

International Deposit Insurance Survey



Question Version: 1

Answer Version: 1

Deposit Insurer: Agencia de Garantía de Depósitos (Ecuador)

Address: Ecuador

URL: www.agd.gov.ec

Contact:

Telephone: (593-4) 2325-580 / (593-2) 2265-000 ext.

E-mail:

Agencia de Garantía de Depósitos (Ecuador)

Section 1: Background Information

Name of Central Bank:

Banco Central del Ecuador

Address:

10 de Agosto y Briceno
Quito - Ecuador
South America

Telephone:

(593 - 2) 2582577 ext. 2604

Internet Address:

www.bce.fin.ec

Contact Person:

Carlos de la Torre Munoz

Name of Financial Supervisor:

Superintendencia de Bancos

Address:

Av. 12 de Octubre y Madrid
Quito - Ecuador
South America

Telephone:

(593 - 2) 2554422

Internet Address:

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www.superban.gov.ec

Contact Person:

Maria Dolores Torres

Section 2: Objectives, Mandates & Powers

1. When and why was the DIS established (please provide details)?

December 3th, 1998

Agencia de Garantia de Depositos as it is named the Ecuadorian DIS, was created after the major financial crisis in the country. It was established ex-post to the crisis and just after the fall of the biggest bank Filanbanco.

1.a. What are the stated public policy objectives or mandate for your country's DIS? When was the last time they were reviewed and changed?

To safeguard small depositants' resources and to reinforce the soundness of the Ecuadorian financial system.

1.b. What process was used to determine these objectives in your country?

It was realized the need of maintaining stable the local means of payment and due to the risk of a fall out by the crisis, it was compelling to establish a DIS in its support.

2. What is the legal basis under which the DIS was established? (Legislation, Formal Agreement, Private Contract, Other - Please explain)

Legislation

3. Is there a formal process for a periodic review of the policy objectives/mandates of your DIS? (Yes, No, Other - Please explain)

No

4. What sort of system do you have? (Government legislate & privately administered, Government legislated & administered, Privately established and administered, Other - Please explain)

Government legislated and administered

5. Who makes decisions to pay depositor claims?(Government, Central Bank, Private Sector, Regulator, Supervisor, DIS, Other - Please explain)

DIS

6. Which of the following powers has been provided to the DIS in order to carry out its mandate?

a. Authority to:

i. Enter into contracts (Yes, No, Other - Please explain)

Yes

ii. Set regulations or by-laws for conduct of its business (Yes, No, Other - Please explain)

Yes

b. Authority over entry and exit of member banks:

i. Establish terms and conditions of membership(Yes, No, Other - Please explain)

No

ii. Authority to terminate the insured status of a member institution(Yes, No, Other - Please explain)

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No

c. Depositor reimbursement:

i. Effect reimbursement of depositor claims (Yes, No, Other - Please explain)

Yes

ii. Access to depositor information (Yes, No, Other - Please explain)

Yes

iii. Use various methods of reimbursing depositories claims (Yes, No, Other - Please explain)

Yes

d. Funding:

i. Determine how funding is provided for the DIS (Yes, No, Other - Please explain)

Other

The Law determines most part of funding means of DIS but Agencia de Garantia de Depositos is in charge of determining a risk premium on financial institutions.

ii. Terms and conditions of premiums or levies (Yes, No, Other - Please explain)

Yes

iii. Borrowing authorities and limits (Yes, No, Other - Please explain)

No

e. Information Requirements:

i. Access to information directly from member banks (Yes, No, Other - Please explain)

Yes

ii. Access to information through supervisory authorities (Yes, No, Other - Please explain)

Yes

f. Enforcement and intervention:

i. Authority to conduct examinations and/or reviews (Yes, No, Other - Please explain)

Yes

ii. Authority to set standards or guidelines for member institutions (Yes, No, Other - Please explain)

No

iii. Authority to take enforcement actions against members (I.e. such as the authority to require a change in institutional control and/or behaviour). (Yes, No, Other - Please explain)

No

iv. Authority to cancel deposit insurance of member institution (Yes, No, Other - Please explain)

Yes

v. Authority to hold officers and directors of failed institutions accountable for the failure of the institution (Yes, No, Other - Please explain)

Yes

g. Failure resolution:

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i. Authority to decide on appropriate form of failure resolution (Yes, No, Other - Please explain)

No

ii. Authority to provide financial assistance (e.g. in the form of a loan (with or without security), by purchasing assets from the institution or through some other process). (Yes, No, Other - Please explain)

Yes

iii. Authority to guarantee deposits with member institutions or guarantee loans made to an institution by other parties. (Yes, No, Other - Please explain)

undertake formal liquidation

iv. Authority to: (Undertake formal liquidations, Purchase and assumption (sale and merger), Open assistance (bridge bank), Other forms of failure resolution - Please explain)

Yes

h. Optimizing recoveries:

i. Ability to act as a receiver (Yes, No, Other - Please explain)

Yes

ii. Ability to act as a liquidator (Yes, No, Other - Please explain)

No

Section 3: Governance Arrangements

1. Is the DIS a legally separate organization from other public or private bodies? (Yes, No - Please explain, Other - Please explain)

2. What is the form of governance used by the DIS organization?(Board of Directors, Administrative Board or Committee, Advisory Board or Committee, Other - Please explain)

3. How is the governing body selected?

4. What is the composition of (e.g. number of persons and positions) the governing body?

5. What are the duties and responsibilities of the governing body?

6. Is there any direct or indirect representation in the management of the DIS by member insured institutions, the Central Bank, the Regulator, the Supervisor or other parties? (Yes, No, Other - Please explain)

7. Please provide a breakdown of the management structure of the DIS.

8. Do you have an internal control and audit systems.(Yes, No, Other - Please explain)

9. Are directors and officers of the DIS and/or supervisors personally liable for their decisions in the normal course of their activities? (Yes, No, Other - Please explain)

10. Is there an advisory committee to the DIS?(Yes, No, Other - Please explain)

11. Has the DIS ever taken legal action against directors of failed member institutions? Or others? What position did the person(s) hold? (Yes, No, Other - Please explain)

12. Please indicate what tools are used as part of your management accountability regime. (Annual Reports, Audited financial statements, Corporate/business plan, Other reporting requirements)

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Section 4: Human Resources & Infrastructure

1. What is the total number of employees at the DIS?
2. Are the majority of DIS employees dedicated staff or do they come from other organizations (i.e. government, central bank, private sector)? (Yes, No, Other - Please explain)
3. Does the DIS train and develop its own staff? If so, briefly describe programs which have been put in place for training and development? (Yes - Please explain, No, Other - Please explain)
4. Is there shared training and development between the staff of the DIS and other authorities involved in financial sector supervision or regulation? (i.e. central bank, supervisor, regulator, other) (Yes, No, Other - Please explain)
5. Are compensation and incentives offered sufficient to attract and retain skilled staff? Please elaborate. (Rank on a scale from 1 to 5 where 1 is not at all adequate and 5 is extremely adequate)
6. Are confidentiality provisions for employees provided for?(Yes, No, Other - Please explain)
7. Do employees of the DIS receive legal protection against lawsuits for their actions taken in good faith and acting in the best interests of the DIS? (Yes, No, Other - Please explain)
8. What percentage of the budget is spent on training and development and information technology?

Section 5: Information Sharing & Interrelationship Among Safety-Net Players

1. Who performs examinations of DIS member institutions? (Central Bank, Supervisor, Regulator, DIS, Other - Please explain)
2. Please describe the examination process that is used to evaluate member institution performance.
3. What information is collected from member institutions for the DIS and other parties?
4. What arrangements (i.e. formal or informal) are in place between organizations responsible for deposit insurance and other parties comprising the safety-net (e.g. central bank, supervisor, regulator) regarding the sharing of information concerning member institutions? Please provide details of these agreements.
5. On a scale from 1 to 5, 1 being low and 5 being high, please rate both the accessibility (i.e. access to all necessary information for the DIS to fulfill its mandate) and timeliness (i.e. information is received when needed) of information that is shared amongst members of the safety net.

Accessibility

Timeliness of information

6. Is there a consistent definition/classification across authorities of problem institutions? (Yes, No, Other - Please explain)
7. When policy regarding the DIS and financial sector is developed or amended, what other bodies are consulted and/or advised?
8. Are details shared regarding such matters? And is discussion encouraged prior to implementation? Please provide details.

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9. How often do you contact other DIS? (Never, Occasionally, Regularly, Other- Please explain)

10. When the regulator, supervisor or central bank enters into an agreement with a financial institution that is experiencing problems is the DIS consulted? (Yes, No, Other - Please explain)

Section 6: Membership

1. What types of institutions are covered in your DIS?

2. Is membership in the DIS mandatory for designated deposit taking institutions? (Yes, No, Other - Please explain)

3. Do you have terms and conditions of membership? (i.e. laws, regulations or agreements and regulations which member institutions have to abide by) If so, please explain the application process used and any conditions of membership imposed on institutions by the DIS. (Yes - Please explain, No, Other - Please explain)

4. Is the membership of foreign institutions (i.e. foreign bank branches and/or subsidiaries) covered in the same way as domestic institutions? If not, please describe the difference. (Yes - Please explain, No, Other - Please explain)

5. If more than one safety-net organization is responsible for the application process for membership, how is the application process coordinated between the parties responsible?

6. Are deposit-taking institutions required to re-apply for membership after a certain period of time? (Yes, No, Other - Please explain)

7. How many member institutions do you have?

8. What is the total level of assets, deposits and insurable deposits of all DIS member institutions?

Section 7: Coverage

1. Is there a formal definition of a deposit and or insured deposit used by your DIS? If so what is it? (Yes - Please explain, No, Other - Please explain)

2. What types of deposits are eligible for coverage in your DIS?(Savings account, Chequing account, Annuity contracts, Certificates of deposit, Guaranteed investment certificates, Travellers cheques, Money orders, Certified drafts or cheques, Foreign currency deposits, Inter-bank deposits, Other - please explain)

3. Coverage is: (per depositor account, per depositor, per institution, per depositor per institution, other - please explain)

4. What is the coverage limit?

5. How was this figure arrived at?

6. For eligible financial instruments with maturity dates, what is the longest contract term covered by the DIS?

7. What types of depositors are eligible for coverage in your DIS? (Foreign (non-residents), Officers & directors of member institutions, Corporations (domestic), Corporations (foreign), Other - Please explain)

8. Is the coverage amount indexed? (Yes, No, Other - Please explain)

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9. What is it indexed to?

10. Does your DIS use coinsurance? If coinsurance is used please describe the approach used. (Yes, please explain, No - go to 12, Other -please explain)

11. Is the public widely aware of the presence of coinsurance? (Yes, No, Other - Please explain)

12. Are coverage levels affected by resolution methods? If so, please explain. (Yes, No, Other - Please explain)

13. Is there public expectation that the DIS coverage limit would be extended to 100% coverage in the event of a banking crisis or the failure of a very large institution? Please provide recent examples, if applicable. (Yes, No, Other - Please explain)

14. How is a decision made on the insurance eligibility of new financial products?

15. When member institutions merge how are insured deposits treated?

Section 8: Funding & Fund Management

1. What type of funding is used by the DIS? a. Ex-ante (defined as the accumulation of a reserve or fund to cover deposit insurance claims in anticipation of the failure of a member institution) b. Ex-post (defined as an assessment of levied after the failure if a member institution to provide funds to cover deposit insurance claims) c. A combination of the above two approaches d. Other - Please explain

2. Is the DIS funded by levying insurance premium assessments against member institutions or by some other means such as general tax revenues? (Premium Assessment, Other - Please explain)

3. If insurance premiums are assessed, are they assessed as a flat rate or are they differential in some way, please explain?

4. What is the current premium rate? If there have been changes to this rate details would be appreciated.

5. How often is the premium assessed?

6. Is the premium assessed on total deposits, insured deposits or something else?

7. Are premiums paid by member institutions tax deductible as a business expense? (Yes, No, Other - Please explain)

8. For premiums that are differentiated please explain the risk assessment system that is used to ascertain a premium assessment.

9. Does the DIS have a target with respect to the size of the DIS fund? (Yes, No, Other - Please explain)

10. How is the optimum level (i.e. target) of the fund determined?

11. What investment policies (i.e. safeguards against abuse) exist concerning the use of the fund?

12. If a fund is not maintained, is an assessment levied on institutions after the failure of a financial institution has occurred? If so, please explain how the levies are determined and losses distributed among institutions. (Yes, No, Other - Please explain)

13. Is any income arising from the investment of the fund subject to corporation or incomes tax? (Yes, No, Other - Please explain)

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14. Which of the following sources of additional funding, for emergency or liquidity purposes, does the DIS have access to? (Government funding, Access to financial markets, Other - Please explain)

15. Are member institutions required by law to issue, on a regular basis, subordinated debt? (Yes, No, Other - Please explain)

Section 9: Reimbursing Depositors

1. Please describe the procedure for reimbursing depositors that is used by your DIS?

2. Are depositors required to file a claim when a member institution fails? If so, what is the process? (Yes - Please explain, No, Other - Please explain)

3. When is the DIS obligated to reimburse insured depositors?

4. Is there an established legal basis upon which to base the reimbursement process? Please explain. (Yes - Please explain, No, Other - Please explain)

5. Is the DIS subject to explicit standards for prompt reimbursement? If so what are they? (Yes - Please explain, No, Other - Please explain)

6. What methods of payment can be used and under what circumstances are they used?

7. Are the rules regarding clearing, set-off, trust accounts and related issues well defined (through the legal system or formal agreement)? (Yes, No, Other - Please explain)

8. What are the financial institutions obligated to hold with respect to deposit records?

9. When is the DIS given access to an institution's financial and depositor records?

10. Does the DIS have the option of making advance payments to depositors in situations of dire need (i.e. in an emergency)? (Yes, No, Other - Please explain)

11. Does the DIS make interest payments to depositors during the time taken for reimbursement? Please explain. (Yes, No, Other - Please explain)

12. What information is communicated to depositors regarding the reimbursement process?

13. What process does the DIS use to ensure that depositor secrecy and confidentiality is maintained during the reimbursement process?

14. What steps are taken to verify, reconcile and settle insured deposit accounts?

15. What steps are taken to ensure that an institution's depositor records are accurate, up to date and accessible?

16. Does the DIS document its experiences with respect to each reimbursement action (i.e. lessons learned) in order to allow for continuous improvement? (Yes - Please explain, No, Other - Please explain)

17. What technologies does/can the DIS use to facilitate the reimbursement process?

Section 10: Public Information & Awareness

1. What obligations are there to inform the public?

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2. Who is responsible for communicating information about the DIS to the general public? (DIS, Supervisor, Regulator, Central Bank, Government, Other - Please explain)
3. Are these explicitly stated in policy or law? Please explain.
4. Are the terms and conditions of DIS explained in a manner that the general public can understand fully? (Yes, No, Other - Please explain)
5. If so what methods are utilized? (Brochures, Use of "Official Sign" to display insured status, Telephone call centre, Website, Other - Please explain)
6. At what point is information disclosed to the public about an institution that is having problems and how is information disclosed?
7. Has a survey of public awareness about the DIS been conducted? If so what were the results? If not why not? Please email any supporting documentation.
8. Has the DIS ever embarked on a public awareness campaign to increase awareness and knowledge? If yes how many times has this been done and when was the last time? (Yes - Please explain, No - Please explain, Other - Please explain)
9. Please describe the approach used; objectives, target audience, communication strategy, timing and results.

Section 11: Risk Assessment & Intervention

1. Does the DIS have a risk monitoring function to analyze and assess the risk of member institutions? (Yes, No - Please explain, Other - Please explain)
2. Does the DIS perform examinations of its member institutions? If not who does? (Yes, No - Please explain)
3. Does the DIS receive information/data/statistics directly from its member institutions or from a third party, such as a regulator or supervisor? If so what information is received and how often? (Yes, No, Other - Please explain)
4. What is the risk assessment approach used by the DIS to monitor financial institutions? Please describe. Please be sure to include the criteria used to determine member institution risk.
5. Please list and describe the actions taken by the DIS in situations where member institutions are causing concern. Please indicate when coordination occurs with other supervisory/regulatory authorities and the mechanisms used.

Section 12: Failure Resolution

1. IS Your DIS involved in the failure resolution of member institutions? (Yes, No, Other - Please explain)
2. Under what circumstances can the DIS cancel/terminate the deposit insurance of a member institution?
3. Who determines whether a member institution has failed or is "insolvent"?
4. How is the failure/non viability of a member institution determined?
5. How many member institutions have failed in your country in the last 10 years?

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6. Do banks go through the regular corporate bankruptcy process? If no, what is the process used? (Yes, No, Other - Please explain)
7. Is the receiver of failed institutions also the one that disposes of the institutions? If not, who does? (Yes, No, Other - Please explain)
8. Which methods of failure resolution are used in your country to deal with failures. Also, please indicate the frequency of use of the various methods in the last 10 years. (Formal liquidation, Purchase and assumption (sale and merger), Open bank assistance (e.g. recapitalization), bridge banks and other interim solutions, Other - Please explain)
9. What criteria are used to determine the method of failure resolution?
10. Is the deposit insurer required to resolve failed or failing insured depository institutions in a manner that is least costly to the DIS? (Yes, No, Other - Please explain)
11. Please indicate what kind of private companies, if any, are included in the failure resolution process and why?

Section 13: Claims, Recoveries & Estate Management

1. Does the DIS play a role in the claims and recoveries process? If yes please describe this role. (Yes - Please explain, No, Other - Please explain)
2. What is the primary objective of the DIS when dealing with claims and recoveries (i.e. maximization of nominal and present value recoveries, financial system stability, system discipline, other)?
3. What role does the private sector play in the claims and recoveries process?
4. What approaches and strategies are adopted by the deposit insurer to accomplish the objectives of claims and recovery activities?
5. By what standard is the DIS judged with respect to performing its function in claims and recoveries (ex. Comparative private sector or DIS benchmarks, internal assessment, past experience, other)?
6. What assets have you found to be the hardest to recover? Why? What types of strategies have been used to recover different assets?
7. Does the DIS have rights of "subrogation" (i.e. the subrogation of insurance entity to the rights of insured depositors) or an equivalent arrangement? (Yes, No, Other - Please explain)
8. Is there depositor priority when banks fail? (i.e. Do depositor claims rank in priority above other unsecured creditors in the liquidation of a bank?) (Yes, No, Other - Please explain)
9. Are the rights of "set-off" available or imposed in your country's legal system? Please describe the various forms set-off can take. (Yes, No, Other - Please explain)

Section 14: Other Issues

1. What is your view on recent trends and emerging issues in the financial sector in your country and the potential impact they might have on the DIS?
2. Are there any issues related to deposit insurance which you would like to see more research in?

End of Report