

# 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:

Depositors and Investors Guarantee Fund

#### 1.1.2 Organization Address:

Kalkofnsvegur 1 150 Reykjavík Iceland

#### 1.1.3 Organization Telephone No:

354 569 9600

#### 1.1.4 Organization Fax No:

354 569 9608

#### 1.1.5 Organization Internet Address:

<http://www.tryggingarsjodur.is>

### 1.2 Contact Person(s):

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

Jonas Thordarson

#### 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:**

Sedlabanki Islands

#### **1.3.2 Central Bank Address:**

Kalkofnsvegur 1 150 Reykjavík Iceland

#### **1.3.3 Central Bank Telephone:**

354 569 9600

#### **1.3.4 Central Bank Fax:**

#### **1.3.5 Central Bank Internet Address:**

[www.sedlabanki.is](http://www.sedlabanki.is)

#### **1.3.6 Central Bank Contact Person:**

### **1.4 Financial Supervisor:**

#### **1.4.1 Financial Supervisor Name:**

Financial Supervisory Authority

#### **1.4.2 Financial Supervisor Address:**

Sudurlandsbraut 32 108 Reykjavik

#### **1.4.3 Financial Supervisor Telephone:**

354 525 2700

#### **1.4.4 Financial Supervisor Fax:**

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

<http://www.fme.is>

### **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)?**

Established according to Act of Althing ( the Icelandic Parliament ) No. 98/1999 on January 1, 2000. As members of the European Economic Area ( EEA ) Iceland implemented the Directive of the EU on Deposit Insurance Schemes for Depositors' and Investors' No. 97/9EC and 94/19E with the passing of the above Act and establishment of the Fund. The present Fund took over the assets of two funds( commercial bank fund and savings bank fund )which had been in operation until then. The aim of the Fund is to have established, coordinated rules on minimum cover for depositors and investors.

### **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?**

See the box above regarding question one. There has been no review of objectives or mandates since the establishment of the Fund on January 1, 2000.

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

The implementation of the EU Directives was under the auspices of the Ministry of Commerce and the preparation of the Bill in question was delegated to a working group headed by an official of the Ministry.

### **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?**

Privately established and administered

### **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**

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**

Yes

### **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**

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**

No

**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**

**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**

Yes

**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?**

Every second year. One third of the Directors are appointed by the Minister of Commerce. One third by the commercial banks. One sixth by the savings banks. One sixth by the securities houses. Then there is one observer from the Association of Depositors and Investors.

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

There are six members sitting on the Board of Directors plus an observer, cf. 3 above. The chairman is appointed by the Minister of Commerce from the six members for a duration of two years at the time.

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

The Board of Directors is responsible for the operation and management of the Fund including responsibility for its assets.

### **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?**

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

No

### **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?**

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

The Board of Directors consists of four members out of six which are appointed by insured institutions, cf. 3 above. The secretary to the Board of Directors is according to an agreement between the Fund and the

Central Bank of Iceland the Chief Attorney of the Central Bank, Mr. Sveinbjörn Hafliðason. The Fund enjoys services rendered by the Central Bank such as regarding accounting and safekeeping of valuable documents. There is no further staff specially engaged by the Fund.

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

Other

The annual financial accounts of the Fund are audited by an independent auditor which is selected at each annual meeting of the Fund. The annual accounts are also confirmed by the Minister of Commerce.

### **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

A qualified NO, e.g. criminal intention, fraud et c.

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

No

Again a qualified NO. The Fund cooperates closely with the Financial Supervisory Authority.

### **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.**

## **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) ?**

Outside the Board of Directors, one.

### **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

The one employee comes 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?**

Other

Not applicable

### **4.1.4 Is there shared training and development between the staff of the DIS and other authorities involved in financial sector supervision or regulation? (i.e. central bank, supervisor, regulator, other)**

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

In provisions of Act No. 98/1999

**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

Although not stipulated in the Act No. 98/1999 on general principles they would.

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

None. The Fund pays e.g. for services rendered to it by the Central Bank in accordance with the amount of services rendered each year.

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

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

Supervisor

Financial Supervisory Authority.

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

The Fund relies on information given by the FSA.

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

No information has been collected directly.

**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.**

No special arrangements other than those stipulated in Act No. 98/1999.

**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

The institutions in question have to adhere to provisions in Acts, regulations and Central Bank rules governing their functions.

**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

On a need to contact basis.

**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?**

Commercial banks and savings banks, i.e. deposit taking institutions, and investment and securities houses.

**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

In accordance with provisions of Act No. 98/1999.

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

**parties responsible?**

Not applicable.

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

No

**6.1.7 How many member institutions do you have?**

45

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

At year end 2007, total level of assets was ISK 8.5 billions.(equivalent to about USD 137 millions USD).  
At year end 2007, total average level of deposits (all deposits are insured) was ISK 1,692 billions.(equivalent to about USD 27 billions USD).

## **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

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

**7.1.3 Is coverage**

per deposit account

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

ISK 1,700,000 tied to the rate of exchange of EUR on January 5,1999 ( EUR 2,887 )

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

Minimum according to EU Directive is EUR 20,000.

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

5 years.

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

**7.1.8 Is the coverage amount indexed?**

Yes

So to speak: Tied to the EUR.

**7.1.9 What is it indexed to?**

Cf. 8 above.

**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.**

Yes

In Iceland we have no recent examples. Public expectation is however along the lines that the State would step in in the event of a major crisis.

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

Insured deposits have to fit the definition of deposit, cf. 1 above.

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

In Iceland we have not experienced difficulties in this respect.

**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)**

% of insured deposits.

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

0,15% of deposits until the fund reaches 1% of insured deposits.

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

**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?**

**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)**

Yes (Go to next question)

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

According to law, minimum 1% of insured deposits.

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

**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.**

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

Other please explain

null|null|null|

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

## **Section 9: Reimbursing Depositors**

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

If, in the opinion of the Financial Supervisory Authority, a Member Company is unable to render payment of the amount of deposits upon customer's demand, the Fund shall pay to the customer of the Member Company the amount of his deposit from the Deposit Department. The obligation of the Fund to render payment also takes effect if the estate of a Member Company is subjected to bankruptcy proceedings in accordance with the Act on Commercial Banks and Savings Banks and the Act on Securities Trading. The opinion of the Financial Supervisory Authority shall have been made available no later than three weeks

after the Authority first obtains confirmation that the relevant Member Company has not rendered payment to its customer.

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

Yes

Customers of Member Companies shall submit their claims to the Fund in writing together with any documents regarded as necessary by the Fund. The Fund shall decide, in consultation with the Financial Supervisory Authority, on the extent of the time limit granted to customers of Member Companies to submit claims to the Fund. The time limits shall be at least five months in cases where customers of a Member Company have a claim on the Fund relating to securities transactions, and at most two months in the case of depositors having a claim on the Fund. Decisions on time limits shall be published in the Official Gazette and in newspapers.

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

If, in the opinion of the Financial Supervisory Authority, a Member Company is unable to refund, immediately or in the immediate future, of the amount of deposits, securities or cash upon a customer's demand for refunding or return thereof in accordance with applicable terms, the Fund shall pay to the customer of the Member Company the amount of his deposit from the Deposit Department and the value of his securities and cash in connection with securities trading from the Securities Department. "Deposit" refers to any credit balance resulting from financial deposits or transfers in normal banking transactions, which a commercial bank or savings bank is under obligation to repay under existing legal or contractual terms. However, this guarantee does not extend to bonds, bills of exchange, or other claims issued by a commercial bank or savings bank in the form of securities. "Securities" refers to securities that are either in the custody or under the administration or supervision of a Member Company, which is under obligation to effect repayment or return thereof in accordance with existing legislation or contracts. "Cash" refers to cash deposited by an investor with a Member Company in connection with securities trading. Deposits, securities and cash owned by Member Companies, their parent and subsidiary companies for their own account, and deposits, securities and cash connected with convictions of money-laundering, are not covered by the guarantee described above.

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

Yes

The reimbursement process is stated in Act no. 98/1999 on Deposit Guarantees and Investor Compensation Scheme, and Regulation no. 120/2000 on Deposit Guarantees and Investor Compensations Scheme.

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

Yes

In the event that the Fund is under obligation to render payment to a depositor, the payment shall be made no later than three months from the time that the opinion of the Financial Supervisory is available, or a decision has been made on bankruptcy proceedings in respect of the estate of a Member Company. In the event that the Fund is under obligation to render payment to a customer in connection with securities transactions, the payment shall be made no later than three months after the legality and amount of the claim have been confirmed. Although, before mentioned payments may be postponed until a court judgement has been issued in respect of cases involving money laundering.

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

There are no rules on the methods of payment, but in an earlier case the payment was transferred to the claimants bank account.

**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.**

No

Neither the act on DIS or the regulation state how clearing, set-off and trust accounts should be handled. A draft legislation regarding the matter is now pending.

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

According to Accounting Act no. 145/1994 all accounting books decreed in the Act, along with accounting records and documents, as well as letters, faxes and telegrams or their duplicates, including documents kept by computer, microfilm or by another comparable method, shall be kept in Iceland in a secure and safe manner for seven years from the closure of the relevant accounting year. The act applies to financial institutions and their deposit records.

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

The DIS may obtain information from the Member Company in question, or its bankruptcy estate, regarding the assets of customers with the Member Company on the day that the Financial Supervisory Authority publishes its opinion or when a decision is passed on bankruptcy proceedings regarding the estate of a Member Company.

### **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

The Icelandic legislation does not purpose any advance payments.

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

No

Interests that will accrue from the date of insolvency will not be paid. Claims shall be calculated based on the assets of customers on the date that the FSA publishes an opinion or on the date that a decision is passed on bankruptcy proceedings regarding the estate of a financial institution, whichever date is earlier. Interests accrued after that will therefore not be compensated by the DIS.

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

There is no formal of communicating information. Although, as stated before the DIS shall decide, in consultation with the Financial Supervisory Authority, on the extent of the time limit granted to customers of Member Companies to submit claims to the Fund. Decisions on time limits shall be published in the Official Gazette and in newspapers. We would therefore assume that further information would be communicated the same way.

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

The EU Data Protection Directive has been fully implemented into Icelandic Act on the protection of individuals with regard to the processing of personal data no. 77/2000. The objective of this Act is to promote the practice of personal data processing in accordance with fundamental principles and rules regarding data protection and privacy, and to ensure the reliability and integrity of such data and their free flow within the internal market of the European Economic Area. When processing personal data, all of the following shall be observed: 1. that they are processed in a fair, apposite and lawful manner and that all their use is in accordance with good practices of personal data processing; 2. that they are obtained for specified, explicit, apposite purposes and not processed further for other and incompatible purposes, but further processing of data for historical, statistical or scientific purposes shall not be considered as incompatible provided that proper safeguards are adhered to; 3. that they are adequate, relevant and not excessive in relation to the purposes for the processing; 4. that they are reliable and kept up to date when necessary, personal data which are unreliable or incomplete, having regard to the purposes for their processing, shall be erased or rectified; 5. that they are preserved in a form which does not permit identification of data subjects for longer than is necessary for the purposes for the processing.

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

After a customer has submitted his claim to the DIS in writing, the DIS can acquire any other documents it

regards necessary to verify, reconcile and settle the insured deposit account. The steps can vary, but the initial step would always be to get information from the Liquidator regarding a claimed deposit.

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

See answers to above questions.

**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

Although, it has to be noted that only one case has occurred in Iceland.

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

The DIS has an accessible web page, so that possible claimants are able to get the information needed.

## **Section 10: Public Information & Awareness**

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

Member Companies shall keep written information on their business premises regarding their membership of the Fund, the extent of the Company's guarantee, which assets are not guaranteed, and avenues of recourse for claimants in the event that they are refused compensation by the Member Company.

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

Other

null|null|null|null|null|

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

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?**

Brochures, Website

null|null|null|null|

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

**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?**

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?**

No

**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

Information on total amount of guaranteed deposits

**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.**

No risk assessment is used.

**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.**

If a member institution is causing concern, the DIS would cooperate with the FSA.

## **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?**

Either the Financial Supervisory Authority by publishing an opinion or a judge by a court order.

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

In the event that a Member Company does not fulfil its obligations to the Fund as described in Act no. 98/1999 and the Government Regulation issued thereunder, the Board of Directors of the Fund shall immediately report this to the Minister and the Financial Supervisory Authority. The Minister shall then, following consultation with the Financial Supervisory Authority, grant a period of three months to the Member Company concerned to make amends. In the event that the Member Company concerned has not

met its obligations within that time the Board of Directors of the Fund may, following consultation with the Financial Supervisory Authority, impose daily fines on the Company. Fines shall continue to be paid until such time as the Member Company concerned has met its obligations to the Fund. Fines may amount to between ISK 50 and 500 thousand per day. In the event that a Member Company has not fulfilled its obligations to the Fund within one month from the imposing of the first fine, the Minister may inform the Company of his intention to revoke its operating license if the Company has not fulfilled its duties after a period of 12 months has passed. Should the time limit described above expire without the Member Company concerned having met its obligations to the Fund, the Minister may, following consultation with the Financial Supervisory Authority, revoke its operating license. Commitments entered into prior to the expiration of the time periods described above shall be protected by insurance in accordance with the provisions of Chapter III of Act no. 98/1999.

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

See answer in 12.3.

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

Only one security company but no Deposit Money Bank.

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

No

There are specific rules applied according to Financial Act no. 161/2002.

**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

One time.

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

No

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

No

Government financial assistance is illegal according to the EEA agreement.

**12.2.4 Bridge banks and other interim solutions**

No

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

Only the criteria stated in Financial Act no. 161/2002. According to the Act there shall always be a formal liquidation.

**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?**

No private companies are included.

## **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)?**

Financial system stability.

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

None

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

There are no specified approaches or strategies. The legislation gives a good guidance on how the matter should be handled to accomplish the objectives of claims.

**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)?**

Only by DIS benchmarks.

**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?**

Since only one case has occurred in Iceland, we cannot describe any special strategies. The case was small-scale and quite easy to resolve.

**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

In the event that payment is effected from the Fund, the claims made by the claimant against the relevant Member Company or bankruptcy estate will be taken over by the Fund.

**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

The claim would rank as a general claim according to Chapter XVII of the Bankruptcy Act.

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

No

The Act on Deposit Guarantees and Investor Compensation Scheme does not address the issue.

## **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?**

Cross-border deposits are increasing a lot. Cooperation between Schemes are essential.

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

More harmonisation on a European level.