

IADI

International Association of Deposit Insurers

SHARING DEPOSIT INSURANCE
EXPERTISE WITH THE WORLD

Member Profile



FONDO DE SEGURO DE DEPÓSITOS
PERUVIAN DEPOSIT INSURANCE FUND (FSD)

<http://www.fsd.org.pe>

"A FOUNDING MEMBER OF IADI"



Lima. Main Square. Archbishop Palace and Cathedral

The **Deposit Insurance Fund (FSD)** is a private legal entity whose task is to safeguard deposits in the financial institutions of its members under the criteria established in the amended Law No. 26702 (General Law of the Financial System and Insurance System and Organic Law of the Superintendence of Banking and Insurance General Law).

Created in 1991, the **FSD** has from the outset complied with its legal mandate to protect savings.

The FSD has an Executive Secretariat and a Management Council whose functions and powers are established in its statutes. The Administrative Council is composed of:

- A representative from the office of the Superintendent of Banking and Insurance (SBS), who acts as the chairman and who is appointed by the Superintendent.
- A representative from the Central Reserve Bank of Peru (BCRP), appointed by its Board of Directors.
- A representative from the Ministry of Economy and Finance, appointed by the Minister.
- Three representatives from the financial system, appointed by its Member Assembly.

Since its creation, the **FSD** has dispersed approximately US\$308 million to cover the savings of 320,000 depositors affected by the intervention or liquidation of financial institutions.

According to amendments Nos. 27008, 27102 and 27331 to Law No. 26702, the **FSD** was declared a legal entity, and assigned new functions and operations, giving it an active role in any stage of the resolution process of a financial institution. These changes contribute to maintaining the financial system sound and reliable. Consequently, the **FSD** is empowered to:

- During the Surveillance Procedure, rehabilitate a financial institution whose liquidation could negatively affect other institutions in the system (Systemic Risk), and in which neither shareholders nor third parties have made any capital additions.
- Facilitate the transfer of the "good" assets of a financial institution, subject to Intervention Procedure, to other entities within the financial system (one or more banks) in the form of cash contributions to be used to pay all insured depositors. "No-good" or "residual" assets become part of the liquidation process.
- Acquire all or part of the insured deposits of a financial institution subject to Intervention Procedure in order to subrogate the legal position of the depositors.
- Establish a company within the financial system to acquire all or part of the assets and liabilities of financial institutions that have been subject to Intervention Procedure. This entity will operate for a maximum of one year. Its operations can be lengthened for up to three years through annual extensions approved by the FSD.

The **FSD** carries out all of these operations when the SBS determines that it should do so.



Machu Picchu

Major Features:

Membership: Obligatory membership for all financial institutions authorized by the Superintendence of Banking and Insurance to accept deposits from the public

Coverage Limit: S/. 75,261 (approx US\$ 23,593) for the period from March 2007 to May 2007. This amount is updated on a quarterly basis according to the Wholesale Price Index.

Premiums: premiums are determined by taking an average of the deposits covered in the quarter and the corresponding risk classification of each member. The rate ranges from 0.45% to 1.45%.

Coverage: The **FSD** covers all nominal deposits made by individuals, such as demand deposits, savings deposits, time deposits, and term of service compensation deposits. In the case of Certificates of Deposits, only those that are non-negotiable are covered. In the case of private not-for-profit entities, the **FSD** backs all nominal deposits (demand deposits, savings deposits, and time deposits). Regarding other private entities, the **FSD** only backs demand deposits, except for those that correspond to the entities belonging to the financial system.