

# 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:

Deposit Protection Fund

#### 1.1.2 Organization Address:

Kapitulska street 12, 812 47 Bratislava, Slovakia

#### 1.1.3 Organization Telephone No:

004212 544 32 570

#### 1.1.4 Organization Fax No:

004212 544 34 335

#### 1.1.5 Organization Internet Address:

fov@fovsr.sk

### 1.2 Contact Person(s):

#### 1.2.1 Contact Person(s) Name:

Rudolf Suján

#### 1.2.2 Contact Person(s) Address:

Kapitulska street 12, 812 47 Bratislava, Slovakia

#### 1.2.3 Contact Person(s) Telephone:

004212 544 32 570

#### 1.2.4 Contact Person(s) Fax:

004212 544 34 335

#### 1.2.5 Contact Person(s) E-mail address:

rsujan@fovsr.sk

#### 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:

Investment Guarantee Fund (applying to investments into securities) Radlinskeho 13 811 07 Bratislava 1 Slovakia Tel. 004212 578 80 370 e-mail: gfi@garancnyfond.sk

### 1.3 Please provide information on other participants in your financial system

**safety-net:**

**1.3.1 Name of Central Bank:**

National Bank of Slovakia

**1.3.2 Central Bank Address:**

Imricha Karvasa 1, 813 25 Bratislava, Slovakia

**1.3.3 Central Bank Telephone:**

004212 57871111

**1.3.4 Central Bank Fax:**

004212 57871100

**1.3.5 Central Bank Internet Address:**

webmaster@nbs.sk

**1.3.6 Central Bank Contact Person:**

**1.4 Financial Supervisor:**

**1.4.1 Financial Supervisor Name:**

National Bank of Slovakia

**1.4.2 Financial Supervisor Address:**

Imricha Karvasa 1, 813 25 Bratislava, Slovakia

**1.4.3 Financial Supervisor Telephone:**

004212 57871111

**1.4.4 Financial Supervisor Fax:**

004212 57871100

**1.4.5 Financial Supervisor Internet Address and contact:**

webmaster@nbs.sk

**1.5 Other related entities:**

**1.5.1 Other Related Entities Name:**

Ministry of Finance of Slovak Republic

**1.5.2 Other Related Entities Address:**

Stefanovicova 5, 817 82 Bratislava, Slovakia

**1.5.3 Other Related Entities Telephone:**

004212 5958 1111

**1.5.4 Other Related Entities Fax:**

004212 5958 3048

### **1.5.5 Other Related Entities Internet Address:**

podatelna@mfsr.sk

## **Section 2: Objectives, Mandates & Powers**

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

The Deposit Protection Fund in Slovakia was established under the Act of the National Council of the Slovak Republic No. 118/1996 Coll. dated 20 March 1996 on the protection of bank deposits and amending certain other laws, as amended by later Acts. The Deposit Protection Fund was established to protect the deposits held in accounts with banks and to provide for compensation for those deposits, in the event of inaccessibility.

### **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 Deposit Protection Fund (hereinafter referred to as the "Fund") was set up to provide for the accumulation of financial contributions from banks for eventual compensation of deposits held in banks and for their management in accordance with the Act.

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

On 30 May 1994 the Directive 94/19/EC of the European Parliament and of the Council on deposit-guarantee schemes was adopted. At that time Slovakia was at the accession process to European Union. Under the abovementioned directive each member state should have ensured that within its territory one or more deposit-guarantee schemes are introduced and officially recognized. And finally in 1996 the Act 118/1996 on deposit protection was adopted in Slovakia.

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

Legislation

Act No. 118/1996 Coll. on the protection of bank deposits and amending certain other laws, as amended by later Acts

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

Yes

### **2.1.6 What sort of system do you have?**

Other

The Fund is a legal entity and is registered in the Companies Registry. The Fund isn't a state fund, but representatives of state authorities are members of the Fund's governing bodies.

### **2.1.7 Who makes decisions to pay depositor claims?**

DIS

## **2.2 Which of the following powers has been provided to the DIS in order to carry out its mandate?**

### **2.3 Authority to**

#### **2.3.1 Enter into contracts**

Yes

**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**

No

**2.5 Depositor reimbursement**

**2.5.1 Affect reimbursement of depositors claims**

Yes

**2.5.2 Access to depositor information**

Yes

**2.5.3 Use various methods of reimbursing depositors claims**

Yes

**2.6 Funding**

**2.6.1 How funding is provided**

Yes

**2.6.2 Terms and conditions of premiums or levies**

Yes

**2.6.3 Borrowing authorities and limits**

Yes

**2.7 Information Requirements**

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

Yes

**2.7.2 Access to information through supervisory authorities**

Yes

**2.8 Enforcement and intervention**

**2.8.1 Authority to conduct examinations and/or reviews**

Yes

**2.8.2 Ability to set standards or guidelines for member institutions**

Yes

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

No

**2.8.4 Authority to cancel deposit insurance of a member institution**

No

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

No

**2.9 Failure resolution**

**2.9.1 Authority to decide on appropriate form of failure resolution**

No

**2.9.2 Authority to provide financial assistance (e.g. in the form of a loan -- with or without security -- by purchasing assets from the institution or through some other process).**

No

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

No

**2.10 Authority to:**

**2.10.1 Undertake formal liquidation**

No

**2.10.2 Purchase and assumption (sale and merger)**

No

**2.10.3 Open assistance (bridge bank)**

No

**2.10.4 Other forms of failure resolution**

n.a.

**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?

Administrative ,Board or Committee,Other

null|null|null|null|

### 3.1.3 How is the governing body selected?

The Board of the Fund has seven members - 3 are representatives of commercial banks, 2 are from Ministry of Finance and 2 are from National Bank of Slovakia.

### 3.1.4 What is the composition of the governing body?

Board of the Fund is the Fund's supreme governing body. The Board of the Fund has seven members and their term of office is four years. Three members of the Board are elected and dismissed by representatives of banks, which are subject to contribution obligation, pursuant to Article 3, at the meeting of representatives, unless the law states otherwise. Two members of the Board are representatives of the National Bank of Slovakia, who are appointed and dismissed by the Governor of the National Bank of Slovakia. Two other members of the Board are representatives of the Ministry of Finance of the Slovak Republic (hereinafter the "Ministry"), who is on the Ministry staff, and who may be appointed and dismissed by the Minister of Finance. Each member of the Board has one vote. Bank representatives are nominated by the statutory body of the relevant bank and who, at meetings of representatives, have voting rights proportional to the amount of contributions paid to the Fund and in relation to the period since the last meeting of bank representatives. Each bank may, at the meeting of representatives, elect only one member of the Board. An absolute majority of votes of all representatives of banks is required to elect or dismiss a board member elected by representatives of banks. A detail procedure of how to elect or dismiss members of the Board elected by representatives of banks and details on nominations and proposals for dismissal may be adopted by an absolute majority of all votes at a meeting of representatives of banks. Each meeting and results of the Board member elections are to be recorded in the minutes, and are to be verified by a notary. Besides Board of the Fund there is also: Supervisory Board of the Fund consists of seven members who serve for a term of four years. Three members of the Supervisory Board are representatives of the banks, who are elected and dismissed by the Board upon the recommendation of the banks. Two members of the Supervisory Board are representatives of the National Bank of Slovakia, appointed and dismissed by the NBS Governor. Two members of the Board are staff representatives of the Ministry, appointed and dismissed by the Minister of Finance. The Supervisory Board oversees the activities and general efficiency of the Fund, the Board, and the Executive Board, and whether its decisions and actions are in compliance with the law and other generally applicable legal regulations, the general conditions for compensation refund of inaccessible deposits in banks.

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

Duties of the Board of Fund include mainly: a) electing and dismissing members of the Executive Board, b) electing and dismissing members of the Supervisory Board, unless otherwise stipulate in the law, c) electing and dismissing the Chairman and Vice-Chairman of the Board, d) approving Board and Executive Board procedures, e) approving Fund statutes, f) approving the Fund budget; including expenditure, g) approving the annual financial statement of the Fund, h) approving the annual report of the Fund for the previous year, before submission to the National Bank of Slovakia and the Finance Ministry of the Slovak Republic, ch) ruling on compensation payments from the Fund, in accordance with the Act, and determining the

procedure to be followed, i) formulating the annual financial policy of the Fund, j) ruling on the amount of regular and extraordinary contributions and due dates for payment of extraordinary contributions, k) approving the general conditions for compensation of inaccessible deposits in banks, l) approving rules for procedures of the Fund including procedures of its bodies and other persons when ensuring the repayment of compensations for inaccessible deposits protected by the law. m) approving salaries of members of the governing bodies of the Fund, and staff wages policy.

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

Yes

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

Yes

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

Yes

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

No

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

Yes

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

The management structure of the Fund: Executive Board of the Fund The Executive Board of the Fund comprises the Chairman of the Board and two members, who may be elected and dismissed by the Board of the Fund. The Chairman and other members of the Executive Board are employees of the Fund. The Executive Board of the Fund consists of the Chairman of the Board and two members, who are elected and dismissed by the Board of the Fund. Chairman and other members of the Executive Board are employees of the Fund. The Executive Board is in charge of the day-to-day running of the Fund, including execution of the Fund's Board resolutions. The Executive Board acts on behalf of the Fund, as defined in the Fund statutes. The legality of statutes requires the signatures of at least two members of the Executive Board. The statutes will further define in which cases, and to what extent the members of the Executive Board may act on behalf of the Fund and delegate the right to act on behalf of the Fund. The administration of the Fund involves duties related to professional, organisational, administrative and technical activities and day-to-day running of the Fund and its bodies. The Administration Office is run by the Executive Board Chairman and Fund employees. The Fund statutes shall lay down in detail the responsibilities of this Office.

**3.1.12 Do you have an internal control and audit systems**

Yes

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

Yes

**3.1.14 Is there an advisory committee to the DIS?**

Other

The Fund uses out advisory services of the external lawyers at bankruptcy proceedings

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

No

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

Annual Reports,Audited Financial Statements,Corporate Business Plan,Other Reporting Requirements  
null|null|null|null

## **Section 4: Human Resources & Infrastructure**

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

Fund presently has 5 full-time employees.

**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

All employees are dedicated staff.

**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

Employees take part trainings having been organized with educational companies and institutions

**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

The staff of the Fund participate at the trainings, workshops and seminars organized by Institut of banking education, by banks or auditors

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

3

**4.1.6 Are confidentiality provisions for employees provided for?**

Yes

All employees are required to keep secrecy as well as read, understand and abide by conflict of interests under the Labour Code and the Fund's Statutes

**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?**

No

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

10 %

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

### **5.1.1 Who performs examinations of DIS member institutions?**

Supervisor

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

The Banking Supervision of the National Bank of Slovakia oversees, examine and inspect all activities of member institutions (banks), namely whether they are running in compliance with the Banking Act.

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

Member banks have duty to provide for the Fund with information on the amount of protected deposits regularly each quarter. In the case of bank's failure this bank is obliged to provide the Fund with information on the total amount of the protected deposits as well as on the amount of protected deposits or/and their loans of particular depositors with respect to reimbursement of depositors under the Act on deposit protection.

### **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.**

In order to perform its functions, the Fund may request banks to supply information directly related to its activities; before declaring the bank unable to repay deposits, the Fund may not request information, which is subject to bank confidentiality. If the bank becomes unable to pay out deposits it is the bank's duty to submit without any delay to the Fund information and documents about client deposits and payables, including document forms on deposits. The Fund is entitled to conduct inspections in a bank which become declared as unable for deposits repayment and also in a bank, through which compensation payments will be made according to general conditions of compensation payments and related Fund instructions. With the approval of the National Bank of Slovakia, the Fund may also seek information by direct inquiry at the bank. The Fund may request from the National Bank of Slovakia for verification of confidential information provided by the bank, if it has justified suspicion on its accuracy and integrity, related to the period prior to deposits becoming inaccessible. The Fund issues general conditions for the payment of compensation, after prior approval by the National Bank of Slovakia, which must in particular include detailed procedures for claiming compensation and the method of documenting the entitlement to compensation. In order to carry out its functions and tasks stipulated by the Act on deposit protection, the Fund is entitled to co-operate and exchange information with the National Bank of Slovakia.

## **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?**

Consult, Advise

null|null|null|

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

Yes

**5.2.6 How often do you contact other DIS?**

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?**

Yes

## **Section 6: Membership**

**6.1.1 What types of institutions are covered in your DIS?**

Commercial banks and Building societies

**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.**

Yes (please explain)

In accordance with the Act on the protection of deposits, banks that accept deposits are required to participate in the deposit protection system and to pay contributions for this purpose to the Fund.

**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.**

Other

Branch offices of foreign banks are required to participate in the protection of deposits and to pay contributions in full accordance with the Act on deposit protection, if they hold deposits: which are neither protected nor insured in the country of origin of the foreign bank, or which are protected or insured in the country of origin of the foreign bank but to a lesser extent than specified under the Act on deposit protection.

**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?**

n.a.

**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?**

16

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

As of December 31,2007 total member assets: € 53.55 billion total member deposits: € 34.06 billion total insured deposits: € 17.52 billion

## **Section 7: Coverage**

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

Yes (please explain)

Deposit for the purpose of the deposit protection is understood to be a liability of a bank towards a private individual or a legal entity, as determined by the Act on deposit protection, to repay funds deposited with a bank by the depositor in the form of a banking transaction carried out on own behalf and on own account or which the bank accepted as a payment in favour of the depositor, including interest and other benefits related to the custody of these funds.

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

Savings account,Certificates of deposit,Foreign currency deposits

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

**7.1.3 Is coverage**

per depositor per institution

**7.1.4 What is the coverage limit per depositor?**

EUR 20 000

**7.1.5 How was this figures arrived at?**

Directive 94/19 EEC on deposit guarantee schemes contains provision that Deposit-guarantee schemes in member countries shall stipulate that the aggregate deposits of each depositor must be covered up to EUR 20 000.

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

There is no term limit with respect to the eligibility of financial instruments for deposit protection.

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

Officers and directors of member institutions,Corporations (domestic),Corporations (foreign),Other

null|null|null|null|null

**7.1.8 Is the coverage amount indexed?**

No

**7.1.9 What is it indexed to?**

n.a.

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

Yes

10 % of protected deposit

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

Yes

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

No

**7.1.13 To what extent, is there a public expectation that the DIS coverage limit would be extended to 100% coverage in the event of a banking crisis or the failure of a very large institution? Please provide recent examples, if applicable.**

No

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

New financial products are not subject to the process of decision making. All financial products are covered if there is a compliance with particular provisions of the Act on deposit protection.

**7.1.15 When member institutions merge how are insured deposits treated?**

Insured deposits are treated in the same way as in the time when members were operated separately, e.i. insurance (protection) of deposits is applied under the Act on deposit protection per depositor per one bank.

**7.2 Does your country offer the following?**

**7.2.1 Islamic banking**

No

**7.2.2 Islamic deposit insurance**

No

**Section 8: Funding & Fund Management**

**8.1.1 What type of funding is used by the DIS?**

Ex-ante (defined as the accumulation of a reserve or fund to cover deposit insurance claims in anticipation of the failure of a member institution).

**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)**

Insurance premium is assessed as a flat rate.

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

0.2 % of the amount of deposits protected by the legislation according to average deposit balance of each member bank for the preceding quarter

**8.1.5 How often is the premium assessed?**

annually

**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.**

n.a.

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

No (Skip the next question)

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

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

The Fund's liquid assets are deposited in a special account at the National Bank of Slovakia. The Fund's resources may be used for purchase of government securities with a maturity of up to one year from the date of purchase.

**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

For the purpose of supplementing Fund

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

Government funding, Access to private markets

null|null|null

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

No

## **Section 9: Reimbursing Depositors**

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

We paid out compensations for depositors in four cases of banks insolvencies. In no one of these 4 cases depositors were asked to submit any written claim to our DGS. With using of IT System for compensations payment we processed only IT data about depositors and their deposits. We don't need any time to verify depositors' claims. We work (worked) only with data in electronic form. The compensations payment procedures are as follows: 1. immediately on the day when a bank is declared as unable to pay out deposits our DGS set the instructions for insolvent bank to generate and provide us with data on depositors and their deposits in electronic format as well as in strictly defined structure for IT processing. 2. It took 3-4 working days for insolvent bank to do it. File delivery and acceptance has a protocol. 3. After the delivery of database in electronic form this is processed by our Fund's IT System. This IT System allows us to check and verify database within 3 weeks (without any co-assistance or/and sending written claim from the depositors). The IT System has built-in internal control elements, which are initiated in each processing phase and during automatic use of this system. It allows users, according their competencies to use other control elements according to one selected data or a number of data in various combinations. If there are some deficiencies discovered (e.g. duplicity), these are forwarded to the insolvent bank for correction. 4. After processing the data our DGS exports data file to repaying bank; this bank imports data into their repayment application module of its banking IT system and bank can start to pay-out compensation for depositors in time only between 4-7 weeks (depending on the size of insolvent bank) after the declaration of the bank as unable to pay-out deposits. 5. The last stage is carried out at repaying bank place where depositor is obliged to provide relevant documents proving his identity and ownership to deposits, it means, depositor is obliged only to come to this repaying bank and provide documents to the deposit (deposit book, contract to the current account and others). It means that it is very comfortable for depositor, because he is coming to repaying bank like to his former bank. He doesn't need to fill in any written claim. It allows us to avoid potential mistakes. This IT System also allowed to make compensations payments for the depositors of more banks at the same time, and our DGS did it in the case of four banks in time period between 2000 - 2004. We can declare that in the situation all depositors had come to repaying bank within two weeks after the commencement of reimbursement it would have been entirely completed. 6. It everything was made with only four persons (of them 3 were outsourced) on side of our DGS. The stage of reimbursement preparation took between four and seven weeks. The pay-out stage represented normal banking operation at the desk (counter) made by the employees of repaying bank. 7. The information flow of data on payouts is completed in following way – repaying bank creates data file with paid compensations and exports it to our DGS in given structure and format. The Fund again downloads and processes (one IT expert) this data, verifies data on payouts and creates data file with paid compensations and sends it to insolvent bank. The representative of insolvent bank (e.g. trustee) verifies and confirms the data on paid compensations.

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

No

### **9.1.3 When is the DIS obligated to reimburse insured depositors?**

The Fund is obligated to reimburse protected depositor in the case when a deposit is considered inaccessible, namely when a) deposited in an account at a bank which has been declared by National Bank of Slovakia as unable to repay deposits b) deposited in a bank where a court order suspending deposits has been issued in accordance with Act on bankruptcy, and where the order became effective before the announcement made in accordance with the letter a). Ad a) If a bank is not able to meet its obligations in respect of deposits within 48 hours, despite the application of all available funds, including its regulatory minimum reserve, it is required to notify the National Bank of Slovakia and the Fund of this fact day at the latest on the next working. The National Bank of Slovakia will declare the bank incapable of paying out deposits within three working days of receiving this notification, when a permanent lack of liquidity is confirmed, or when other attempts at overcoming this temporary lack of liquidity have failed. The National Bank of Slovakia can declare the bank incapable of paying out deposits also upon own initiative should its investigations reveal lack of liquidity. The National Bank of Slovakia will deliver the notification described above to the bank or to the administrator and the Fund.

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

Yes

Under the Act on deposit protection within five days at the latest of receiving the notification of the bank's incapability of deposits payout, or enforceability of court of law judgement, the Fund will decide commencement, duration, and place for compensation payments. The Fund will announce its decision to the bank or administrator without any delays. The compensation must be completed within three months at the latest, of the announcement of bank's incapability of paying out deposits or delivery of enforceability court of law judgement. In exceptional and justified cases, the Fund may extend this period, after prior consent of the National Bank of Slovakia, by a further three months, and the extension may be renewed; however, the compensation payments must be completed within one year from the day when the deposits, became inaccessible as described above.

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

Yes

The Fund will issue general conditions for the payment of compensation, after prior approval by the National Bank of Slovakia, which must in particular include detailed procedures for claiming compensation and the method of documenting the entitlement to compensation. The compensation must be completed within three months at the latest, of the announcement of the bank's incapability of deposits payout or delivery of enforceability court of law judgement. In exceptional and justified cases, the Fund may extend this period, after prior consent of the National Bank of Slovakia, by a further three months, and the extension may be renewed; however, the compensation payments must be completed within one year from the day when the deposits, became inaccessible as described in Article 3 par. 5.

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

The Fund has issued general conditions for the payment of compensation, after prior approval by the National Bank of Slovakia, which must in particular include detailed procedures for claiming compensation and the method of documenting the entitlement to compensation.

**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

For the purpose of determining the amount of compensation entitlement, all inaccessible deposits of the depositor at a bank are totalled, including his share in joint accounts and notarial custody accounts also protected by the legislation calculated on the balance as of the day, when, pursuant to Act on deposit protection the deposits became inaccessible. For each joint account, it is assumed that the account holders are entitled to equal portions of the deposit, unless proven otherwise. Interest and other items due on the deposits are calculated for the purpose of the Act to the day on which the deposits became inaccessible. This amount of inaccessible deposit, is then for the purpose of compensation calculation reduced by all amount of unclaimed deposits as well as all liabilities of the depositor towards the bank according to the balance on the day, when the deposits became inaccessible.

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

Banks have a duty to record in their IT systems deposits covered by this legislation separately. The Act does not cover a) deposit, which is, according to records held by a bank or a branch office of a foreign bank before the date when the deposits became inaccessible, is not held in the name of the depositor with identification data at least in the following scope 1. name, surname, date of birth ID or date of birth and depositor's permanent residential address, if the depositor is a private individual, 2. name, ID, if allocated, and depositor's address if the depositor is a legal entity, whose deposits are protected by the legislation, as well as name, surname and permanent residential address of a person or persons who are statutory bodies or members of statutory bodies of this legal entity, If the bank becomes unable to pay out deposits it is the bank's duty to submit without any delay to the Fund information and documents about client deposits and payables, including document forms on deposits.

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

If the bank becomes unable to pay out deposits it is the bank's duty to submit without any delay to the Fund information and documents about client deposits and payables, including document forms on deposits.

**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?**

After the Fund's decision on commencement, duration, and place for compensation payments the Fund announces its decision to the bank or administrator without any delays. The bank or the administrator is obliged to announce the facts as stated above in the media, and in public areas of the bank, on the next working day after having received this Fund's decision. The Fund has issued general conditions for the payment of compensation, after prior approval by the National Bank of Slovakia, which include in particular detailed procedures for claiming compensation and the method of documenting the entitlement to compensation. Banks have a duty to publish in Slovak, information about the regulations for compensation and display at a public area of the bank.

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

Members of the Board, the Supervisory Board of the Fund, and the Fund staff and other individuals who shares on Fund operations through whom the Fund repays the compensations, are regard as confidential, all matters related to banks and their clients which they encounter in the course of business or in direct connection herewith. The obligation of secrecy shall extend beyond the term of membership of the Board, the Supervisory Board of the Fund, or other employment of a similar nature or other legal relationship with Fund. The Board can release from confidentiality Board, Executive Board or Supervisory Board members in case of public interest; other persons listed in above could be released from confidentiality by Executive Board.

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

See 9.1, 9.8, 9.15

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

The Fund processes IT data about depositors and their deposits by using of IT System for compensations payment The compensations payment procedures and steps are as follows: 1. immediately on the day when a bank is declared as unable to pay out deposits our DGS set the instructions for insolvent bank to generate and provide us with data on depositors and their deposits in electronic format as well as in strictly defined structure for IT processing. 2. It took 3-4 working days for insolvent bank to do it. The File delivery and acceptance has a protocol. 3. After the delivery of database in electronic form this is processed by our Fund's IT System. This IT System allows us to check and verify database within 3 weeks (without any co-assistance or/and sending written claim from the depositors). The IT System has built-in internal control elements, which are initiated in each processing phase and during automatic use of this system. It allows users, according their competencies to use other control elements according to one selected data or a number of data in various combinations. If there are some deficiencies discovered (e.g. duplicity), these are forwarded to the insolvent bank for correction. 4. After processing the data our DGS exports data file to repaying bank; this bank imports data into their repayment application module of its banking IT system and bank can start to pay-out compensation for depositors in time only between 4-7 weeks (depending on the size of insolvent bank) after the declaration of the bank as unable to pay-out deposits. 5. The last stage is carried out at repaying bank place where depositor is obliged to provide relevant documents proving his identity and ownership to deposits, it means, depositor is obliged only to come to this repaying bank and provide documents to the deposit (deposit book, contract to the current account and others). It means that it

is very comfortable for depositor, because he is coming to repaying bank like to his former bank. He doesn't need to fill in any written claim. It allows us to avoid potential mistakes. This IT System also allowed to make compensations payments for the depositors of more banks at the same time, and our DGS did it in the case of four banks in time period between 2000 - 2004. We can declare that in the situation all depositors had come to repaying bank within two weeks after the commencement of reimbursement it would have been entirely completed. 6. It everything was made with only four persons (of them 3 were outsourced) on side of our DGS. The stage of reimbursement preparation took between four and seven weeks. The pay-out stage represented normal banking operation at the desk (counter) made by the employees of repaying bank. 7. The information flow of data on payouts is completed in following way – repaying bank creates data file with paid compensations and exports it to our DGS in given structure and format. The Fund again downloads and processes (one IT expert) this data, verifies data on payouts and creates data file with paid compensations and sends it to insolvent bank. The representative of insolvent bank (e.g. trustee) verifies and confirms the data on paid compensations.

**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

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

IT System for reimbursement. Since its outset the Deposit Protection Fund has created its own financial resources for paying out compensation by gathering and administering contributions from banks. The Fund has also issued the internal legal standard “General Conditions for Disbursement of Compensation for Natural Persons’ Inaccessible Deposits at Banks” and prepared the procedure for paying out compensation for inaccessible deposits. All conditions set by this and other legislative standards and the possibility to use information technology formed the starting point for building the compensation disbursement system. At the start of 1999 an analysis was made in cooperation with selected banks of the possibility for banks to generate data on deposits and depositors in the format and structure necessary for realising disbursement. Subsequently, over the course of the year the compensation disbursement system was built up in its software and hardware parts. The compensation disbursement system is composed of application modules created in the Oracle Forms environment, working under an Oracle database. The system ensures the automation of individual activities and software support for data access, data processing, control mechanisms and monitoring the level of disbursement. The compensation disbursement system enables the DPF to effectively perform its activity in paying out compensation for inaccessible deposits, minimising requirements for manual intervention in the data processing and thereby also the possibility of error occurrence in calculating the level of compensation. It provides a real-time overview of the level of compensation disbursed, where the priority is to ensure a non-stop, guaranteed operating regime and robustness against failure and equipment error. The compensation disbursement system guarantees immediate preparedness for the commencement of activity and enables concurrent disbursements for multiple insolvent banks by means of one or several banks performing the disbursement.

**Section 10: Public Information & Awareness**

**10.1.1 What obligations are there to inform the public?**

The Fund will issue general conditions for the payment of compensation, after prior approval by the National Bank of Slovakia, which must in particular include detailed procedures for claiming compensation and the method of documenting the entitlement to compensation. Banks have a duty to publish in Slovak, information about deposit protection, including the regulations for compensation, and display at a public area of the bank. Banks may not publish information about deposit protection in any other way than as stated above or method and under conditions regulated by a separate regulation. The level and scope of deposit protection may not be used for marketing purposes.

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

DIS

null|null|null|null|null

**10.1.3 Are these explicitly stated in policy or law?**

Yes

**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?**

Website,Other

null|null|null|null|null

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

If a bank is not able to meet its obligations in respect of deposits within 48 hours, despite the application of all available funds, including its regulatory minimum reserve, it is required to notify the National Bank of Slovakia and the Fund of this fact day at the latest on the next working. The National Bank of Slovakia will declare the bank incapable of paying out deposits within three working days of receiving this notification, when a permanent lack of liquidity is confirmed, or when other attempts at overcoming this temporary lack of liquidity have failed. The National Bank of Slovakia can declare the bank incapable of paying out deposits also upon own initiative should its investigations reveal lack of liquidity. The National Bank of Slovakia will deliver the notification described above to the bank or to the administrator and the Fund. After the Fund's decision on commencement, duration, and place for compensation payments the Fund announces its decision to the bank or administrator without any delays. The bank or the administrator is obliged to announce the facts as stated above in the media, and in public areas of the bank, on the next working day after having received this Fund's decision.

**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

**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?**

Yes

**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

In order to perform its functions, the Fund may request banks to supply information directly related to its activities; before declaring the bank unable to repay deposits, the Fund may not request information, which is subject to bank confidentiality. If the bank becomes unable to pay out deposits it is the bank's duty to submit without any delay to the Fund information and documents about client deposits and payables, including document forms on deposits. The Fund is entitled to conduct inspections in a bank which become declared as unable for deposits repayment and also in a bank, through which compensation payments will be made according to general conditions of compensation payments and related Fund instructions. The Fund or bank authorised by the Fund will keep all document pertaining to repaid compensation for inaccessible deposits in accordance with separate regulations.

**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.**

n.a.

**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 actions were taken in the cases: - of bank failures, - when the Act on deposit protection was amended

## **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?**

Commercial Court or/and National Bank of Slovakia

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

In accordance with the Act on the protection of deposits, banks that accept deposits are required to participate in the deposit protection system and to pay contributions for this purpose to the Fund.

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

The activities of banks and branch offices of foreign banks shall be subject to banking supervision performed by the National Bank of Slovakia If obligations set by the Act on deposit protection are not being met the National Bank of Slovakia may revoke the banking licence; this step need not be preceded by the imposition of con-ser-va-tor-ship.

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

4

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

Yes

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

Yes

**12.2 Which methods of failure resolution are used in your country to deal with failures. Also, please indicate the frequency of use of the various methods in the last 20 years.**

**12.2.1 Formal liquidation**

Yes

**12.2.2 Purchase and assumption (sale and merger)**

Yes

**12.2.3 Open bank assistance (e.g. recapitalization)**

Yes

**12.2.4 Bridge banks and other interim solutions**

Yes

**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?**

No

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

None

## **Section 13: Claims, Recoveries & Estate Management**

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

Other

Effective of the day the compensation is paid to the depositor, his claim against the bank is regarded as settled in the amount of the compensation paid. On that day, creditor rights are transferred to the Fund (DIS) and are equal to the amount of compensation paid by the Fund to the depositor. Within the framework of banks' bankruptcy proceedings the Fund (DIS) usually is the creditor with the largest claim, and the Fund (DIS) plays also the role of the chairman of creditor's committee with the particular powers and duties, mainly supervision of liquidation of assets in an estate.

**13.1.2 What is the primary objective of the DIS when dealing with claims and recoveries (i.e.. maximization of nominal and present value recoveries, financial system stability, system discipline)?**

The Fund exercises its right in the form of registered receivables, equalling the amount of compensations payments. The primary objective of the Fund is maximization of recoveries in full compliance with the law.

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

Representatives of private sector (auditors, accountants, legal advisors, receivers) are participating in bankruptcy proceedings. They provide services for either creditors or receivers or/and other participants in bankruptcy proceedings. The main task of receiver is to liquidate assets in estate at the highest level of revenues as well as the lowest level of expenses

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

As Fund (DIS) is the largest creditor in the framework of bankruptcy proceedings its executive body (Presidium) provides the information on estates, administration, liquidation of assets and all other matters related to bankruptcy proceedings for the governing body, i.e. the Board of the Fund, which takes decisions that are implemented throughout the Presidium and the creditors committee in the receivership. All steps are made and measures taken under the Winding-up Act as well as other related acts.

**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 main goal of the DIS is to reach the possibly highest recovery at each bank's bankruptcy. The DIS performance in recovery is judged individually case by case with respect to particular circumstances.

**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?**

Assets in estate are sold-out in line with the liquidation plan. The level of revenues from liquidation depends on the quality of particular assets, i.e. loans, securities, tangible and/or intangible 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?**

Yes

**13.1.8 Is there depositor priority when banks fail? (i.e. Do depositor claims rank in priority above other unsecured creditors in the liquidation of a bank?)**

No

**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

## **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?**

After four banks' failures in period between 2000 and 2001 the banking sector in Slovakia has been stabilized. As there are not greater exposures of Slovak banks abroad, namely in US financial market, the turmoil on international financial market doesn't have direct impact on situation on banking sector in Slovakia. The Deposit Protection Fund as a financial safety-net player contributes to the stability of the financial system in Slovakia.

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

Lessons for regulators and supervisors as well as deposit insurers with respect to problems in international financial system in time between autumn 2007 and spring 2008. Reassessment of moral-hazard issues

regarding coverage limits, application of coinsurance, etc.