

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:

Bank Guarantee Fund

1.1.2 Organization Address:

ul. ks. I.J.Skorupki 4, 00-546 Warsaw, Poland

1.1.3 Organization Telephone No:

+48 22 583 0 700

1.1.4 Organization Fax No:

+48 22 583 0 589

1.1.5 Organization Internet Address:

www.bfg.pl

1.2 Contact Person(s):

1.2.1 Contact Person(s) Name:

Agata Dunaszewska

1.2.2 Contact Person(s) Address:

ul. ks. I.J.Skorupki 4, 00-546 Warsaw, Poland

1.2.3 Contact Person(s) Telephone:

+48 22 583 0 879

1.2.4 Contact Person(s) Fax:

+48 22 583 0 589

1.2.5 Contact Person(s) E-mail address:

agata.dunaszewska@bfg.pl; kancelaria@bfg.pl

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:

The National Depository for Securities - investor compensation scheme www.kdpw.com.pl

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

1.3.1 Name of Central Bank:

National Bank of Poland

1.3.2 Central Bank Address:

ul. Świętokrzyska 11/21, 00-919 Warsaw, Poland

1.3.3 Central Bank Telephone:

+48 22 653 10 00

1.3.4 Central Bank Fax:

+48 22 620 85 18

1.3.5 Central Bank Internet Address:

www.nbp.pl

1.3.6 Central Bank Contact Person:

1.4 Financial Supervisor:

1.4.1 Financial Supervisor Name:

Financial Supervision Authority

1.4.2 Financial Supervisor Address:

Plac Powstańców Warszawy 1, 00-950 Warsaw, Poland

1.4.3 Financial Supervisor Telephone:

+48 22 33 26 600

1.4.4 Financial Supervisor Fax:

+48 22 33 26 793

1.4.5 Financial Supervisor Internet Address and contact:

www.knf.gov.pl

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)?

The Act on the Bank Guarantee Fund was passed by the Polish parliament on 14th December 1994, but it came into force on 17th February 1995.

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 two main BGF objectives are: bank deposit guarantee and financial assistance for banks threatened with insolvency.

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

There were several factors taken into account: -structure and condition of Polish banking sector; -Directive 94/19/EC on deposit guarantee schemes.

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

Legislation
the Act on the Bank Guarantee Fund

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?

Other
article 3 paragraph 4 and article 6 paragraph 2&3 of the BGF Act

2.1.7 Who makes decisions to pay depositor claims?

DIS

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

Yes
The BGF can enter into contracts with banks in case of granting loans from the assistance fund.

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

No

2.4 Authority over entry and exit of member deposit taking institutions

2.4.1 Establish terms and conditions of membership

No

Membership is obligatory. The conditions are set in the Act.

2.4.2 Authority to terminate the insured status of a member institution

No

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

Yes

2.6 Funding

2.6.1 How funding is provided

No

Funding is determined by the BGF Act.

2.6.2 Terms and conditions of premiums or levies

Yes

Article 7 paragraph 2 of the BGF Act

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

2.8 Enforcement and intervention

2.8.1 Authority to conduct examinations and/or reviews

Yes

But only in banks to which financial assistance was granted.

2.8.2 Ability to set standards or guidelines for member institutions

No

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

In cases where the Fund is involved in the restructuring process of a bank.

2.8.4 Authority to cancel deposit insurance of a member institution

No

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

No

2.9 Failure resolution

2.9.1 Authority to decide on appropriate form of failure resolution

No

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

Article 4 paragraph 2 of the BGF Act

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

No

2.10 Authority to:

2.10.1 Undertake formal liquidation

No

2.10.2 Purchase and assumption (sale and merger)

No

2.10.3 Open assistance (bridge bank)

No

2.10.4 Other forms of failure resolution

The BGF grants loans in two cases: - directly to the threatened bank, - to banks in good financial condition that intend to acquire a threatened bank and conduct its restructuring.

2.11 Optimizing recoveries

2.11.1 Ability to act as a receiver

No

2.11.2 Ability to act as a liquidator

No

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)

Yes

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

Other

null|null|null|null|null

3.1.3 How is the governing body selected?

The persons appointed to the Fund Council and the Management Board can be neither bank officers nor bank employees.

3.1.4 What is the composition of the governing body?

The Fund Council is composed of a chairman (appointed and removed by the Prime Minister on recommendation agreed between the Minister of Finance and the President of National Bank of Poland, having received the opinion on their recommendation from the relevant parliament commission) and 10 members having appropriate university degrees and professional experience. The Fund Management Board consists of 5 members, including the President and his deputies (Article 9 paragraph 2 to 6 of the BGF Act).

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

The Fund Council - article 7 of the BGF Act. The Management Board - article 10 of the BGF Act.

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

Yes

Article 6 paragraph 3 of the BGF Act - composition of the Council

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

Yes

Article 6 paragraph 3 of the BGF Act - composition of the Council

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

Yes

Article 6 paragraph 3 of the BGF Act - composition of the Council

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

No

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

by other?

No

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

The authorities of the BGF include the Council and the Management Board. The Council shall exercise control and supervision over the BGF activity. The Council is composed of the Chairman appointed by the Prime Minister at the request agreed between the minister responsible for financial institutions and the President of the National Bank of Poland, and members who are representatives of: the Minister of Finance (3 persons), the National Bank of Poland (4 persons) and the Polish Bank Association (3 persons). The Council appoints the Management Board and elects the President and Deputy-President from among its members. The Management Board manages and represents the BGF towards third parties.

3.1.12 Do you have an internal control and audit systems

Yes

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?

Yes

3.1.14 Is there an advisory committee to the DIS?

No

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?

No

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

Annual Reports,Audited Financial Statements,Corporate Business Plan

null|null|null|null|

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) ?

70

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)?

Yes

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?

Yes

A number of trainings concerning finance, banking, accounting, information systems,banking law.

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)

Yes

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

4.1.6 Are confidentiality provisions for employees provided for?

Yes

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?

Yes

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

2,6%

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

5.1.1 Who performs examinations of DIS member institutions?

Supervisor

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

Apart from supervisor DIS can also perform examinations, however only to those banks, to which DIS granted the financial assistance. This group of banks are subject to direct controls, which aim is to examine the correct use of: a) the assistance funds; b) implementation of the remedy program.

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

The basic sources of information are: a) the banks reports received from the National Bank of Poland; b) financial statements, delivered directly to the BGF by banks, to which the financial assistance was granted (independent to the information received from the National Bank of Poland).

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.

Article 38 of the BGF Act. Moreover, the BGF co-operates with the Ministry of Finance mainly in the legislative area.

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

4

5.2.2 timeliness

4

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?

Consult

The National Bank of Poland, the Ministry of Finance, the Polish Banking Association|null|null|

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

Yes

5.2.6 How often do you contact other DIS?

Regularly

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?

Yes

Section 6: Membership

6.1.1 What types of institutions are covered in your DIS?

Domestic banks as defined by the Banking Act and branches of credit institutions from the non-EU member states in case they do not belong to any other guarantee scheme or if the scheme they belong to provides less favourable conditions than the Polish scheme.

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

Yes

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.

No

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

article 2 paragraph 3b and article 2b of the BGF Act

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?

The Polish DIS is mandatory.

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

No

6.1.7 How many member institutions do you have?

53 commercial and 579 co-operative banks.

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

Total level of assets - PLN 768,273 m Total level of deposits - PLN 538,177 m Insured deposits (after exclusions and limit)- PLN 179,994 m(data as on 31 December 2007)

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?

Yes (please explain)

article 2 paragraph 2 of the Act on the Bank Guarantee Fund

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,Other
null|null|null|null|null|null|null|null|null|null

7.1.3 Is coverage

per depositor per institution

7.1.4 What is the coverage limit per depositor?

22.500 EUR

7.1.5 How was this figures arrived at?

Initially the coverage limit was ECU 3,000 (1995-1997), then it was systematically increased to 22.500 EUR in order to reach the minimum level of coverage set in the EU Directie 94/19/EC.

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

Generally 3 years but there is no limit set in the law.

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

Officers and directors of member institutions,Other

null|null|null|null|null

7.1.8 Is the coverage amount indexed?

No

7.1.9 What is it indexed to?

n/a

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

Yes

up to 1000 EUR in 100%; above 1000 EUR up to 22.500 EUR in 90%

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

Yes

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

We do not have such knowledge.

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

According to the provisions of the BGF Act.

7.1.15 When member institutions merge how are insured deposits treated?

There is no special treatment.

7.2 Does your country offer the following?

7.2.1 Islamic banking

No

7.2.2 Islamic deposit insurance

No

Section 8: Funding & Fund Management

8.1.1 What type of funding is used by the DIS?

Other (Skip the next 10 questions)

primary source for payout

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?

Premium assessment

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)

Flat rate

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

Max. 0,4% for the fund for protection of guaranteed deposits (ex post) but the rate is different every year.

8.1.5 How often is the premium assessed?

Twice a year for ex post funding once a year for ex ante funding.

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

Other

Article 25 paragraph 2 of the BGF Act

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

Yes

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

n/a

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)

No (Skip the next question)

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

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

According to the article 16 paragraph 3 of the BGF Act the financial resources can only be invested in securities issued or fully guaranteed by the State Treasury or the National Bank of Poland, as well as units of the money market funds.

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

pro rate according to the value of deposits

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

Other please explain

null|null|null|

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

No

Section 9: Reimbursing Depositors

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

1. suspension of a bank operations by the Financial Supervision Authority 2. court's decision concerning bank's failure 3. preparation of the depositors list by the trustee 4. pay-outs made by BFG (see also article 21-38b of the BGF Act).

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?

after bank failure

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

Yes

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

Yes

Court has 30 days for making decision about bank failure. Refer also to article 22,27,27a,28 of the BGF Act.

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

cash, bank transfer, money order

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?

All data required for the identification of depositor.

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

after bank failure.

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.

No

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

time and way of paying-out process

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

All regulations concerning banking secrecy according to the Banking Act.

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

Off-site analysis of the depositors list.

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

see above

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?

Yes

All reports are used for this purpose.

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

see section 9.1.6.

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

They are defined in the article 38b of the BGF Act.

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

DIS,Other

null|null|null|null|null|

10.1.3 Are these explicitly stated in policy or law?

Yes

see section 10.1.1.

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?

Brochures,Use of Official Sign to display insured status,Telephone call center,Website

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?

This information is confidential.

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.

Yes

Research made by public opinion research institute in 1998, 2000, 2003 and 2006.

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

We treat it as a permanent task.

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

target audience - potential and present bank customers.

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?

Yes

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

Yes

but only to banks to which the financial assistance was granted.

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

From central bank (banks reports)

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.

We use both qualitative and quantitative measures.

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.

Section 12: Failure Resolution

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

Other

Only as a party in bankruptcy proceedings.

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

The court on a petition of the Financial Supervision Authority.

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

There are no such conditions. It is impossible.

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

It is determined by the court decision according the Banking Act.

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

94 bank bankruptcies since the commencement of the Fund operations in February 1995.

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

Other

The Financial Supervision Authority is the only entity entitled to file the petition to declare bankruptcy of a bank.

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

Yes

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

Yes

12.2.2 Purchase and assumption (sale and merger)

Yes

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?

It depends on the trustee decision.

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?

Other

There are regulations, which indirectly point out to the least cost principle.

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

n/a

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

Other

DIS is a debtor of the bankruptcy estate.

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)?

n/a

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

The same as in other failures.

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

n/a

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)?

past experience

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?

n/a

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?

Yes

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

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.

Yes

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?

n/a

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

n/a