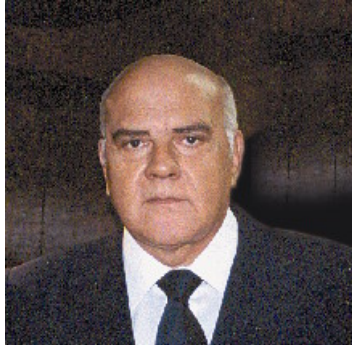


Member Profile – FUNDO GARANTIDOR DE CREDITOS (Brazil)



*Dr. A.C. Bueno de Camargo Silva
Chief Executive Officer of the FGC*



*São Paulo Central Railroad Station, restored and inaugurated on January 25, 2004, for the celebration of the 450th anniversary of São Paulo foundation.
By Casa da Photo*

A Founding Member of IADI

**FGC**

Fundo
Garantidor de
Créditos

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Since the 1990's there has been a global trend to establish formal deposit guarantee systems. The rationale has been an increasing concern with the stability of financial systems. This is reflected in the implementation of additional instruments for monitoring and control, as well as the consequent creation of financial system safety nets. Lender of last resort facilities, efficient regulation and supervision, appropriate legal structures and the direct protection of depositors through a guarantee system are elements of these safety nets designed to maintain a solid, healthy banking system. Brazil has followed that trend. In August 1995, through the National Monetary Council determination established under Resolution 2,197

“the constitution of a private non-profit entity is authorized, in order to manage a protection mechanism for creditors against financial institutions.”

In November 1995, the Statutes and Regulations of the new organization were approved and Resolution 2,211 of 16 November 1995 established the “Fundo Garantidor de Créditos – FGC”, introduced a deposit guarantee system in Brazil. Resolutions 3,024 and 3,161 amended and consolidated the Statutes and Regulations of the FGC.

The FGC is a non-profit civil association, incorporated as a private legal entity, regulated by laws. The purpose of the FGC is to guarantee credits held against member institutions in cases of adjudication of the institution's intervention, extrajudicial liquidation or bankruptcy; and recognition by the Central Bank of Brazil (BACEN) of the state of insolvency of the institution. Its head office is located in the city of São Paulo, SP – Brazil.

The FGC was established with the important mission of stemming financial crises, carrying out the following functions:

1. Avoiding a systemic banking crisis;
2. Promoting the stability of the financial system; and
3. Protecting small depositors.

The costs of the guarantee to be provided by the FGC are funded with resources arising from:

- a) members' ordinary contributions; and
- b) service fees arising from the issuance of NSF checks.

The member institutions of the FGC are Multiple Banks, Commercial Banks, Investment Banks, Development Banks, “Caixa Econômica Federal” (Federal Savings Bank), Consumer Credit Companies, Mortgage Companies and Savings and Loans Associations.

The FGC's characteristics are:

1. **Limited Coverage** - is set forth per person or per account up to the amount of R\$ 20,000.00 (or US\$ 6,700.00);
2. **Compulsory Membership** - all financial institutions are required to become members of the FGC;
3. **Explicit Protection** - the FGC observes legal rules which specify criteria and limitations related to its protection of the National Financial System (Resolution 3,024 dated 24 October 2002 amended by Resolution 3,161 dated 18 December 2003);
4. **Private System** - the private status of the FGC which was established by a Resolution of the National Monetary Council granting it legal powers, has been a significant factor in relation to its consolidation as an independent institution; and
5. **Ex-Ante Private Funding Mechanism** - monthly contributions (0.025% on insured deposits) are made by the member institutions who provide an adequate level of resources to fund the needs of the FGC under normal circumstances.

The FGC is managed by a Board of Directors and an Executive Director's Office. The Board of Directors is formed by the chairmen of the largest banks operating in Brazil. It is composed of three to nine members and an equal number of alternates. They can be reappointed by the General Assembly. In addition to the Board of Directors, the FGC has a Fiscal Council, composed of three members and an equal number of alternates, who are elected to a three-year term at a General Meeting, with the possibility of reelection.

The Executive Director's Office can be staffed by up to three members, one being the Executive Director and the others with no specific title. They are all appointed by the Board of Directors. Those appointed to the Executive Director's Office must have their names submitted to the Central Bank of Brazil which will approve them in the event they fulfill the conditions set forth in the regulations relating to personnel positions in financial institutions and other institutions authorized to function by the Central Bank of Brazil.

As part of its continuous efforts to maximize resources, the FGC out sources the operational services of the Departments of Accounting, Human Resources and General Services.

This year the FGC is celebrating nine years of existence. A positive balance of its performance during this period of banking distress is evident. Being created in the midst of the 1995 financial crisis, the FGC has been consolidated into a sound and efficient institution, capable of facing a diversity of problems to protect the Brazilian economy from the costs that a systemic financial crisis might have generated.

