

International Deposit Insurance Survey

Section 1: Background Information

1.1 Organization (deposit insurer) responsible for administering the deposit insurance system:

1.1.1 Organization Name:

Banco Central de Chile

1.1.2 Organization Address:

Agustinas 1180 Santiago Chile

1.1.3 Organization Telephone No:

56 2 6702518

1.1.4 Organization Fax No:

1.1.5 Organization Internet Address:

www.bcentral.cl

1.2 Contact Person(s):

1.2.1 Contact Person(s) Name:

1.2.2 Contact Person(s) Address:

1.2.3 Contact Person(s) Telephone:

1.2.4 Contact Person(s) Fax:

1.2.5 Contact Person(s) E-mail address:

1.2.6 Are there other deposit insurance systems operating in your country ? (i.e. applying to other types of non-bank or non-depository institutions e.g.. insurance, securities) Please state their name(s) and contact information:

1.3 Please provide information on other participants in your financial system safety-net:

1.3.1 Name of Central Bank:

1.3.2 Central Bank Address:

1.3.3 Central Bank Telephone:

1.3.4 Central Bank Fax:

1.3.5 Central Bank Internet Address:

1.3.6 Central Bank Contact Person:

1.4 Financial Supervisor:

1.4.1 Financial Supervisor Name:

Superintendencia de Bancos e Instituciones Financieras

1.4.2 Financial Supervisor Address:

1.4.3 Financial Supervisor Telephone:

56 2 4426000

1.4.4 Financial Supervisor Fax:

1.4.5 Financial Supervisor Internet Address and contact:

www.sbif.cl

1.5 Other related entities:

1.5.1 Other Related Entities Name:

1.5.2 Other Related Entities Address:

1.5.3 Other Related Entities Telephone:

1.5.4 Other Related Entities Fax:

1.5.5 Other Related Entities Internet Address:

Section 2: Objectives, Mandates & Powers

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

In Chile there is no public or private organization specifically dedicated to manage issues related to the DIS. The Ley General de Bancos of 1986 (General Banking Act of 1986) identified the process to be followed in the cases of insolvency, arrangement proposals or forced liquidation. In these cases the Act considers: a) a guarantee of the State granted to the obligations arising from the time deposits, through savings accounts or registered or to the order documents, of their own issue, of banks and financial companies. This guarantee shall only benefit individuals and shall cover 90 % of the obligation's amount up to a limit of 120 Unidades de Fomento. (1 Unidad de Fomento = US\$ 24, by May 2003). b) in the case of obligations in current accounts and other sight deposits, the Central Bank of Chile shall provide the funds necessary to pay those obligations as long as the funds available at the troubled institution have proved to be insufficient to cover them. For such purpose, the Central Bank shall, at its option, acquire assets from the bank or grant loans to it. The loans that the Central Bank may grant in order to comply with this obligation, or that indicated in article 123 (arrangement proposals), shall enjoy a preference with respect to any other creditor, whether preferred or general.

2.1.2 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 objectives of the DIS are: a) to guarantee the adequate functioning of payment system b) to protect the smaller depositors' rights in the system There has been no change to the DIS framework since 1986.

2.1.3 What process was used to determine these objectives in your country?

The General Banking Act was enacted as a response to the 1982 financial crisis.

2.1.4 What is the legal basis under which the DIS was established? Please provide a copy.

Legislation

2.1.5 Is there a formal process for a periodic review of the policy objectives/mandates?

No

2.1.6 What sort of system do you have?

Government legislated and administered

2.1.7 Who makes decisions to pay depositor claims?

Other

In the case of insolvency and forced liquidation is the Supervisor's decision. In the case of arrangement proposals, the Board of Directors of the troubled institution makes the decision.

2.2 Which of the following powers has been provided to the DIS in order to

carry out its mandate?

2.3 Authority to

2.3.1 Enter into contracts

2.3.2 Set regulations or by-laws for conduct of its business

2.4 Authority over entry and exit of member deposit taking institutions

2.4.1 Establish terms and conditions of membership

No

Not applicable

2.4.2 Authority to terminate the insured status of a member institution

Yes

2.5 Depositor reimbursement

2.5.1 Affect reimbursement of depositors claims

Yes

2.5.2 Access to depositor information

Yes

2.5.3 Use various methods of reimbursing depositors claims

2.6 Funding

2.6.1 How funding is provided

2.6.2 Terms and conditions of premiums or levies

2.6.3 Borrowing authorities and limits

Yes

2.7 Information Requirements

2.7.1 Access to information directly from member deposit taking institutions or its auditors

Yes

2.7.2 Access to information through supervisory authorities

Yes

2.8 Enforcement and intervention

2.8.1 Authority to conduct examinations and/or reviews

Yes

2.8.2 Ability to set standards or guidelines for member institutions

Yes

2.8.3 Authority to take enforcement actions against members (i.e. such as the authority to require a change in institutional control and/or behaviour).

Yes

2.8.4 Authority to cancel deposit insurance of a member institution

2.8.5 Authority to hold officers and directors of failed institutions legally liable for the failure of the institution

Yes

please refer to question 1 in section 2

2.9 Failure resolution

2.9.1 Authority to decide on appropriate form of failure resolution

Yes

please refer to question 1 in section 2

2.9.2 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

please refer to question 1 in section 2

2.9.3 Authority to guarantee deposits with member institutions or guarantee loans to an institution by other parties

2.10 Authority to:

2.10.1 Undertake formal liquidation

2.10.2 Purchase and assumption (sale and merger)

2.10.3 Open assistance (bridge bank)

2.10.4 Other forms of failure resolution

2.11 Optimizing recoveries

2.11.1 Ability to act as a receiver

Yes

please refer to question 1 in section 2

2.11.2 Ability to act as a liquidator

Yes

Section 3: Governance Arrangements

3.1.1 Is the DIS a legally separate organization from other public or private bodies? (e.g. central bank, supervisor, industry association)

No

please refer to question 1 in section 2

3.1.2 What is the form of governance used by the DIS organization?

Board of Directors,Other

In the case of the Central Bank, a Board of Directorst is in charge of the governance. In the case of the Superintendency of Banks, the Superintendent is in charge of the institution. |null|null|null|null|

3.1.3 How is the governing body selected?

Not applicable

3.1.4 What is the composition of the governing body?

Not applicable

3.1.5 What are the duties and responsibilities of the governing body?

Not applicable

3.1.6 Is there any direct or indirect representation in the management of the DIS by member insured institutions?

3.1.7 Is there any direct or indirect representation in the management of the DIS by the central bank?

3.1.8 Is there any direct or indirect representation in the management of the DIS by the regulator?

3.1.9 Is there any direct or indirect representation in the management of the DIS by the supervisor?

3.1.10 Is there any direct or indirect representation in the management of the DIS by other?

3.1.11 Please provide a breakdown of the management structure of the DIS

Not applicable

3.1.12 Do you have an internal control and audit systems

Other

Not applicable

3.1.13 Are directors and officers of the DIS and/or supervisors personally liable for their decisions in the normal course of their activities?

Other

Not applicable

3.1.14 Is there an advisory committee to the DIS?

Other

Not applicable

3.1.15 Has the DIS ever taken legal action against directors of failed member institutions? Or others? What position did the person(s) hold?

Other

Not applicable

3.1.16 Please indicate which of the following tools are used as part of your accountability regime.

Section 4: Human Resources & Infrastructure

4.1.1 What is the total number of employees at the DIS (e.g. full-time, part-time and contract) ?

Not applicable

4.1.2 Are the majority of DIS employees dedicated staff or do they come from other organizations (i.e. government, central bank, private sector)?

Other

Not applicable

4.1.3 Does the DIS train and develop its own staff? If so, briefly describe programs which have been put in place for training and development?

Other

Not applicable

4.1.4 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)

Other

Not applicable

4.1.5 Are compensation and incentives offered sufficient to attract and retain skilled staff? Please elaborate.

4

Not applicable

4.1.6 Are confidentiality provisions for employees provided for?

Other

Not applicable

4.1.7 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?

Other

not applicable

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

Not applicable

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

5.1.1 Who performs examinations of DIS member institutions?

Supervisor

The Superintendent of Banks has authority to examine, without any restriction whatsoever, all the businesses, properties, books, accounts, files, documents and correspondence of the institutions, and request from their administrators and personnel all the information and explanations necessary to make itself familiar with their situation, their resources, and the manner in which their businesses are being managed.

5.1.2 Please describe the examination process that is used to evaluate member institution performance?

The Superintendent of Banks (SB) evaluates systematically the data sent by the financial institutions in order to appraise the solvency and current position of each bank.

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

The Superintendent of Banks receives the following reports: a) Liquidity position b) Capital Adequacy position c) Financial statements (including P&L statements) d) Off-balance sheet activities e) Market risk sensitivity information f) Other information related with the financial and management position of the banks and Central Bank receive the following reports: a) Reserve requirements b) Interbank operations c) Current accounts of banks in the Central Bank

5.1.4 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.

The Superintendency of Banks and the Central Bank share information for an adequate surveillance of the soundness in the financial system.

5.2 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.

5.2.1 accessibility

5

5.2.2 timeliness

5

5.2.3 Is there a consistent definition/classification across authorities of problem institutions

Yes

5.2.4 When policy regarding the DIS and financial sector is developed or amended, are other bodies consulted and/or advised (e.g. central bank, supervisor, regulator, government, industry associations) ? If you do consult and/or advise what bodies do you do it with?

5.2.5 Is discussion with other bodies encouraged prior to the implementation of new policy?

5.2.6 How often do you contact other DIS?

Occasionally

5.2.7 Is the DIS consulted when the regulator, supervisor or central bank enters into an agreement with a financial institution that is experiencing problems?

Section 6: Membership

6.1.1 What types of institutions are covered in your DIS?

The institutions covered are: a) Banks b) financial companies

6.1.2 Is membership in the DIS mandatory for designated deposit taking institutions?

Other

Banking institutions are organized as stock corporations in accordance with the General Banking Act. These institutions are governed by the provisions in this statute and, subsidiarily, by the provisions applicable to

open stock corporations. Membership is not a provision considered in the Act. Deposit insurance issues are applicable to all banking institutions legally established under the Act.

6.1.3 Do you have terms and conditions of membership? (i.e. laws, regulations or agreements 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.

6.1.4 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

6.1.5 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?

Not applicable

6.1.6 Are deposit-taking institutions required to re-apply for membership after a certain period of time?

Other

Not applicable

6.1.7 How many member institutions do you have?

The Chilean financial system is composed by 26 banks

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

At the end 2001 the financial system had: a) Assets = US\$ 65,641 million b) Deposits = US\$ 40,933 million c) Insurable deposits = US\$ 22,940 million

Section 7: Coverage

7.1.1 Is there a formal definition of a deposit and or insured deposit used by your DIS? If so what is it?

7.1.2 What types of deposits are eligible for coverage in your DIS?

Savings account, Chequing account, Certificates of deposit, Money orders, Foreign currency deposits

null|null|null|null|null|null|null|null|null|null|null|

7.1.3 Is coverage

Other

The coverage of time deposits is per depositor and for sight deposits is per deposit account

7.1.4 What is the coverage limit per depositor?

Refer to question 1 in section 2

7.1.5 How was this figures arrived at?

For the sight deposits, the framework currently in operation is based on the criteria of maintaining the normal functioning and the stability of the payment system. For the case of time deposits, the coverage has its basis in the idea of protecting the individual depositors from insolvencies coming from the banking system.

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

There is no distinction regarding the maturity in time deposits.

7.1.7 What types of depositors are not eligible for coverage in your DIS?

Other

null|null|null|null|null

7.1.8 Is the coverage amount indexed?

Yes

7.1.9 What is it indexed to?

Please, refer to question 1 in section 2

7.1.10 Does your DIS use coinsurance? If coinsurance is used please describe the approach used.

Yes

Yes, in the case of time deposits.

7.1.11 Is the public widely aware of the presence of coinsurance?

7.1.12 Are coverage levels affected by resolution methods? If so, please explain.

No

7.1.13 To what extent, is there a 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.

Other

The system has still not been proved. Hence, it is difficult to assess whether the authorities would extend the coverage of time deposits. Nevertheless, it is difficult to foresee what behaviour the Chilean DIS would take in the case of an individual crisis (a crisis of a single institution), due to the previous crisis was a "systemic crisis" that involved all the system.

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

The products covered are clearly stated in the law. They can not be changed by a discretionary decision.

7.1.15 When member institutions merge how are insured deposits treated?

When a merger takes place in the Chilean banking system, the merged bank has the same provisions regarding the coverage that the rest of the system. The same limits apply for this new institution.

7.2 Does your country offer the following?

7.2.1 Islamic banking

7.2.2 Islamic deposit insurance

Section 8: Funding & Fund Management

8.1.1 What type of funding is used by the DIS?

8.1.2 Is the DIS funded by levying insurance premium assessments against member institutions or, by some other means such as general tax revenues?

Other

Not applicable

8.1.3 If insurance premiums are assessed, are they assessed as a flat rate or are they differential in some way, please explain? (e.g. risk based)

Not applicable

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

Not applicable

8.1.5 How often is the premium assessed?

Not applicable

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

8.1.7 Are premiums paid by member institutions tax deductible as a business expense?

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

Not applicable

8.1.9 Does the DIS have a target with respect to the optimal size of the DIS fund? (Yes is chosen go to question 8.10 otherwise Skip the next 2 questions)

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

Not applicable

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

No

8.1.12 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.

Other

Not applicable

8.1.13 Which of the following sources of additional funding, for emergency or liquidity purposes, does the DIS have access to?

8.1.14 Are member institutions required by law to issue, on a regular basis, subordinated debt?

Other

Financial institutions in Chile (the member institutions) are not compelled to issuing subordinated debt. However, the General Banking Act allow them to issuing it for capital adequacy purposes (with the limits established by law).

Section 9: Reimbursing Depositors

9.1.1 Please describe the procedure for reimbursing depositors used by your DIS?

If a bank ceases in the payment of an obligation, the manager shall immediately provide notice thereof to the Superintendent, who shall determine if the solvency of the institution subsist and, should the contrary be the case, adopt the measures that must be applied according to the laws. The board of directors of a bank that presents solvency problems that jeopardize the timely payment of its obligations, shall submit arrangement proposals to its creditors within the period of ten days counted from the date in which the lack of solvency has become apparent. The arrangement proposed by the board of directors shall be qualified by the Superintendency as to its effects in the actual improvement of the financial institution and, especially, as to whether or not the remission of part of the debts that has been proposed is essential. The Superintendency shall issue its opinion within the period of five business days and, upon failure to do so, the arrangement shall be proposed to the creditors. If the Superintendency formulates objections, the board of directors shall have two business days to accept them. Upon the rejection of the board of directors' proposal, or the non-acceptance of the objections raised by the Superintendency, a new proposal has to be proposed to the creditors. This new proposal of the capitalization of the credits that correspond, has to produce the effect that the bank is left with a proportion between actual shareholders' equity and assets weighted by risk which is not less than 12 %. The financial institution shall submit the proposals to the creditors and shall maintain in all its offices a list of those persons to whom correspond the issuance of a pronouncement with respect to them. In such list shall be stated the value of each credit, considering the balance of the principal plus interest and adjustments. The list shall only be shown to those persons who are creditors with right to vote the arrangement proposals. Notices shall be published in the Official Gazette and in a newspaper of national coverage on the following day whereby it shall be made known the circumstance of the submission of the arrangement proposals, the date of such submission, an abstract of the proposals and a reference to the list of creditors. After the foregoing situation has taken place, the Central Bank of Chile, at the request of the financial institution and with the prior favorable report of the Superintendency regarding the justification for the submission of arrangement proposals, shall place at its disposal the amounts that may result necessary for the payment of the deposits and obligations not included in such proposals, to the extent its available funds shall not be sufficient for that purpose. If the Superintendent determines that a bank does not possess the necessary solvency to continue operating, or that the security of its depositors or other creditors requires its liquidation, or if the arrangement proposals shall have been rejected, it shall proceed to revoke the authorization of existence of the affected enterprise and shall declare it in a state of forced liquidation, with the prior approval of the Council of the Central Bank of Chile. The resolution issued to that effect by the Superintendent shall be grounded, and shall contain, in addition, the designation of a liquidator, unless the liquidation is assumed by the Superintendent himself. Once a bank has been declared in a state of forced liquidation, the deposits in current accounts and the other sight deposits it may have received, the sight obligations it may have assumed in its financial activities and the time deposits counting from the tenth day preceding their maturity, shall be paid with on account of the funds in cash or deposited with the Central Bank or invested in documents that represent the technical reserve, without the payment procedures or the limitations that regulate the process of forced liquidation being applicable to them. If all the funds provided for in this article shall prove to be insufficient, the liquidator shall proceed with the utmost diligence and

promptness to effect these payments and, to that effect, shall have authority to dispose without delay of the other assets as may result necessary to that end. The Central Bank shall provide the funds necessary to pay to the creditors. For such purpose, the Central Bank shall, at its option, acquire assets from the bank or grant loans to it. The loans that the Central Bank of Chile may grant in order to comply with this obligation, or those of the arrangement proposals, shall enjoy a preference with respect to any other creditor, whether preferred or general. The guarantee and the obligations from the time deposits and obligations, through savings accounts or registered or to the order documents, of their own issue, of banks and financial companies shall be also made enforceable in the cases of insolvency, arrangement proposals or forced liquidation. For the purposes of payment, it shall be considered the amount of the principal of the original obligation or its last renewal, and shall be paid the interest and adjustment accrued up to the date of payment. It shall be a condition precedent in order to receive payment of the guarantee that the beneficiary waives the right to receive the balance of the obligations or the portion thereof that gave origin to said payment. Should the payment of the guarantee be rejected, the rights shall be preserved to be exercised in the arrangement or in the liquidation, as the case may be.

9.1.2 Are depositors required to file a claim when a member institution fails? If so, what is the process?

No

9.1.3 When is the DIS obligated to reimburse insured depositors?

Please, refer to question 1 in section 2 and question 1 in section 9

9.1.4 Is there an established legal basis upon which to base the reimbursement process? Please explain.

Other

Yes, please refer to question 1 in section 2 and question 1 in section 9

9.1.5 Is the DIS subject to explicit standards for prompt reimbursement? If so what are they?

Other

The standards for reimburse depositors are those described in question 1 in section 2 and question 1 in section 9

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

There is no specific methods established in the law for reimbursing depositors.

9.1.7 Are the rules regarding clearing, set-off, trust accounts, and related issues well defined (through the legal system or formal agreement)? Please explain.

Yes

9.1.8 What are financial institutions obligated to hold with respect to deposit records?

In the case of arrangement proposals, the financial institution shall submit the arrangement proposals to the creditors and shall maintain in all its offices a list of those persons to whom correspond the issuance of a pronouncement with respect to them. In case of forced liquidation, the liquidator shall be obligated to prepare a detailed list of all the creditors other than deposits referred in question 1 of section 2 (b), with an indication of the amount and nature of the credit and the preferences they enjoy. This list shall be maintained in all the offices of the institution and may only be exhibited to those who prove to be creditors in the liquidation.

9.1.9 When is the DIS given access to an institutions financial and depositor records?

Other

9.1.10 Does the DIS have the option of making advance payments to depositors in situations of dire need (i.e. in an emergency)?

No

9.1.11 Does the DIS make interest payments to depositors during the time taken for reimbursement? Please explain.

Yes

9.1.12 What information is communicated to depositors regarding the reimbursement process?

In the case of arrangement proposals, notices shall be published in the Official Gazette and in a newspaper of national coverage on the following day whereby it shall be made known the circumstance of the submission of the arrangement proposals, the date of such submission, an abstract of the proposals and a reference to the list of creditors. In the case of forced liquidation, notices in the Official Gazette and a newspaper of national coverage shall be published whereby a call is made upon the depositors and other creditors to appear before the bank to acknowledge their credits.

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

Depositors secrecy and confidentiality are strictly regulated in the General Banking Act.

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

Please refer to question 1 in section 9.

9.1.15 What steps are taken to ensure that an institutions depositor records are accurate, up to date and accessible?

The lists considered in question 8 constitute the acknowledgment of the credits with a right to receive the corresponding distributions.

9.1.16 Does the DIS document its experiences with respect to each reimbursement action (i.e. lessons learned) in order to allow for continuous improvement?

Other

Not applicable

9.1.17 What technologies does the DIS use to facilitate the reimbursement process?

In the Chilean system there is no restriction to any specific technology for undertaking the reimbursement process.

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

The Superintendency of Banks' regulation establishes that banks must inform the public for being aware about the existence and coverage of the deposit insurance in every deposit form and in the advertisements. Banks must also maintain that information available in the branches. For the required information in the cases of arrangement proposals or forced liquidation, please refer to question 8 in section 9.

10.1.2 Who is responsible for communicating information about the DIS to the general public?

Other

null|null|null|null|null|

10.1.3 Are these explicitly stated in policy or law?

10.1.4 Are the terms and conditions of DIS explained in a manner that the general public can understand fully?

Yes

10.1.5 If so, what methods are utilized?

Other

null|null|null|null|null|

10.1.6 At what point is information disclosed to the public about an institution that is having problems and how is information disclosed?

Please, refer to question 1 and 8 in section 9

10.1.7 Has a survey of public awareness about the DIS been conducted? If so/ what were the results? If not why not? Please include supporting documentation.

10.1.8 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

No, the systematic information is that described in question 1 in section 10.

10.1.9 Please describe the approach used; objectives, target audience, communication strategy, and timing results.

The systematic information is aimed to the general public. The information released when an institution is under insolvency problems is aimed to the depositors of the institution.

Section 11: Risk Assessment & Intervention

11.1.1 Does the DIS have a risk monitoring function to analyze and assess the risk of member financial institutions?

Other

Please, refer to question 1 in section 5.

11.1.2 Does the DIS perform examinations of its member institutions? If not, who does?

No

Please, refer to questions 1 and 2 in section 5

11.1.3 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?

Other

Please, refer to questions 1, 2 and 3 in section 5

11.1.4 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.

Please, refer to question 2 in section 5

11.1.5 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.

Please, refer to question 1 in section 9.

Section 12: Failure Resolution

12.1.1 Is your DIS involved in the failure resolution of member institutions?

No

12.1.2 Who determines whether a member institution has failed or is insolvent?

Please, refer to question 1 in section 9.

12.1.3 Under what conditions can the DIS cancel/terminate the deposit insurance of a member institution?

Please, refer to question 1 in section 9.

12.1.4 How is the failure/non viability of a member institution determined?

Please, refer to question 1 in section 9.

12.1.5 How many member institutions have failed in your country in the last 20 years?

There has been no failure of an institution in the last 10 years.

12.1.6 Do banks go through the regular corporate bankruptcy process? If no, what is the process used?

No

No. Banks don't go through the regular corporate Bankruptcy Act (Ley de Quiebras). The process is described in question 1 in section 9.

12.1.7 Is the receiver of failed institutions also the one that disposes of the institutions? If not, who does?

Other

Please, refer to question 1 in section 9.

12.2 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 20 years.

12.2.1 Formal liquidation

12.2.2 Purchase and assumption (sale and merger)

12.2.3 Open bank assistance (e.g. recapitalization)

12.2.4 Bridge banks and other interim solutions

12.2.5 What criteria are used to determine the method of failure resolution?

Please, refer to question 1 in section 9.

12.2.6 Is the deposit insurer required to resolve failed or failing insured depository institutions in a manner that is least costly to the DIS?

No

No. The methods are clearly indicated in the Act.

12.2.7 Please indicate what kind of private companies, if any, are included in the failure resolution process?

Please, refer to question 1 in section 6, and question 1 in section 9

Section 13: Claims, Recoveries & Estate Management

13.1.1 Does the DIS play a role in the claims and recoveries process? If yes please describe this role

Yes

Yes, please refer to question 1 in section 9.

13.1.2 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)?

The purposes are those described in question 5 in section 7.

13.1.3 What role does the private sector play in the claims, recovery process?

Not applicable

13.1.4 What approaches and strategies are adopted by the deposit insurer to accomplish the objectives of claims and recovery activities?

Please, refer to question 1 in section 9.

13.1.5 By what standard is the DIS judged with respect to performing its function in claims and recoveries (e.g.x. Comparative private sector or DIS benchmarks, internal assessments, past experience)?

Not applicable

13.1.6 What assets have you found to be the hardest to recover? Why? What types of strategies have been used to recover different assets?

Not applicable

13.1.7 Does the DIS have rights of subrogation (i.e. the subrogation of insurance entity to the rights of insured depositors) or an equivalent arrangement?

No

13.1.8 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

Yes, please refer to questions 1 in section 2 and 9.

13.1.9 Are rights of set-off available or imposed in your countrys legal system? Please describe the various forms set-off can take.

No

Section 14: Other Issues

14.1.1 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?

In 2002, banks were allowed to bear interest over current accounts. Although this ability was thought to increase the competition level and raised some concerns about a potential increase in the systemic risk, the banking industry has performed sound, avoiding riskier operations. Hence, the solvency indexes have been maintained.

14.1.2 Are there any issues related to deposit insurance which you would like to see more research in?

Issues related with a dual public-private DIS