

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:

Board of Governors of the Federal Reserve System

1.1.2 Organization Address:

20th and Constitution Ave. NW Washington, DC 20551USA

1.1.3 Organization Telephone No:

202 452 3000

1.1.4 Organization Fax No:

1.1.5 Organization Internet Address:

<http://www.bog.frb.fed.us>

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:
Office of the Comptroller of the Currency (OCC)

1.4.2 Financial Supervisor Address:

1.4.3 Financial Supervisor Telephone:
202 874 5000

1.4.4 Financial Supervisor Fax:

1.4.5 Financial Supervisor Internet Address and contact:
<http://www.occ.treas.gov>

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 Federal Deposit Insurance Corporation was established by The Congress of the United States with the passage of the Banking Act of 1933. The Act was signed into law by President Franklin D. Roosevelt on June 16, 1933; actual insurance of bank deposits became effective on January 1, 1934, when the FDIC began its operations. The initial deposit insurance plan was temporary but it became permanent with the passage of The Banking Act of 1935. The DIS was established at the height of the Great Depression in the United States, when many banks were unable to meet their obligations.

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 FDIC has three basic mandates: (1) to provide deposit insurance for the vast majority of banks and savings associations in the United States; (2) to act as the primary Federal regulator for some of the banks that it insures (state-chartered banks that are not members of the Federal Reserve System); and (3) to serve as the receiver and liquidator of failed banks. These basic mandates are reviewed periodically, although the FDIC's basic mandates have not changed over the years.

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

These objectives were determined through discussions among officials from the U.S. government, the banking industry, trade groups, and others who were involved in the legislative process that led to the enactment of The Banking Act of 1933.

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

Legislation

Legislation: The Banking Act of 1933.

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

No

However, the United States Congress can review the deposit insurance scheme at any time.

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

The bank or thrift chartering authority generally makes decision to close institutions and appoints the FDIC as receiver of the failed institution. The FDIC then determines how and when to pay depositor claims.

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

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

Yes

Yes, although most requirements are established by statute.

2.4 Authority over entry and exit of member deposit taking institutions

2.4.1 Establish terms and conditions of membership

Yes

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

Yes

2.6 Funding

2.6.1 How funding is provided

Yes

2.6.2 Terms and conditions of premiums or levies

No

Borrowing authority and limits are provided by statute.

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

Yes, although frequently done in conjunction with other regulators.

2.8.2 Ability to set standards or guidelines for member institutions

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

2.9 Failure resolution

2.9.1 Authority to decide on appropriate form of failure resolution

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

yes, subject to the least cost test in our statute.

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

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)

Yes

The FDIC is a legally separate organization.

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

Board of Directors

The FDIC is governed by a board of directors. |null|null|null|null|

3.1.3 How is the governing body selected?

FDIC Board members are appointed by the President of the United States, but upon their nomination, must be confirmed by the U.S. Senate.

3.1.4 What is the composition of the governing body?

By statute, the FDIC Board consists of five members. Three of these are FDIC Board members (including a chairman and vice chairman); the other two members serve by virtue of their positions as heads of the Office of the Comptroller of the Currency and Office of Thrift Supervision, both bureaus of the Department of Treasury. No more than three Board members can belong to the same political party. One of the five members must have state bank supervisory experience.

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

The Board of Directors is responsible for all aspects of the Corporation's operations.

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

Yes

It should be noted that under the U.S. system, the FDIC is a regulator and supervisor as well as deposit insurer. Insofar as supervision is concerned, the FDIC is the primary regulator and supervisor of state-chartered institutions that are not members of the Federal Reserve System. With the Comptroller of the Currency and the Director of the Office of Thrift Supervision as ex-officio members of the FDIC Board of Directors, only the central bank (e.g. the Board of Governors of the Federal Reserve System) has no representation in FDIC management. Insured institutions have no representation in management.

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

The FDIC's organizational chart as of yearend 2000, can be found at: <http://www.fdic.gov/about/strategic/report/2000AnnualReport/pg102.html>. Since then, a new chairman has been confirmed, other personnel changes have occurred, and a reorganization has been implemented. This new organizational chart is not yet electronically available. The major changes include: the merger of the Division of Supervision with the Division of Compliance and Consumer Affairs, the merger of the Division of Insurance with the Division of Research and Statistics, and the merger of the Legal Division with the Office of the Executive Secretary. A list of individuals currently holding positions at the FDIC can be found at: <http://www.fdic.gov/about/learn/board/index.html>

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?

No

No, so long as the activity arises from the normal scope of their duties and responsibilities.

3.1.14 Is there an advisory committee to the DIS?

Yes

Established in the fall of 2002 with a two-year term, the FDIC Advisory Committee is comprised of 12 members from outside the Corporation and meets twice a year. The purpose of the Advisory Committee is to provide advice and recommendations to the FDIC on a wide range of issues relating to the Corporation's mission and activities.

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?

Yes

The FDIC, when deemed necessary, routinely takes action against bank officers. For a table that details these actions, see <http://www.fdic.gov/about/strategic/report/2000AnnualReport/pg14-22.html>.

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) ?

As of year-end 2001, the number of officials and employees of the FDIC totaled 6,167. However, the FDIC is undergoing a planned downsizing of its staff, which will be reflected in year-end 2002 numbers. .

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

The Training and Consulting Services Branch of the FDIC's Division of Administration provides extensive training opportunities for FDIC staff, including courses in communications, diversity and EEO, financial analysis, management, consumer affairs, and the supervision and examination of insured financial institutions. Courses also are jointly held with the Federal Financial Institutions Examination Council. (See the FFIEC Web site, <http://www.ffiec.gov>.)

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

See question 3. above.

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

4

The FDIC makes every effort to attract and retain skilled staff, although competition with the private sector can make this difficult.

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?

N/A

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

5.1.1 Who performs examinations of DIS member institutions?

Other

In the United States there are four Federal bank regulatory agencies and 51 state bank regulatory agencies

that examine insured banks and savings institutions. National Banks are chartered and examined by the Office of the Comptroller of the Currency (OCC). State chartered banks are examined by their respective state banking agency and either the Federal Reserve (if the bank is a member of the Federal Reserve) or the FDIC (if the bank is not a member of the Federal Reserve). The Office of Thrift Supervision (OTS) examines all insured savings institutions.

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

The examination process requires frequent, periodic comprehensive examinations of all insured institutions. Examinations are required every year for institutions with over \$100 million in assets and at least every 18 months for highly rated institutions with less than \$100 in assets. Large, complex banks are examined continuously and rated once a year. A full scope examination includes all elements that go into an institution's CAMELS rating. The components of the rating are: capital adequacy, asset quality (including loans, securities and derivatives and off-balance-sheet activities), management (including internal controls), earnings, liquidity and sensitivity to market risk. Composite CAMELS ratings range from 1 to 5, 1 being the best rating, 5 indicating probable near term failure. The examination also would cover compliance with money laundering reporting under the Bank Secrecy Act.

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

Comprehensive financial reports are collected every three months. Virtually all items collected are made available to the public. All insured banks are required to file quarterly Reports of Condition and Income (Call Reports). Insured thrifts are required to file quarterly Thrift Financial Reports (TFR).

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 FDIC is provided with copies of the examinations as soon as they are completed. If an institution is CAMELS rated 3,4, or 5, the FDIC is either kept informed of the problems in the institution or is part of the examination team monitoring the institution. The FDIC has the authority to examine any FDIC-insured institution.

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?

Regularly

Regularly through direct contacts with other deposit insurance authorities, such as the CDIC, and through the International Association of Deposit Insurers (IADI).

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?

The FDIC insures a wide variety of banks and savings associations, headquartered in the United States, that operate under bank or thrift charters (licenses) obtained from either the Federal government or one of the fifty state governments. At the Federal level, the most common types of institutions are National Banks, Federal Savings Associations and Federal Savings Banks. At the state level, some of the more common types of institutions are commercial banks, savings and loan institutions, savings banks and industrial loan companies. Credit unions in the United States are not insured by the FDIC but are insured by a separate government agency called the National Credit Union Association (NCUA).

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

Yes

In essence, FDIC membership is mandatory for all depository institutions that accept retail deposits in the United States. This is because National Banks and Federally chartered savings institutions are required by law to have FDIC insurance and most state laws require retail depository institutions to have FDIC insurance. In a few states, the law may not expressly require depository institutions to have FDIC insurance but the banking regulator may require it as a condition for approval of the banking charter.

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

Yes. Foreign banks now generally are required to have separately capitalized subsidiaries to conduct retail deposit-taking activities in the United States. They are subject to the same assessments and their deposits are entitled to the same insurance coverage that is provided for domestic banks.

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 FDIC solely is responsible for the deposit insurance application but newly formed institutions generally apply for a banking charter (license) at the same time they apply for deposit insurance. The two applications are submitted simultaneously, one to the state or Federal chartering authority and the other to the FDIC. The FDIC communicates, and coordinates the approval of the deposit insurance application, with the relevant chartering authority.

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?

As of June 30, 2002, there were a total of 9,480 FDIC-insured banks and savings associations.

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

As of June 30, 2002, the total assets of all FDIC-insured institutions were in excess of \$8 trillion, total deposits were in excess of \$5.2 trillion and total estimated insured deposits were in excess of \$3.3 trillion.

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, Certified drafts of cheques, Foreign currency deposits, Inter-bank deposits, Other

also note: Annuity contracts – no (although certain bank accounts maintained in connection with annuity contracts can be insured by the FDIC) Travelers cheques- yes (for those on which the institution is primarily liable). Money orders- yes (for those on which the institution is primarily liable). Other: Any type of deposit liability that comes within the above definition of “deposit” and is entitled to coverage pursuant to the FDIC’s deposit insurance regulations, 12 C.F.R. Part 330. |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?

The basic coverage limit is \$100,000 per depositor. However, depositors can obtain separate insurance coverage for their interests in individual accounts, joint ownership accounts, certain types of revocable and irrevocable trusts accounts, pension and other employee benefit accounts, etc. Consequently, a depositor can have far in excess of \$100,000 insured at a single bank if he/she has funds owned in different manners and satisfies the FDIC’s regulatory requirements for the separate coverage provided for different types of accounts.

7.1.5 How was this figures arrived at?

The initial deposit insurance limit (when the FDIC first commenced operations in January 1934) was \$2,500. Over the past 69 years, this basic limit has been raised by the United States Congress on an incremental basis. The last time it was raised was in 1980 when the U.S. Congress set the limit at \$100,000, with the passage of the Depository Institutions Deregulation and Monetary Control Act.

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

There is no limit under our statute and regulations.

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

Foreign (non-residents),Corporations (domestic),Corporations (foreign)

Other: All natural persons. |null|null|null|null|

7.1.8 Is the coverage amount indexed?

No

No, but the FDIC has proposed legislation that, if enacted,would provide for indexing of the coverage limit.

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.

No

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.

Yes

The basic coverage levels are the same regardless of the resolution method employed. However, in resolution transactions where all of an institution's deposits (as opposed to just its insured deposits) are transferred to an assuming depository institution, the coverage rules are not applicable. In those situations, there is, in essence, 100 percent coverage provided.

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.

No

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

Oftentimes, developers of new financial products will seek a legal opinion from the FDIC confirming the eligibility of their products for FDIC coverage and specifying the manner and extent to which the product will be covered.

7.1.15 When member institutions merge how are insured deposits treated?

When one insured depository institution merges with another insured institution, the deposits assumed continue to be separately insured for six months from the date of the assumption or, in the case of time deposits, until the first maturity date after the end of the six-month period. If a time deposit matures during the six-month period and is rolled over on the same terms and conditions as the initial deposit, the separate insurance continues until the first maturity date after the end of the six-month period. If it is rolled over on any other terms, the separate insurance ceases. See 12 U.S.C. 1818(q) and 12 C.F.R. 330.4.

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?

A combination of the above two approaches

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)

The FDIC's risk-based assessment system is described in detail on the FDIC's Web site http://www.fdic.gov/deposit/insurance/risk/rfps_ovr.html. The FDIC uses a risk-based system that assesses higher rates on those institutions that pose greater risks to the Bank Insurance Savings Association Insurance Fund (SAIF). In order to assess premiums on individual institutions, the FDIC places each institution in one of nine risk categories using a two-step process based on capital ratios (the capital group assignment) and then on other relevant information (the supervisory assignment). Capital group assignments are made in accordance with section 327.4(a)(1) of the FDIC's Rules and Regulations, using the method agreed upon by the Federal Financial Institutions Examination Council (FFIEC) Surveillance Task Force for calculating capital ratios. The method utilizes an institution's Report of Income and Condition (Call Reports), Report of Assets and Liabilities of Branches and Agencies of Foreign Banks, or Thrift Financial Report, for the preceding semiannual period. No changes to capital ratios are considered except for amendments to the preceding reports. Capital Group Descriptions. Group 1 - "Well-Capitalized." Total Risk-Based Capital Ratio equal to or greater than 10 percent, and Tier 1 Risk-Based Capital Ratio equal to or greater than 5 percent, and Tier 1 Leverage Capital Ratio equal to or greater than 5 percent. Group 2 - "Adequately Capitalized." Total Risk-Based Capital Ratio equal to or greater than 8 percent, and Tier 1 Risk-Based Capital Ratio equal to or greater than 4 percent, and Tier 1 Leverage Capital Ratio equal to or greater than 4 percent. Group 3 - "Undercapitalized." Neither Well-Capitalized nor Adequately Capitalized. For insured branches of foreign banks, the capital groups are: Group 1 - "Adequately Capitalized." The insured branch maintains the pledge of assets required under 12 CFR 346.19, and the eligible assets prescribed under 12 CFR 346.20 at 108 percent or more of the average of the insured branch's third party liabilities for the quarter ending on the capital group cutoff date. Group 2 - "Adequately Capitalized." Not Well-Capitalized, and the insured branch maintains the pledge of assets required under 12 CFR 346.19, and the branch maintains the eligible assets prescribed under 12 CFR 346.20 at 106 percent or more of the average book value of the insured branch's third party liabilities for the quarter ending on the capital group cut-off date. Group 3 - "Undercapitalized." Neither Well-Capitalized nor Adequately Capitalized. Supervisory subgroup assignments for institutions insured by the SAIF are made in accordance with section 327.4(a)(2) of the FDIC's Rules and Regulations, and provides as follows: ...each institution will be assigned to one of three subgroups based on the consideration of supervisory evaluations provided by the institution's primary federal regulator. Supervisory evaluations include the results of examination findings by the primary federal regulator, as well as other information the primary federal regulator determines to be relevant. In addition, the FDIC will take into consideration such other information (such as state examination findings, supervisory evaluations, determines to be relevant to the institution's financial condition and the risk posed to the SAIF). The FDIC will assign a supervisory subgroup to each BIF or SAIF institution for each semiannual period based on a variety of factors. These include: FDIC review of the results of the last examination finalized and transmitted to an institution prior to the cutoff date by the primary regulator; other written findings that result in a composite rating change by the primary regulator; results of independent, joint or concurrent FDIC examinations finalized prior to the cutoff date; results of independent, joint or concurrent FDIC examinations finalized prior to the cutoff date; results of independent, joint or concurrent FDIC examinations finalized prior to the cutoff date; Analysis of other pertinent information. Supervisory Subgroup Descriptions. Subgroup 1 - "Well-Capitalized." Subgroup consists of financially sound institutions with only a few minor weaknesses and corresponds to the primary federal regulator's composite rating of "1" or "2." Subgroup 2 - "Adequately Capitalized." Subgroup consists of institutions that demonstrate weaknesses which, if not corrected, could result

deterioration of the institution and increased risk of loss to the BIF or SAIF. This sub generally corresponds to the primary federal regulator's composite rating of "3." Sub consists of institutions that pose a substantial probability of loss to the BIF or the SA corrective action is taken. This subgroup assignment generally corresponds to the p composite rating of "4" or "5." The cut-off date for assessment periods beginning Ja September 30 and for assessment periods beginning July 1, the cut-off date is the p FDIC Board of Directors reviews premium rates semiannually. As of January 1, 199: assessment system was introduced, each bank and thrift paid an annual assessmer 31 cents per \$100 of assessable deposits. After the BIF reached the Designated Re 1.25 percent at the end of May 1995, the Board approved a reduction in assessmen to a range of between 4 and 31 cents per \$100 in assessable deposits. In Novembe approved a new assessment rate structure for the BIF, with a range of between 0 ar assessable deposits, effective January 1, 1996. The Deposit Insurance Funds Act o capitalization of the SAIF at the target DRR of 1.25 percent by means of a one-time SAIF-member institutions. In December 1996, the Board lowered SAIF assessment between 0 and 27 cents per \$100 in assessable deposits, which is identical to the r approved for BIF members. The new rates were effective October 1, 1996 for Sasse Oakar institutions, and effective on January 1, 1997 for all other SAIF-insured institu

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

4. The risk-based assessment schedule for BIF- and SAIF-insured institutions is as follows: -----
Supervisory Subgroup ----- Capital Group ABC 1. Well 0 bp3 bp17 bp 2. Adequate3 bp10 bp24 bp 3.
Under10 bp24 bp27 bp Note: Basis points (bp) is cents per \$100 of assessable deposits (annual rate).

8.1.5 How often is the premium assessed?

Premiums are assessed semiannually, but collected quarterly.

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

Other

Premiums are assessed against an institution's total domestic deposits, adjusted for float.

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.

Please see the answer to question 3 above.

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?

By law, the FDIC is obligated to maintain the ratio of the insurance fund to estimated insured deposits at a Designated Reserve Ratio (DRR) of 1.25 percent. The FDIC Board of Directors is authorized to raise the DRR in the event that there is a significant risk of substantial future loss to the insurance fund.

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

Yes

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

The FDIC maintains two deposit insurance funds. In the event that a systemic-risk exception is made, the resolution costs are to be paid by the industry through ex-post assessments.

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?

No

Section 9: Reimbursing Depositors

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

The FDIC reimburses insured depositors--pays deposit insurance--in one of two ways. The first option is by transferring the insured portion of a depositor's account to another FDIC-insured financial institution, either by a purchase and assumption (P&A) or by an insured deposit transfer (IDT) transaction. The second option is by a pay out (PO) of the insured portion of the deposit accounts in the form of check payments sent directly to the depositors.

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

Other

Depositors typically are no longer required to file a claim to receive deposit insurance payments. If a depositor has an deposit(s) in an amount that may exceed the deposit insurance limit(s), the depositor may have to complete paperwork and/or submit documentation to the FDIC to complete the deposit insurance determination process. In return for accepting a payment of deposit insurance, the depositor agrees to subrogate his rights to the liquidation proceeds of the closed financial institution, up to the amount of the insured deposit, to the FDIC. This happens when the insured depositor either uses the account(s) that has been transferred to the new financial institution, withdraws their insured deposits from the new financial institution, or accepts a direct payment of deposit insurance by cashing the deposit insurance payment check(s) issued by the FDIC.

9.1.3 When is the DIS obligated to reimburse insured depositors?

By law, the FDIC is required to pay deposit insurance proceeds as soon as possible. However, the FDIC typically is able to fully reimburse insured depositors on the first business day following the bank failure.

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

Yes

The standards for determining the proper amount of deposit insurance coverage have been written into law and FDIC regulations. Deposit insurance limits are set for various ownership categories (individual, joint, trusts, etc.) for deposit accounts. These ownership categories can qualify for separate deposit insurance coverage. If a depositor has an amount of deposits that may exceed the deposit insurance limit(s), the depositor may have to complete paperwork and/or submit documentation to the FDIC to document the proper ownership category for each deposit account and to complete the deposit insurance determination process.

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

Yes

By law, the FDIC is required to pay deposit insurance proceeds as soon as possible.

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

The FDIC uses a competitive bidding process to determine if other insured financial institutions are interested in acquiring the deposit base of a failing insured financial institution. Such bidders frequently agree to accept these deposits at a discount of less than 100 cents on the dollar. This discount, commonly referred to as a bid “premium,” helps to lower the FDIC’s overall cost of resolving the failed institution. Bidders typically will pay this premium to expand their own deposit base and market, to gain access to additional customers for cross-selling opportunities, and/or to acquire or consolidate branch locations. If an acceptable bid is not received for acquiring the insured deposits, the insured balance in each account is paid directly to the accountholder in the form of a check drawn on the FDIC.

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

Generally yes, although matters of interpretation may arise for unusual situations.

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

The accounts and records of the failed insured financial institution largely determine deposit insurance payments. As such, these records must indicate the name and address of the accountholder, note who is authorized to withdraw funds, note any situation where the accountholder is acting as agent for another entity, and properly record account activity and maintain accurate account balances.

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)?

Other

A failing financial institution typically is closed as of the close of business on Friday evening. The insured deposits are determined and transferred, over the course of that weekend, to the acquiring insured financial institution so that the insured portion of these accounts are available for transactions on the next business day. If no acquirer can be found, the FDIC makes direct deposit insurance payments to the depositor using its own funds. As such, access to insured deposits is virtually uninterrupted for most depositors. Payments to depositors are funded by FDIC resources, which are replenished through the collection and/or sale of the failed bank assets. In some cases, the FDIC may also make an advance dividend payment. The advance dividend payment would be for a portion of the uninsured deposit amount and would be based on the expected recovery of the failed bank’s assets.

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

Other

Deposit insurance payments include account principal and interest accrued up to the date of the institution failure. These accounts will continue to earn interest when transferred to another insured financial institution. Depositors receiving a payment via check would need to invest these proceeds elsewhere in order to start earning interest. Depositors with uninsured deposits will periodically receive check payments representing their share of the distribution of proceeds from the collection and/or sale of the failed financial institution’s assets. These distributions generally do not include any interest payment for the time taken to collect and distribute this type of payment. In rare instances, depositors having uninsured deposits may receive an interest payment, but only where the initial claims of all other creditors and subordinated debt holders have been made whole.

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

Each accountholder receives a formal notice through the mail for each deposit account about the deposit insurance payment process. Notices also are posted at each deposit taking office of the failed financial institution. Press releases are sent to local media outlets, are made available on the internet, and are published in local newspapers.

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

Potential acquirers of deposit accounts are required to sign a confidentiality agreement with the FDIC. Such potential bidders are given access to only those records necessary to determine whether and/or how much they would want to bid. Nothing is provided that could later be used to build a customer list.

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

The FDIC sees that all records have been updated through the date and time of appointment of the receiver, that accrued interest has been properly credited and that the books and records for the deposit accounts are in balance prior to determining account balances for making deposit insurance determinations.

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

The books and records of a financial institution generally are reviewed as part of the normal bank examination process. Corrective action would be prescribed if the books and records of the bank were not accurate, up to date and accessible to the bank examiners. If bank management does not immediately correct this situation, such a condition could be grounds for closing the bank. One of the first steps that the FDIC does to prepare for a potential bank failure is to secure access to the depositor records and to determine if they are accurate.

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

The FDIC develops a Strategic Resolution Plan for each potential bank failure as part of the preparation process for the potential settlement of deposit insurance. A goal of the Strategic Resolution Plan is to identify new and/or unusual circumstances that may be a potential issue to the potential bank resolution and to develop contingency plans to address these problems should they occur. The FDIC also conducts an analysis of "lessons learned" following every bank failure.

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

The FDIC makes substantial use of new technology in the form of specially designed software used to value the failing bank's asset portfolios, to facilitate deposit insurance determinations, and to expedite the deposit insurance payment process. The FDIC also uses the Internet to assist in the marketing of insured deposits and failed-bank assets to potential acquirers. The FDIC has developed its own software for use in estimating the market value of the asset portfolios of the failing bank. This information is then used to develop and to market asset pools to potential acquirers. The FDIC also has developed software to use in the process of determining which deposit accounts are fully insured and to speed the transfer of these accounts to acquiring institutions. This software also is used to speed the payment of checks to insured depositors should no acquiring institution be available.

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

FDIC-insured institutions are required by law to display an official sign that indicates that deposits are Federally insured to \$100,000 at each location where insured deposits are usually and normally received, with certain specified exceptions. 12 U.S.C. 1828(a); 12 C.F.R. 328. There are actually two different signs, the official bank sign and the official savings association sign, which are used by different types of insured institutions in the United States, but both signs indicate that deposits are insured up to \$100,000. In

addition, insured banks are required to include an official advertising statement in certain newspaper, television, radio and other media advertisements.

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

DIS,Other

FDIC-insured institutions and the FDIC itself are responsible for informing depositors about the deposit insurance system in the United States and about the specific rules governing the insurance coverage provided by the FDIC for various types of deposit accounts.

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?

Other

The FDIC tries hard to write its deposit insurance rules in a manner that is easy for the general public to understand. However, the complexity of individuals' personal financial affairs and business arrangements in the United States have led to more complicated deposit insurance rules over the years. The FDIC has taken steps to simplify the deposit insurance rules on more than one occasion and continues to look for ways to simplify the rules.

10.1.5 If so, what methods are utilized?

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

The FDIC has numerous publications available for free to the general public including a brochure entitled, "Your Insured Deposit," which explains the amount insurance coverage provided for various types of accounts. We also have a brochure entitled, "Insured or Not Insured: A Guide to What is Not Protected by FDIC Insurance." The FDIC's Website provides considerable information about the insurance coverage rules as well as a deposit insurance estimator (called "EDIE"), that depositors can use to determine the extent to which their accounts are insured. In addition, the FDIC maintains a Call Center which can be accessed through a toll-free number.

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

All FDIC-insured institutions are required to file Reports of Condition and Income (known as Call Reports) or Thrift Financial Reports (TFRs) on a quarterly basis and those reports are made available to the public. In addition, FDIC-insured institutions that have publicly traded securities have certain obligations to disclose information about their financial condition in periodic filings with the Securities and Exchange Commission. These filings generally are available publicly. Enforcement actions taken against insured institutions also are available publicly. Once an institution is closed, the FDIC issues a press release informing the public of the closure and indicating how depositors and creditors can receive payment or make claims against the institution.

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?

Other

The FDIC has not conducted a general advertising campaign to raise public awareness, although we are in the process of studying the feasibility of conducting such a campaign. The FDIC has, however, conducted numerous training sessions for bankers (and sometimes members of the public) to educate them on the deposit insurance rules.

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

N/A

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

The FDIC has a risk-monitoring function as follows. The FDIC uses a system of case managers to monitor risk at all insured institutions. The case manager of an institution has access to all FDIC data as well as the correspondence files. Each quarter, some institutions are identified by off-site models, and the case managers are responsible for reviewing the risk profile of the identified institutions. In addition, case managers are responsible for reviewing the risk-related premium classification of selected institutions. Also, the case manager is responsible for monitoring any concerns that arise during the course of an on-site examination.

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

Yes

The FDIC regularly examines some of the insured institutions, and it has the legal authority to examine any insured institution. Much of the examination responsibility is delegated to other federal banking agencies as well as state agencies. The examination activities of the federal agencies are coordinated by FFIEC (Federal Financial Institutions Examination Council) and most states have adopted standards similar to the federal standards. The FDIC has access to all examination ratings as well as the examination reports of the other federal regulators and the state agencies.

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?

Yes

The FDIC receives quarterly financial reports from all insured institutions, either directly or from the primary federal regulator. In addition, bank examinations conducted every twelve to eighteen months generate data on the quality of the loan portfolio. This information is transmitted to the FDIC by the examining agency. At larger institutions, the larger loans are reviewed annually by a team that includes FDIC examiners.

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.

On-site examinations are the basis for the fundamental risk assessment at the FDIC. As a result of each examination, banks are rated for each of the components of the CAMELS system (Capital adequacy, Asset quality, Management, Earnings, Liquidity, and market Sensitivity) and also are given a composite rating. The components are considered inter-related so, for example, capital adequacy is evaluated in terms of asset quality. The composite rating summarizes the strength of the institution; there is no formal relationship between composite ratings and component ratings. A rating of 2 is considered sound while a rating of 1 is considered strong. Institutions with ratings of 3 have clearly identified weaknesses, and those with ratings of 4 are in some danger of failure. Institutions with ratings of 5 are in imminent danger of failure. Institutions with ratings of 3 or worse are subjected to more intensive and more frequent on-site examinations. Off-site systems and the case manager system are considered supplements to examinations.

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.

The other federal agencies as well as the state agencies work closely with the FDIC when an institution is in trouble. The FDIC can use a variety of possible enforcement actions. Actions can be informal, such as a resolution by the board of the insured institution to remedy a list of specific defects that were identified in the last examination. Actions can also be formal, such as a cease-and-desist order that is enforceable in court. Enforcement actions can concern almost any aspect of bank operations that threatens the safety and soundness of the institution. Almost all institutions that have composite ratings of 3 or worse are subject to some sort of enforcement action. In the most extreme case, the FDIC can refuse to insure the deposits of the institution. In many jurisdictions, deposit insurance is necessary to maintain a banking license.

Section 12: Failure Resolution

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

Yes

The primary regulator formally notifies the Board of Directors of a "critically undercapitalized" insured financial institution (an institution with capital less than 2 percent of assets) that it has 90 days to cure its capital deficiency or be subject to losing its charter and being closed. This process is referred to as "prompt corrective action". The FDIC becomes involved at or near this time of notification.

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

The primary regulator determines whether a member institution has failed or is "insolvent." The FDIC has back-up authority to close a member financial institution as described in the answer to question 2.

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

The primary regulator of a problem bank or thrift can close a member institution, and appoint the FDIC as its receiver, for a number of reasons. The most common include: being "critically undercapitalized," having assets insufficient to meet obligations, engaging in unsafe or unsound banking practices, willful violation of a cease-and-desist order, concealment or tampering with books and records, money laundering, or the voluntary cessation of insured status. The FDIC also can cancel or terminate deposit insurance as a last resort using its powers of self-appointment as receiver. This can be done in the event of the failure of previously prescribed enforcement actions, or where the primary regulator is unwilling or unable to close the financial institution whose continued operation is viewed as increasing the potential loss to the deposit insurance fund.

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

The primary regulator formally notifies the Board of Directors of a "critically undercapitalized" insured financial institution (capital is less than 2 percent of assets) that it has 90 days to cure its capital deficiency or be subject to losing its charter and facing closure. The primary regulator then monitors the success of the institution in obtaining the additional capital that is needed to recapitalize the institution at an appropriate level and to avert failure.

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

Year# of failures 2002 10 2001 4 2000 7 1999 8 1998 3 1997 1 1996 6 1995 6 1994 13 1993 42 Total 100

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

Other

The chartering regulator normally determines when to close the insured institution and then appoints the FDIC as the statutory receiver. After its appointment as receiver, the FDIC has full power to marshal and sell assets, determine liabilities, and operate the institution in a manner consistent with its role as receiver. As receiver, the FDIC as receiver has a number of special powers that have been granted by federal law.

These include the following.,h As receiver, the FDIC may repudiate contracts of the depository institution that it deems to be burdensome.,h As receiver, the FDIC is substituted as a party in litigation pending against the bank or thrift. The court must stay the litigation at the request of the receiver which allows the receiver time to evaluate the facts and decide how best to proceed. The receiver also has the right to remove litigation from state court to federal court.,h The receiver has the power to void certain fraudulent transfers made by an institution's obligors within the period beginning five years before and ending five years after the receiver's appointment if there was an intent to hinder, delay or defraud the institution.,h Federal statutes provide certain "special defenses" to the FDIC in its role as receiver to allow for the efficient resolution of a failed institution's affairs. Both statutes and court decisions recognize that, unless an agreement is properly documented in the institution's records, it cannot be enforced against the receiver, either to make a claim or to defend against a claim by the receiver. The U.S. Congress also provided the FDIC as receiver with additional protection by prohibiting courts from issuing injunctions or similar equitable relief to restrain the receiver from completing its resolution or liquidation activities.

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

Yes

Yes, the FDIC acts as the receiver of failed institutions and also disposes of the institutions.

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?

The method that is judged to be the least cost to the deposit insurance fund is required to be selected by law, provided that the bank's failure has not been determined to present a systemic risk to the U.S. economy. A systemic risk determination must be made and approved, by the Board of Directors of the FDIC, The Board of Governors of the Federal Reserve, and the U.S. Secretary of the Treasury (in consultation with the President of the United States). There has never been a determination of systemic risk since this standard was adopted in 1991.

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?

Yes

Yes it is by law, unless the failure is viewed as posing a systemic risk to the American economy.

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

Private companies may become involved in the resolution process in a number of ways. FDIC-insured financial institutions are among the primary targets of the FDIC's efforts to sell the deposits and assets of failing FDIC-insured financial institutions. In addition, other private companies are commonly approached

as prospective purchasers of failed-bank assets. Private companies also may become involved in the resolution process as contractors for the FDIC. The FDIC has significantly reduced its bank resolution staff in recent years with the understanding that resources from private-sector contractors could be added as needed to support the resolution process. Private-sector companies could be used to assist the FDIC in the valuation and sale of failing-bank assets, as advisors for developing and implementing sales strategies, for securing and servicing financial institution assets and liabilities, and for other needs and services identified as critical to the success of the resolution process.

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

The FDIC as receiver is required to maximize the return on the assets of the failed bank or thrift and to minimize any loss to the deposit insurance fund that may result from closing the institution. A receivership is designed to market the institution's assets, liquidate them, and distribute the proceeds to the institution's creditors. The FDIC as receiver succeeds to the rights, powers, and privileges of the institution and its stockholders, officers and directors. A receiver also has the power to merge a failed institution with another insured depository institution or to form a new nationally chartered institution, known as a bridge bank. The receiver is not subject to the direction or supervision of any other regulatory authority.

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 FDIC as receiver is required to maximize the return on the assets of the failed bank or thrift and to minimize any loss to the deposit insurance fund that may result from closing the institution.

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

Private-sector assistance may be sought primarily to assist in the valuation, servicing, marketing, sales and/or collection of failed bank assets on behalf of the receivership.

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

The FDIC works to dispose of the assets of a failed institution in a timely manner through a variety of methods in order to replenish the deposit insurance fund. The preferred method of disposition is to sell as many assets as possible at resolution as part of the purchase-and-assumption transaction. The remaining assets are liquefied through the sale of asset pools, securitization, equity partnerships and/or by collections, workouts and compromises.

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)?

The FDIC gauges the effectiveness and efficiency of its claims and recovery work through benchmarking, lessons-learned analysis, as well as assessments and reviews that are conducted internally and by other audit and review organizations.

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?

The assets that are the most difficult to recover are those having the greatest amount of uncertainty. This would include assets having major environmental problems, assets involved in significant legal proceedings, assets involving fraud and/or assets impacted by major market dislocations. Market reaction and acceptance is a primary determinant in selecting the type of strategy(s) that will be used to recover different assets. In general, performing and sub-performing loans can be sold in loan pools or can be liquefied via securitization. Real estate assets can be sold through auction or by local brokers. Non-performing assets can be sold or they may be placed into equity partnership arrangements.

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

The depositors receive payment for their insured deposits from the FDIC and, in return, subrogate their claims on the failed institution's assets to the FDIC.

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?)

Other

Other: please explain. The priority of claims paid by the failed bank receivership are distributed in this order: 1. Administrative expenses of the Receiver 2. Depositors (both the FDIC as subrogee for the insured depositors and any uninsured depositors) 3. General Creditors -- secured creditors are reimbursed via the sale of collateralizing instruments 4. Subordinated debt holders 5. Stockholders Claimants in a higher priority class have their recognized claims reimbursed 100 cents on the dollar before any monies are paid to the claimants of a lower priority class.

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

Yes

Mutuality must exist (i.e., the owner of the deposit and the loan must be the same party) for a "set-off" to be considered. One common form of set-off used by the FDIC is a dollar for dollar reduction of an outstanding loan balance by the amount of any deposits deemed to be above the deposit insurance limits. Years ago, the FDIC regularly used "set-off" to reduce any loan balances (whether performing or non-performing) by the amount of insured deposits. This approach was abolished due to its adverse impact on the liquidity of the depositors and the local community and the need for these depositors to quickly locate evaluate and secure alternative financing.

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?

The following are among the current issues facing the FDIC. 1. Deposit insurance reform, including: assessments (pricing mechanism), management of the funds (target reserve ratio), and insurance coverage limit (indexing). 2. Risks in the banking system, including: credit quality (sub-prime lending); anti-money laundering and terrorist financing; and electronic banking and emerging technologies. 3. Globalization, including: better communication and coordination among deposit insurance authorities worldwide.

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

The FDIC recently has begun a study of the future of banking. By looking at recent trends and developing insights into the future course of the banking industry, the FDIC hopes to better anticipate how to ensure the safety, soundness and stability of the financial system. The study will examine the implications of a variety of regulatory and deposit insurance issues, including the assessment of bank risk, the effects of consolidation, banking and commerce combinations, and the federal bank regulatory structure.