



International Deposit Insurance Survey



Question Version: 1

Answer Version: 1

Deposit Insurer: Financial Services Compensation Scheme (U.K.)

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Financial Services Compensation Scheme (U.K.)

Section 1: Background Information

Name of Central Bank:

Bank of England

Address:

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Telephone:

Internet Address:

Contact Person:

Name of Financial Supervisor:

Financial Services Authority

Address:

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Canary Wharf
London
E14 5HS

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Section 2: Objectives, Mandates & Powers

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

During 1973/74 the UK suffered a banking crisis involving a number of banks. As a result of this crisis, a Banking Act was passed in 1979 that formalised supervision of banks by the Bank of England. At the same time the Government recognised the need to provide a safety net in the event that any of the banks failed. The Scheme was designed to protect depositors least able to sustain a loss.

As a result, The Deposit Protection Scheme was established under the Banking Act 1979 and continued under the Banking Act 1987, as amended by 'The Credit Institutions (Protection of Depositors) Regulations 1995' effective from 1 July 1995).

In 1997 the Government announced the Financial Reform Bill and its intention to create a single regulator and a single compensation scheme for financial services in the UK. The Financial Services and Markets Act 2000, implemented on 1 December 2001, created the FSA and required the FSA to set up a compensation scheme to protect consumers, covering deposits, insurance and investments. On that day the Deposit Protection Scheme was replaced, along with 7 other existing compensation schemes, by the Financial Services Compensation Scheme, FSCS.

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?

The Financial Services Authority has four main objectives, set out in the Financial Services and Markets Act 2000. These are;

- 1) To promote market confidence
- 2) Consumer protection
- 3) Public Awareness
- 4) Reduce financial crime.

FSCS contributes mainly to the first two of FSA's objectives by offering a level of consumer protection to those least able to sustain a loss and by making a positive contribution to the maintenance of market confidence.

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

Through the process of consultation and legislation.

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)

Yes

Consultation Paper 58: Financial Services Compensation Scheme Draft Rules set out that FSA would review individual claim limits and the co-insurance structure within 3 years of N2 (1 December 2001).

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

Government legislated & privately administered

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

DIS

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However, before the FSCS can pay depositor claims it must be satisfied that the institution is unable or likely to be unable to meet claims made against it. For UK deposit takers this requires that the firms are no longer authorised by the FSA and are likely to have gone into administration or liquidation.

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)

No

Subject to its Rules (secondary legislation), the FSCS has the power to create its own procedures and adopt policies in order to decide the eligibility of a claimant and process claims, It does not have the power to write or amend its Rules.

b. Authority over entry and exit of member banks:

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

No

In most cases, once the firm has been authorised by FSA to carry out regulated activities that are covered by the Scheme, the firm automatically becomes a member of FSCS.

However, the terms and conditions of membership for EEA firms are different. EEA firms are authorised by their home state and, as such, they are not required to join the Scheme. However, an EEA firm may apply to join FSCS to "top-up" the cover available to its branches in the UK if the home state level of cover is less than UK coverage. These firms apply to "top-up" under the FSCS rules.

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

No

FSCS can refuse an application from an incoming EEA firm to "top-up" into the Scheme. FSCS has in place an appeals procedure against any rejection thereby complying with the European Convention on Human Rights.

FSCS may terminate cover for an EEA institution that has "topped-up" into the Scheme if it no longer satisfies the Scheme's conditions. In addition, if an EEA firm which has "topped-up" fails to observe the rules of the Scheme, FSCS must inform the home state regulator. If the incoming EEA firm fails to meet its obligations for a period of twelve months, FSCS may terminate "top-up" cover.

c. Depositor reimbursement:

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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)

No

The FSCS usually makes compensation payments directly to a depositor's bank or cheque sent to the depositor although, FSCS has the discretion to use other methods of payment.

d. Funding:

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

Yes

The Rules for the compensation scheme are set out in the FSA's Regulatory Handbook under the section entitled 'COMP'. Chapter 13 of 'COMP' sets out the funding rules, and these rules determine how levies are raised. The key principle is that the Scheme is funded on a 'pay as you go' basis. Essentially levy arrangements are split into a compensation costs levy, to meet the actual compensation payments, and a management expenses levy to meet the running costs of the Scheme. FSCS can set and raise a levy each financial year, based on the anticipated costs of running the Scheme and expected compensation payments. Levies can be raised at any time during the year to meet liabilities (subject to limits see ii. below), although it is expected that levies will be calculated once a year, unless there is a significant failure that requires additional funding.

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

Yes

The rules set out the maximum levy that can be charged to participant firms. For deposit takers the maximum that can be levied is equal to 0.3% of a firm's protected deposit base on a cumulative basis. Also, the level of management expenses must be consulted on, before, being set for each year, and there is a management expenses limit set, based on FSCS' annual budget.

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

Yes

FSCS has a revolving credit arrangement with a UK clearing bank for £50mn, to cover any unforeseen short-term funding requirement.

e. Information Requirements:

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

Yes

For funding only. Authorised deposit takers are required to provide FSCS with information for levy calculation, but only if this information has not already been supplied to the FSA.

The COMP rules give FSCS the power to require failed institutions to provide books and records of the institution for FSCS to review. In practice, in most instances of deposit taking failure the FSCS will rely on information provided by the administrator or liquidator.

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

Yes

Financial Services Compensation Scheme (U.K.)

The Memorandum of Understanding between FSCS and FSA places a general duty of co-operation on the two organisations including the exchanges of relevant information

f. Enforcement and intervention:

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

No

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

However, FSCS has the ability to withhold compensation from those that it reasonably believes led to the failure of the institution.

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

No

FSCS will require information to show that the institution is insolvent or unable or likely to be unable to meet claims made against it. usually, for credit institutions, the firm will be in administration or liquidation, although the FSCS has the power to declare a firm "in default".

g. Failure resolution:

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)

No

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

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

No

h. Optimizing recoveries:

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

No

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

Other

This applies to EEA firms only.

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FSCS has the ability to terminate "top-up" cover for a participating EEA firm if;

- 1) the incoming EEA firm no longer meets the conditions required for participating in the Scheme or;
- 2) it fails to meet its obligations on the Scheme for a period of twelve months.

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)

Yes

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)

Board of Directors

3. How is the governing body selected?

The board members are appointed by FSA, and are not representative of member institutions.

The Chairman's appointment is by the FSA and must be approved by HM Treasury.

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

There are currently nine members of the Board including the Chief Executive of FSCS. (The eight other members are all non-executive directors).

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

The responsibilities are those of a board of directors for the operation of the company, and the fulfilment of its functions.

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)

No

NO, not on the Board.

The FSCS has set up three industry committees for accepting deposits, insurance and investments respectively. These reflect the concerns of the Scheme. Each Committee is made up of a combination of FSCS Board members and industry practitioners.

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

The executive organisation comprises FSCS and the Scheme Manager and is broken down into three separate sub-schemes covering deposit taking, insurance and investments, together with Scheme wide support services. The sub-schemes, in turn, have separate contribution groups for funding purposes. For the Accepting Deposits sub-scheme there is only one contribution group which includes bank, building societies and credit unions.

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

Yes

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)

No

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Under the Financial Services and Markets Act 2000, directors and officers have statutory immunity. This does not apply if the act or omission is shown to have been in bad faith. FSCS also maintains professional indemnity and directors and officers protection insurance.

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

No

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)

Other

There have been no deposit-taking failures since the implementation of the Financial Services and Markets Act on 1 December 2001, no action was ever taken against directors by FSCS's predecessor the Deposit Protection Board.

FSCS takes an assignment of rights from the depositor when it pays compensation. The FSCS then 'stands in the shoes' of that depositor, so that, if the depositor has a claim it is assigned to the FSCS.

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)

Annual reports,Audited financial statements,Corporate/business plan,Other

FSCS is independent, but accountable to the FSA; FSCS provides FSA with a quarterly report and submits its Annual Report to the FSA Board for approval.

Section 4: Human Resources & Infrastructure

1. What is the total number of employees at the DIS?

113 employees. Under the deposit-taking sub-scheme there are two people designated to deal with deposit claims and the administration of the scheme and one manager. The Accepting Deposits sub-scheme also uses common resources across the organisation.

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)

Yes

Previously under the Deposit Protection Board staff came from other organisations, namely the central bank and the FSA.

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)

Yes

FSCS is committed to providing training and personal development to its staff. FSCS is currently reviewing its training and development strategy. Team managers are responsible for identifying the training needs of individuals. Training covers job related training, IT training and personal development.

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)

Other

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There is a reciprocal exchange of training and development information. In addition, it is planned to utilise larger organisations' training facilities to reduce costs.

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)

4

The FSCS sets targets related to claims processing and offers bonuses (which can be up to 30% of salary) to staff if these targets are met. The remuneration strategy has been recently revised to ensure there is both market comparability and to provide a closer link between performance and remuneration levels.

6. Are confidentiality provisions for employees provided for?(Yes, No, Other - Please explain)

Yes

Employees are required to preserve client confidentiality and declare conflicts of interest. Confidentiality on all employee matters is strictly maintained throughout.

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)

Yes

Directors and officers of FSCS have statutory immunity for actions taken in good faith.

8. What percentage of the budget is spent on training and development and information technology?

2002/03 budget includes our IT proposals, as part of the integration of all the compensation schemes, which amount to £1.6mn (total IT costs 14%). Training for the whole of FSCS is £200,000, which represents 1.6% of the budget for the year.

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)

Supervisor, Regulator

The supervisor and the regulator in the UK is the Financial Services Authority.

2. Please describe the examination process that is used to evaluate member institution performance.

This is an FSA responsibility

3. What information is collected from member institutions for the DIS and other parties?

The FSA collects financial information from firms on behalf of FSCS in order for FSCS to calculate the total levy and the amount due from each institution. FSCS requires information on the level of a firm's protected deposits to calculate that firm's share of the compensation cost levy and FSA shares information it gathers from firms with FSCS, in order for FSCS to calculate contributions to FSCS management expenses.

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.

Formal arrangements

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There is a Memorandum of Understanding in place between the FSA and FSCS which sets out the relationship of the two parties and their obligations to each other.

Informal arrangements
FSCS and FSA are in continual informal contact.

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

5

Timeliness of information

5

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?

The FSA is responsible for amending the compensation rules. However, any proposed changes to the compensation rules must be consulted on before being implemented and consultation is open to everyone.

FSA must give feedback on the responses that it receives before rules are amended. FSA has said that a review of the rules will be carried out within 3 years of N2 (1 December 2001).

8. Are details shared regarding such matters? And is discussion encouraged prior to implementation? Please provide details.

FSCS can request a rule change; any rule change will only follow after a period of consultation. The FSA and FSCS would informally discuss issues before, during and after consultation.

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

Occasionally

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)

Other

FSCS will be notified of a decision or an impending decision by the FSA, but it would not normally be consulted on the actions being taken by the FSA. The FSA will keep FSCS informed of developments.

Section 6: Membership

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

Institutions authorised by the FSA to accept deposits in the UK. This includes UK branches of non-EEA banks directly regulated by the FSA for operations in the UK. UK branches of EEA firms are covered by their home state scheme unless they have "topped-up" into the UK scheme to increase the level of cover available to their depositors in their UK branches. In these circumstances FSCS would cover the amount over and above that covered by the home state.

FSCS currently covers deposits with banks and building societies, and, from 1 July 2002 FSCS

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will cover deposits with credit unions (the date on which they become authorised and regulated by the FSA).

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

Yes

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)

Other

To gain authorisation deposit takers have to meet the criteria laid down by the FSA. Once the deposit taker has been authorised by the FSA, deposits of that institution are automatically covered by FSCS. Within the FSCS' rules there are additional conditions that a deposit taker must meet. For example, a deposit taker is required to provide the FSCS with an annual return setting out its deposit taking business. Although, if an institution did not provide this information, FSCS would continue to cover deposits with that institution whilst it remained authorised. It would, however, report to the FSA that the firm was not meeting its obligations to the Scheme.

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)

Other

UK branches of non-EEA institutions are regulated by the FSA and, as such, are covered by FSCS. Cover for these institutions is the same as that offered to UK incorporated institutions.

UK branches of EEA institutions are covered by their home state scheme and, as such, the level of cover may be different to the level of cover offered by FSCS (it could be higher or lower). As discussed above, EEA institutions can apply to "top-up" into the UK Scheme if the level of cover offered by their home state scheme is less than that offered by the UK. If they "top-up" only their UK branches will be covered by the increased limit.

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?

FSA is responsible for authorising UK incorporated institutions and UK branches of non-EEA banks. EEA banks are authorised by their home state regulator, if they want to join the FSCS to increase the level of cover offered to their UK branch customers the institution must apply to the FSCS directly.

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

No

7. How many member institutions do you have?

Approximatley 450 banks and building societies.

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

NOt yet available.

Section 7: Coverage

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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)

Yes

The definition of a 'deposit' is described in the Regulated Activities Order (RAO) (Statutory Instrument SI 544) and forms part of UK legislation.

From chapter II of RAO - Accepting Deposits:

"A 'deposit' means a sum of money, other than one excluded by any of articles 6 to 9, paid on terms -

(a) under which it will be repaid, with or without interest or premium, and either on demand or a time in circumstances agreed by or on behalf of the person making the payment and the person receiving it; and

(b) which are not referable to the provision of property (other than currency) or services or the giving of security."

[The Order lists a number of exclusions to this definition that have not been listed here. A copy of the Order can be found at [\[www.hms0.gov.uk\]](http://www.hms0.gov.uk).

Further, FSCS rules (chapter 5 of COMP) state that a deposit is only a protected deposit (insured deposit) if:

1) the deposit was made with an authorised deposit taker in the UK or a branch of a UK firm which is a credit institution established in another EEA state and has "topped-up" into the Scheme.

2) The deposit is not:

a) a bond issued by a credit institution which is part of the institutions capital;

b) a secured deposit; or

c) deferred share issued by a building society; or

d) a non-nominative deposit.

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)

Savings account, Chequing account, Foreign currency deposits, Other

FSCS also covers term deposits.

We are not clear what certificates of deposit, guaranteed investment certificates, money orders or certified drafts of cheques.

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

per depositor per institution

4. What is the coverage limit?

For failures occurring after 1 December 2001 the following limits apply:

100% of the first £2000 and 90% of the next £33,000 (total protected deposit is £35,000 and maximum compensation available is £31,7000).

For failures before this date different limits apply. Depositor entitlement will therefore depend on the date of the failure.

5. How was this figure arrived at?

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The FSA consulted on the level that should be set and also considered research into the level of savings and average earnings of those the Scheme would aim to protect. FSA's research showed that retired people are more likely to hold large sums on deposit, although a large majority of retired people have small balances. This group are unable to replace lost funds through work. The higher limit was also set to protect those who through a one-off event such as a redundancy or legacy have significant balances on their account with one institution. The introduction of 100% element was made as a result of research into average earnings. Figures show that average weekly earnings of £400 suggest maximum balances of between £1,200 and £1,500 in current accounts during any given month the aim was to provide full protection for this 'working capital'. Further research has shown that average balance in instant access accounts across the whole of the market are £1082. The limit was also raised broadly to reflect the effects of inflation. The FSA also recognised that an element of co-insurance should be retained as an incentive for consumers to consider carefully where they place their money. That is why only the first £2,000 has 100% protection.

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

No limit

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)

Foreign (non-residents),Other

The aim of FSCS is to protect private individuals and small businesses. Small companies are covered as long as they are not a credit institution. A company would be classed as a large company, and so excluded from claiming compensation, for the purposes of FSCS if it met two of the following criteria 1) a turnover in excess of 2.8mn 2) a balance sheet of more than £1.4mn 3) more than 50 employees. Other exclusions include:

Pension and retirement funds, supranational institutions, governments, provincial, regional, local and municipal authorities, directors of the failed institution. A full list of exclusions can be obtained by logging onto the FSA website.

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

No

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)

Yes

Please refer to question 5 above.

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

Other

In October 2001 FSCS commissioned MORI research to discover attitudes to financial products, financial advice and awareness of the existence of compensation (This survey covered insurance, investments and deposits). The survey showed that UK consumers expect protection and compensation when financial providers go out of business, however, there was little awareness of where to get independent advice, and what body would compensate. 63% of those surveyed were either unaware that there was anyone who would compensate them or would know who to turn to

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if a financial provider went bust, in addition, nearly 45% did not know if anyone would compensate them if a financial provider went bust with their money, although, of those expressing an opinion, over half would expect to get at least three quarters of their money back.

FSCS has undertaken a programme to inform consumers and industry about the Scheme and the levels of protection available. This includes contacting banks, building societies and consumer advice groups to raise our profile, providing consumer literature to these bodies to distribute to consumers, and promoting the work of the Scheme to national and local journalists.

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

No

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)

Other

Please see question 11 above.

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

As discussed in question 1 above, the definition of a 'deposit' is described in the Regulated Activities Order, and the definition of a 'protected deposit' within the compensation rules sets out the conditions that must be met in order for a depositor to claim compensation. FSCS will rely on these definitions in deciding the eligibility of a claim.

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

The level of cover will depend on the type of authorisation that is given to the new institution or whether the institutions maintain their separate identity. If each institution remains separately authorised then, in the event that they both fail, an individual with deposits in both institutions would be entitled to claim the maximum level of compensation (£31,700) in respect of their aggregate deposits with each institution. However, if one institution becomes a subsidiary of the other and the subsidiary was authorised under the authorisation of the parent company, then a claimant would only be entitled to claim £31,700 in respect of their total combined deposits as if it was one institution.

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 of 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?

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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 levies 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)
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?

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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?
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.

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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?
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?

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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