 of 1% to a maximum of 1/3 of 1% of its insured deposits	Yes	No	Government funding and marketable securities
<b>Denmark</b>	<i>Ex-ante</i>	The contribution is annually re-computed on the base of the deposits protected by the bank. The total of the contributions by all banks, should never 0.2% of the total deposits of the system	No	Yes	Government funding
<b>Finland</b>	<i>Ex-ante</i>	The contribution consists of: a) a fixed quota amounting to 0.05% of protected deposits; b) a variable part based on the bank's capital adequacy (this part cannot exceed 0.25% of the bank's protected deposits)	Yes	Yes	Market funding
<b>France</b>	<i>Ex-post</i>	The contribution consists of: a) a fixed quota amounting to 0.1% of the total expenses for the intervention, whatever the size of the bank might be, up to a max of 200.000 FF b) a proportional part, varying according to a regressive scale, based on deposits and one-third credits of the bank	No	Yes	No information available
<b>Germany<sup>(*)</sup> (Private Banks)</b>	<i>Ex-ante</i>	0.03 percent of the bank's balance sheet item "Liabilities to Customers"	No	Yes	Financing by the Central Bank through Li-ko Bank
<b>Great Britain</b>	<i>Mixed</i>	Three contribution levels: a) <i>initial</i> , when entering the system (10.000 pounds minimum) b) <i>further</i> to restore the fund to a minimum of £5mn and a maximum of £6mn at the end of each year c) <i>Special</i> , if payments from the Fund are likely to exhaust its cash resources before the end of a financial year	No	Yes	Additional funding
<b>Greece</b>	<i>Ex-ante</i>	The contribution is computed according to regressivity criteria favoring larger banks, on the base of the amount of deposits; the contribution quota currently varies between 0.125% and 0.0025% of deposits	No	Yes	Financing by other participating institutions
<b>Ireland</b>	<i>Ex-ante</i>	0,2% of all deposits (except for inter-bank deposits and negotiable certificates of deposit) the minimum contribution, however is IR£ 20.000	No	Yes	No information available
<b>Italy</b>	<i>Ex-post</i>	Contribution are charged among the participants on the basis of the ratio between bank protected deposits and the total of protected deposits, with a correction mechanism linked to bank size and riskiness	Yes	Yes	Activation of the "Sindona Decree" allowing government funding
<b>Japan</b>	<i>Ex-ante</i>	0.048% of the deposits protected by the bank	No	Yes	Financing by the Central Bank and other credit institutions
<b>Luxembourg</b>	<i>Ex-post</i>	The contribution is computed according to the ratio between the total amount of reimbursable funds protected by each bank and the total of funds protected by the system; the total amount, however, cannot exceed 5% of the bank's	No	Yes	No information available
<b>Netherlands</b>	<i>Ex-post</i>	The contribution is computed according to the ratio between the reimbursable deposits of each bank and the total deposits protected by the system	No	Yes	Funding by the Central Bank
<b>Portugal</b>	<i>Ex-ante</i>	There are three kinds of contribution:: a) <i>initial</i> , when acquiring membership b) <i>annual</i> , with a rate varying between 0.08% and 0.2% according to the capitalization of the bank c) <i>special</i> , the amount of which cannot exceed the total of the annual contributions	Yes	No	Re-funding through other participating institutions
<b>Spain</b>	<i>Ex-ante</i>	0,1 % of the deposits protected by the bank	No	Yes	Central Bank funding and marketable securities
<b>Sweden</b>	<i>Ex-ante</i>	Between 0.4% and 0.6% of the deposits protected by the bank, according to its capital adequacy ratio	Yes	Yes	Government funding

**Table n. 2 (cont.)**

<b>Country</b>	<b>Funding</b>	<b>Contribution by participating institutions</b>	<b>Risk-related premium</b>	<b>Size-related premium</b>	<b>Other funding sources</b>
<b>United States</b>	<i>Ex-ante</i>	The contribution is computed according to the capitalization level of the bank and varies from a minimum of 0 to a maximum of 0.27% of the protected deposits	Yes	Yes	Debenture loans for the credit market; financing by the Central Bank; government funding

*Source:* table developed from data by the Federation Bancaire de l'Union Européenne, International Monetary Fund, Office of the Comptroller of the currency, foreign Funds statutes

*Notes:* (\*) Public system established on 1<sup>st</sup> August 1998 and implementing EU Directive 94/19

**Table n. 3**

<b>Country</b>	<b>Maximum level of protection per depositor (exchange rate in EURO as per 13.01.99)</b>	<b>Interbank Deposits</b>	<b>Deposits by financial institutions</b>	<b>Deposits by insurance companies</b>	<b>Deposits by Pension Funds</b>	<b>Deposits by collective investment organizations</b>	<b>Deposits in foreign currencies</b>
<b>Austria</b>	The equivalent in AUS of EURO 20,000	Not protected	Not protected	Not protected	Not protected	Not protected	<i>protected</i> (Euro or EEA currencies)
<b>Belgium</b>	Until 31.12.99 , the equivalent in BEF of EURO 15,000; from 01.01.2000 the equivalent of EURO 20,000	Not protected	Not protected	Not protected	Not protected	Not protected	Not protected*
<b>Canada</b>	60,000 CANS = 34,499 EURO	<i>protected</i>	<i>protected</i>	<i>protected</i>	<i>protected</i>	<i>protected</i>	Not protected
<b>Denmark</b>	300,000 DKK = 40,045 EURO	Not protected	Not protected	<i>protected</i>	<i>protected</i>	<i>protected</i>	<i>protected</i>
<b>Finland</b>	150,000 FIN Marks = 25,228 EURO	Not protected	Not protected	<i>protected</i>	<i>protected</i>	<i>protected</i>	<i>protected</i>
<b>France</b>	400,000 FF = 60,980 EURO	Not protected	Not protected	Not protected	Not protected	Not protected	Not protected*
<b>Germany</b>	The equivalent in DM of 20,000 EURO <sup>(**)</sup>	Not protected	<i>protected</i>	<i>protected</i>	<i>protected</i>	<i>protected</i>	<i>protected</i>
<b>Great Britain</b>	18,000 pounds or the equivalent in pounds of 20,000 EURO, whichever is greater	Not protected	Not protected	Not protected	Not protected	Not protected	<i>protected</i> (Euro or EEA currencies)
<b>Greece</b>	Until 31.12.99, the equivalent in Drachmas of 15,000 EURO; from 01.01.2000 the equivalent of 20,000 EURO	Not protected	Not protected	Not protected	Not protected	Not protected	<i>protected</i>
<b>Ireland</b>	The equivalent in Irish pounds of 15,000 EURO	Not protected	<i>protected</i>	<i>protected</i>	<i>protected</i>	<i>protected</i>	<i>protected</i>
<b>Italy</b>	200 millions lira = 103,291 EURO	Not protected	Not protected	Not protected	Not protected	Not protected	<i>protected</i>
<b>Japan</b>	10 milioni Yen = 77,143 EURO	Not protected	<i>Protected</i>	<i>Protected</i>	<i>Protected</i>	<i>Protected</i>	Not protected
<b>Luxembourg</b>	Until 31.12.99 the equivalent in Luxembourg francs of 15,000 EURO; from 01.01.2000 the equivalent of 20,000 EURO	Not protected	Not protected	Not protected	<i>Protected</i>	<i>Protected</i>	<i>protected</i>
<b>Netherlands</b>	The equivalent in guilders of 20,000 EURO	Not protected	Not protected	Not protected	Not protected	Not protected	<i>protected</i>
<b>Portugal</b>	25,000 EURO	Not protected	Not protected	Not protected	Not protected	Not protected	<i>protected</i>
<b>Spain</b>	Until 31.12.99 the equivalent in pesetas of 15,000 EURO; from 1.01.01.2000 the equivalent of 20,000 EURO	Not protected	Not protected	Not protected	Not protected	Not protected	<i>protected</i>

**Table n. 3 (cont.)**

<b>Country</b>	<b>Maximum level of protection per depositor</b> <i>(exchange rate in EURO as per 13.01.99)</i>	<b>Interbank Deposits</b>	<b>Deposits by financial institutions</b>	<b>Deposits by insurance companies</b>	<b>Deposits by Pension Funds</b>	<b>Deposits by collective investment organizations</b>	<b>Deposits in foreign currencies</b>
<b>Sweden</b>	250,000 Swedish crown = 28,900 EURO	Not protected	Not protected	Not protected	Not protected	<i>protected</i>	<i>protected</i>
<b>United States</b>	100,000 USD = 86,806 EURO	Not protected	<i>Protected</i>	<i>Protected</i>	<i>Protected</i>	<i>Protected</i>	<i>protected</i>

*Source:* : table developed from data by the Federation Bancaire de l'Union Européenne, International Monetary Fund, Office of the Comptroller of the currency, foreign Funds statutes

*Notes:* (\*) The protection is valid only for deposits made in the currency of one of the EEC countries

(\*\*) The protection increases up to a maximum of 30% of the bank's capital when the bank itself has retained membership (which was previously voluntary) in the private guarantee system existing before the implementation of EU Directive 94/19

**Table n. 4**

Country	Deposits of foreign branches of domestic banks		Deposits of domestic branches of foreign banks		Method of intervention	Supervision of guarantee systems <i>off site</i>	Supervision of guarantee system <i>on site</i>	Supervising authority of the banking system
	Branches in EU countries	Branches in non-EU countries	Branches in EU countries	Branches in non-EU countries				
<b>Austria</b>	Protected	Protected	Protected	protected	R, SI	No	No	Minister of Finances
<b>Belgium</b>	Protected	Not protected <sup>(*)</sup>	Protected	Protected	R	No	No	Commission bancaire et financière
<b>Canada</b>	Not protected	Not protected	Protected	Protected	R, SI, P&A	Yes	Yes	Office of the Superintendent of Financial Institutions
<b>Denmark</b>	Protected	Protected	Protected	Protected	R, P&A,	No	No	Danish Financial Supervisory Authority
<b>Finland</b>	Protected	Protected	Protected	Protected	R	No	No	Financial Supervision Authority (October 1993)
<b>France</b>	protected	Not protected (except for EEA countries)	Protected	Protected	R	No	No	Credit Institutions Committee, Bank Regulatory Committee and Banking Commission
<b>Germany</b>	Protected	Protected	Protected	Protected	R, SI	No	No	Federal Banking Supervisory Office
<b>Great Britain</b>	Protected	Not protected	Protected	Protected	R	No	No	Financial Services Authority
<b>Greece</b>	protected	protected	protected	protected	R	No	No	Bank of Greece
<b>Ireland</b>	Protected	Protected	Not protected	Protected	R	No	No	Bank of Ireland
<b>Italy</b>	Protected	Protected	Protected	Protected	R, P&A, SI	Yes	No	Bank of Italy
<b>Japan</b>	Not protected	Not protected	Not protected	Not protected	R, SI, DA, P&A	No	No	Financial Supervisory Agency (June 22, 1998)
<b>Luxembourg</b>	Protected	Protected	Protected	Protected	R	No	No	Luxembourg Monetary Institute
<b>Holland</b>	protected	Not protected	protected	protected	R	No	No	Bank of Netherlands
<b>Portugal</b>	Protected	Not protected	Protected	Protected	R	No	No	Bank of Portugal
<b>Spain</b>	Protected	protected	Protected	Protected	R, SI	No	No	Bank of Spain
<b>Sweden</b>	protected	protected	protected	protected	R	no	no	Financial Supervisory Authority

**Table n. 4 (continued)**

Country	Deposits of foreign branches of domestic banks		Deposits of domestic branches of foreign banks		Method of intervention	Supervision of guarantee systems <i>off site</i>	Supervision of guarantee system <i>on site</i>	Supervising authority of the banking system
	Branches in EU countries	Branches in non-EU countries	Branches in EU countries	Branches in non-EU countries				
<b>United States</b>	Not protected	Not protected	Not protected	Not protected	R, P&A, SI <sup>(**)</sup>	Yes	Si	Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, States Authorities

*Source:* table developed from data by the Federation Bancaire de l'Union Européenne, International Monetary Fund, Office of the Comptroller of the currency, foreign Funds statutes

*Note:* (\*) Usually, Belgian branches in non-EU countries are not protected unless a specific decision to this end is taken by a qualified majority of at least two thirds of the members

(\*\*) As far as the USA are concerned, other methods of interventions are possible. On the matter, see US chapter.

Legend: R = Reimbursement; P&A = Purchase and Assumption of assets and liabilities; SI = Support interventions (funding, guarantees, stake holdings and others), DA = deposit acquisition.