



## Member Profile

### FONDS DE GARANTIE DES DEPOTS (France)

#### A FOUNDING MEMBER OF THE IADI



**Charles CORNUT** Chair of the Management Board

The French Deposit Insurance Fund (*Le Fonds de Garantie des Dépôts, FGD*) was set up following the **Saving and Financial Security Law**, passed in June 1999.

The **FGD** became operative in September, 1999. Established for all registered institutions in France, to **ensure compensation** for its depositors, in case of lack of funds. It is also able to **intervene by preventive action**.

#### Representative of **FGD** to **IADI**

Prior, there had been diverse guarantee funds or equivalent schemes in France. **The 1999 legislation however, entrusted the responsibility for depositors' compensation for all registered establishments in France to one institution - the FGD.**

The law also entrusted to the **FGD**, the management of three other guarantee mechanisms:

- those for investors (established by Directive n° 97/9/CE) and,
- those for guarantees rendered obligatory for the exercise of certain activities and,
- since april 2007, those for guarantees the investors, clients of portfolio management companies.

#### Institutional Organisation

A private body, the **FGD** possesses a particular institutional structure which is well suited to the exercise of its responsibilities.

At the top, the **Supervisory Board** is exclusively made up of practising company managers from the member establishments. Four directors are ex-officio members, representing the four highest contributors while the others are elected. The Supervisory Board hold powers usually allotted to a general assembly which, in the FGD, does not exist. Outside of the **FGD's Management Board** day to day control, the Supervisory Board names or revokes the members of the Management Board and approves the budget and the accounts of **FGD**.

The Management Board is presently made up of two members nominated for a four-year period : the Chair (Ch. Cornut) whose nomination is agreed upon by the Minister of Finance and one further member G. de Prévoisin.

The number of staff is 4, including the Management Board members. A large part of the IT is outsourced, as is the upkeep of the accounting. This outsourcing was deemed necessary and practical as it allowed for substantial skills to be at its disposal, in order to put into place an ensemble of specific accounting and management mechanisms.

## The Members of the FGD

All French registered credit institutions (banks and non-banks even if they do not take deposits), which also includes those branches of institutions whose headquarters are not within the European Community. Taking into account investment houses (who adhere for the investor's guarantee scheme) the **total number of members** at the beginning of 2007 was just under **1000**.

In application of European Regulation (Directives n° 94/19/CE and 97/9/CE), branches of institutions whose headquarters are within the European Community are covered by the home country's schemes and are therefore not members of the **FGD** (cf. infra).

## Methods of Intervention

On the demand of the **Banking Supervisory Commission**, the **FGD** must intervene (**curative intervention**) when it has been decided that an establishment's funds are unavailable or are going to be so within a brief period. The **amount of compensation has a ceiling of 70,000 € per depositor**. One essential element of compensation is its effective rapidity, avoiding an over-keen interest by the media which could risk damaging public confidence in the whole of the banking system as well as its security.



The **FGD** can, upon the proposal of the Banking Supervisory Commission, decide to intervene in a **preventive action** deciding without hindrance, **how to unilaterally set up the conditions for restructuring** tough but without damage for the depositors.

The dossier's instruction comes from the **Management Board** alone which has access to all necessary financial and accounting information. The members of **Supervisory Board** does not have any information on the situation of the establishment concerned until the report of proposals by the Management Board is sent to them for decision. This compartmentalisation strictly overrides possible conflicts of interest.

*View on Opera House from the office of the FGD*

The **FGD** can, following a curative or preventive intervention, summon for offences the managers (directors, legal representatives) of the failing (or failed) establishment to claim reimbursement for all or part of the sums it has paid out. It can also summon the establishment's auditors as well as the Banking Supervisory Commission according to the regulations applicable to them.

## Resources

The **FGD's financing comes only from the members** who, by law, must give the **FGD** all the necessary means to fulfil its missions. No public funds are involved neither is any guarantee by the State given. This funding is in part anticipated from its annual subscription fee. The amount is fixed by the State. The funding can also be financed by given guarantees or by loans taken directly from the **FGD** members. The guaranteed deposit scheme's resources presently stand at **1.5 billion Euros**.

## Funding management

It is the **Management Board** who, supported by a special committee including a majority of professionals, manages the investment policy and implements the asset allocation as has been decided upon by the **Supervisory Board**, with **no regulatory constraint on any particular investments**. The management for each asset category (shares, bonds, monetary investments) is allocated after a call to tender to management firms, these supports always being dedicated investment funds which allow for an open appreciation of the management results, for their modification or for their termination if necessary.

## Situation of European Institution's branch depositors set up within France

Within the European Union, the depositors of branches of European Institutions are compensated according to the system of their home country. However, the level, as well as the rules for compensation can vary greatly from one country to another. In **France, the maximum level of compensation is fixed at 70 000€** but in another countries their level can be at **the minimum ceiling set by the directives (20 000 €)**.

According the European Directives, it is possible through a common agreement to plan for a complementary compensation for the depositors. However, the worry of establishing a truly efficient and binding agreement, has allowed us to see other important differences than that of the level of maximum compensation, in particular compensation of credits and debts, or the right of priority for the Deposit Insurance Funds. These two issues are at the heart of compensatory regulation in the case of a cross-border collapse from which we see the increasing importance in Europe concerning such issue of cross-border financial failures.

## Information for the public

**Every depositor is informed by the credit institutions where he has placed his deposits of the existence of a deposit guarantee system** to which they adhere. More detailed information, specifically concerning the rules and the procedures for compensation are supplied by the **FGD** on its web site : [www.garantiedesdepots.fr](http://www.garantiedesdepots.fr)

Via this website, as since 2005, further information has been made available to the public, such as information concerning the situation of the **FGD** illustrating, through explanatory commentaries, the main elements of its accounts for the financial year.