

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:

Danmarks Nationalbank

1.1.2 Organization Address:

Havnegade 5DK 1093 Kobenhavn KDanmark

1.1.3 Organization Telephone No:

+45 33 636363

1.1.4 Organization Fax No:

1.1.5 Organization Internet Address:

www.nationalbanken.dk

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:

The Danish Financial Supervisory Authority

1.4.2 Financial Supervisor Address:

1.4.3 Financial Supervisor Telephone:

+45 33 558282

1.4.4 Financial Supervisor Fax:

1.4.5 Financial Supervisor Internet Address and contact:

finanstilsynet@ftnet.dk

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 Danish Deposit Guarantee Fund was established in 1987/88 with the objective of providing a guarantee scheme to depositors in credit institutions that were not able to fulfil their obligations. In 1998 following EU directive 97/9 we supplemented this with an investor protection scheme. Both schemes are integrated in the same Fund and the same organisation

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?

Non, apart from what appears from the law, i.e. as a "pay-box". However, if an institution no longer satisfies the criteria for carrying on business, the Fund can assist in winding up of the institution in connection with the obtaining of take over bids, by injecting funds or providing a guarantee to cover the institution's non-subordinated creditors. However, the Fund may not acquire the institution, and the law emphasise that the Fund shall choose the option which is most attractive from a commercial perspective. The other aspects of securing sound business and stability of the financial system in Denmark are in the hands of the Danish Financial Supervisory Authority and Central Bank.

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

No answer, cf the reply to Q. 1 a.

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

Legislation

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

No

2.1.6 What sort of system do you have?

Government legislated & privately administered

The Deposit Guarantee Fund is a self-governing institution and it is therefore not part of the Danish public administration. This leaves interpretation of the legal and regulatory framework with the Board of Directors and the Danish courts of law. The Deposit Guarantee Fund is supervised by the Danish Financial Supervisory Authority which has the authority and obligation to supervise the members of the Fund.

2.1.7 Who makes decisions to pay depositor claims?

DIS

Having been informed from FSA about credit institutions suspending their payments, the Deposit Guarantee Fund will automatically issue payments in accordance with the regulations laid down in the Deposit Guarantee Fund Act.

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

No

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

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

2.5.2 Access to depositor information

No

2.5.3 Use various methods of reimbursing depositors claims

No

2.6 Funding

2.6.1 How funding is provided

No

2.6.2 Terms and conditions of premiums or levies

No

2.6.3 Borrowing authorities and limits

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

No

2.8 Enforcement and intervention

2.8.1 Authority to conduct examinations and/or reviews

No

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).

No

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

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).

No

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

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?

Board of Directors

null|null|null|null|null|

3.1.3 How is the governing body selected?

The Guarantee Fund is governed by the Board of Directors in which all parties involved in the scheme is represented. The Minister of Economic-and Business Affairs appoints the board, which is composed of 8 members.

3.1.4 What is the composition of the governing body?

The 8 members are: The president(chairman), a vice president, two members representing the banks, one member from the mortgage banks, one member from the investment companies and two representatives of the depositors/investors.

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

The board of directors has the overriding management of the Fund's affairs and take care that the activities are handled in a secure, appropriate and effective way and according to present Act, Executive orders and the Fund's rules.

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

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

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

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

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

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

The Board of Directors - explained above. The secretariat - a staff of 2 persons which are assisted in practical matters by the Central Bank, in which it resides although it is legally entirely independent of the Bank. The secretariat takes care of all daily operations.

3.1.12 Do you have an internal control and audit systems

Yes

The Fund is audited by internal auditors from the Central Bank and external from the National Auditor office of Denmark

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

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?

Yes

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) ?

2

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

Other

Seconded from the Central Bank

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 new seconded person is trained by the outgoing person for a short period.

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)

No

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?

Other

Not relevant

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

the necessary

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

5.1.1 Who performs examinations of DIS member institutions?

Supervisor

The Danish Finance Supervisory Authority

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

Unknown

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

As far as banks and mortgage banks are concerned contributions are levied according to amounts of cash covered by the scheme and numbers of deposits with the Danish Securities Registry. In case of the investment companies by giving certain weights to the following elements: Amounts of cash deposits, value of securities deposited with the company, value of securities deposits elsewhere (but administered by the company), numbers of employees, total capital.

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 Danish Financial Supervisory Authority will - according to executive order issued for the work between DFSA and the Fund - inform the Fund in case of financial bankruptcy.

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

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

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

5.2.6 How often do you contact other DIS?

Occasionally

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

Section 6: Membership

6.1.1 What types of institutions are covered in your DIS?

Banks Mortgage banks Investment companies

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.

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

Branches of credit institutions and investment businesses which have their head office within the European Union or countries with which the Union has concluded a cooperation agreement shall be entitled to affiliate with the Fund as a supplement to the deposit-guarantee scheme in their home country if the Danish scheme is more favourable than that of the home country. The Danish Financial Supervisory Authority shall lay down detailed rules hereon.

6.1.5 If more than one safety-net organization is responsible for the application process for membership, how is the application process coordinated between the parties responsible?

Not relevant

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?

Pr. 1/4-2002 191 banks, 8 mortgage banks and 28 investment companies.

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

As of December 31, 2001: Total member assets = 1,798 bill. DKK Total member deposits = 803 bill. DKK Total insured deposits = 358 bill. DKK

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?

No

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

Savings account, Chequing account, Other

The Fund covers registered deposits with banks/mortgage banks/investment companies net of loans and other liabilities of the depositor vis-a-vis the bank for an amount of up to DKK 300.000. Certain categories of deposits with banks are covered in full viz. personal pension accounts, establishment accounts, attorneys' client accounts and other accounts established according to law. |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?

Deposits/cash balances are covered, normally up to a maximum of DKK 300.000 (about Euro 40.000) and there is coverage of up to Euro 20.000 (about DKK 149.000) of losses suffered by investors through the inability of a bank, a mortgage bank or an investment company to return financial instruments owned by investors but deposited with the company. As mentioned in item 3 full cover is made for certain accounts according to law.

7.1.5 How was this figures arrived at?

Board of director's decision

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

Not relevant

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

Foreign (non-residents),Corporations (domestic),Corporations (foreign),Other
Officers in member institutions are covered but not directors and managers|null|null|null|

7.1.8 Is the coverage amount indexed?

No

7.1.9 What is it indexed to?

Not indexed

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.

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.

No

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

If the Board of directors decide cover of new products - first FSA will be consulted and if agreed on, a request for amendment of the Act for a Guarantee Fund will be send to the Ministry of Economy and Business.

7.1.15 When member institutions merge how are insured deposits treated?

The sums of the involved institutions are merged to a total sum for the on-going institution.

7.2 Does your country offer the following?

7.2.1 Islamic banking

7.2.2 Islamic deposit insurance

Section 8: Funding & Fund Management

8.1.1 What type of funding is used by the DIS?

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

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.

For some years the rate has been 0, as the size of our reserves is sufficient. However, once a year we make a redistribution of each of the banks' accumulated premiums paid to the Fund in order to reflect the banks' current share of the total insured deposits. That means, that some banks (including new banks) would have to pay some further premium to the Fund, while these amounts are distributed to banks which have had a decrease in the share of the insured deposits. The Fund's total accumulated premiums remains unchanged.

8.1.5 How often is the premium assessed?

Once a year

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

Insured Deposits

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.

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?

According to the Law on a Guarantee Fund at least 3.2 billion DKK.

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.

No

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?

A summary of the depositor's cash fund and security holding are sent to the depositor/investor who return it to the fund duly signed by a bank chosen by the depositor for identification of the person. The claim is finally verified by the fund and the appointed trustee of the bankruptcy estate and if accepted the fund will reimburse the depositor.

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

Yes

See item 1

9.1.3 When is the DIS obligated to reimburse insured depositors?

If the claim is accepted - see item 1

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

Other

Some items are stated in the law and executive order and other items in a procedure accepted by the Board of Directors

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

Yes

The Fund must within a month send a statement to each of the depositors showing their accounts with the failed bank. This will be accompanied by a guide as to what action the depositor should take. As soon as possible - and not later than 3 months after the failure - the Fund shall verify the claims and pay the amounts to the depositors.

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

Every method known in Denmark f.ex. cheques, Swifttransfer, banktransfer

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

Through various laws.

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

Area of the Danish Finance Supervisory Authority

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

Yes

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?

See Q. 5

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

A signed pledge of secrecy

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

The steps mentioned in the written procedure (item 4) accepted by the Board of Directors

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

The failing institution's and the appointed trustee of the bankruptcy's approval

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

Other

No, only if the reimbursement has caused trouble. In this case we correct our procedures to avoid similar situations.

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

The failing bank must send the necessary statements to the Fund on a computer-readable medium. The payments to the depositors are normally made as banktransfers automatically sent when accepting the claim in the data files of the depositors.

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

From the Fund: None, apart from the situation mentioned in Section 9, Q. 12. From the banks: They are required to inform their customers of the Fund and the coverage through displaying a sign in their offices.

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

DIS

null|null|null|null|null|null

10.1.3 Are these explicitly stated in policy or law?

No

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, Website

null|null|null|null|null

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

It is not the responsibility of the Fund.

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.

No

10.1.8 Has the DIS ever embarked on a public awareness campaign to increase awareness and knowledge? If yes, how many times has this been done and when was the last time?

Yes

No

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

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?

No

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

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?

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.

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.

According to an executive order the Danaish Finance Supervisory Authority is obliged to inform the Fund in such a situation. The further cooperation between the two parties is laid down in an emergency plan.

Section 12: Failure Resolution

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

No

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

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

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

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

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

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

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?

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?

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

No

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)?

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

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

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)?

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?

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?

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?)

**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.**

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?

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