

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:

Federal Deposit Insurance Corporation

1.1.2 Organization Address:

550 - 17th Street, NW, Washington D.C. 20429, USA

1.1.3 Organization Telephone No:

+1 877 275 3342

1.1.4 Organization Fax No:

+1 703 812 1020

1.1.5 Organization Internet Address:

<http://www.fdic.gov>

1.2 Contact Person(s):

1.2.1 Contact Person(s) Name:

Frederick Carns, Director, Office of International Affairs

1.2.2 Contact Person(s) Address:

550 17th St., NW, Washington, DC 20429 USA

1.2.3 Contact Person(s) Telephone:

202 898 3939

1.2.4 Contact Person(s) Fax:

202 898 6794

1.2.5 Contact Person(s) E-mail address:

fcarns@fdic.gov

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:

National Credit Union Administration 1775 Duke Street Alexandria, VA 22314-3428, USA +1 (703)518-6300 +1 (703)518-6660 fax <http://www.ncua.gov/index.html> contact: boardmail@ncua.gov

1.3 Please provide information on other participants in your financial system

safety-net:

1.3.1 Name of Central Bank:

Board of Governors of the Federal Reserve System

1.3.2 Central Bank Address:

20th and Constitution Ave. NW, Washington D.C. 20551, USA

1.3.3 Central Bank Telephone:

+1 202 452 3000

1.3.4 Central Bank Fax:

+1 202 452 3819

1.3.5 Central Bank Internet Address:

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

1.3.6 Central Bank Contact Person:

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

1.4 Financial Supervisor:

1.4.1 Financial Supervisor Name:

Office of the Comptroller of the Currency (OCC)

1.4.2 Financial Supervisor Address:

Independence Square, 250 E Street, SW, Washington D.C. 20219-0001, USA

1.4.3 Financial Supervisor Telephone:

+1 202 874 5000

1.4.4 Financial Supervisor Fax:

1.4.5 Financial Supervisor Internet Address and contact:

<http://www.occ.treas.gov>, foia-pa@occ.treas.gov

1.5 Other related entities:

1.5.1 Other Related Entities Name:

Office of Thrift Supervision

1.5.2 Other Related Entities Address:

1700 G Street NW, Washington D.C. 20552

1.5.3 Other Related Entities Telephone:

+1 202 906 6000

1.5.4 Other Related Entities Fax:

1.5.5 Other Related Entities Internet Address:

<http://www.ots.treas.gov>

Section 2: Objectives, Mandates & Powers

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

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

2.1.2 What are the stated public policy objectives or mandate for your country's DIS? When was the last time they were reviewed and changed?

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

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

Determined by discussions among U.S. government officials, banking industry officials, trade group officials and others who were involved in the legislative process leading up to the enactment of The Banking Act of 1933.

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

Legislation

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

No

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

2.1.6 What sort of system do you have?

Government legislated and administered

2.1.7 Who makes decisions to pay depositor claims?

DIS

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

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

2.3 Authority to

2.3.1 Enter into contracts

Yes

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

Yes

2.4 Authority over entry and exit of member deposit taking institutions

2.4.1 Establish terms and conditions of membership

Yes

2.4.2 Authority to terminate the insured status of a member institution

Yes

2.5 Depositor reimbursement

2.5.1 Affect reimbursement of depositors claims

Yes

2.5.2 Access to depositor information

Yes

2.5.3 Use various methods of reimbursing depositors claims

Yes

2.6 Funding

2.6.1 How funding is provided

Yes

Deposit insurance assessments paid by member banks and interest earned on the deposit insurance fund

2.6.2 Terms and conditions of premiums or levies

Yes

Risk-based premiums

2.6.3 Borrowing authorities and limits

Yes

Borrowing authority and limits are provided by statute

2.7 Information Requirements

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

Yes

All insured institutions file either a quarterly Report of Income and Condition or a quarterly Thrift Financial Report.

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

The FDIC has primary examination authority over state-chartered banks that are not members of the Federal Reserve System and may also examine other types of banks (by agreement with their primary regulator) when they present certain risks to the FDIC insurance fund.

2.8.2 Ability to set standards or guidelines for member institutions

Yes

Frequently done in conjunction with other regulators.

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

Yes

The FDIC has primary Federal authority to take enforcement actions against state-chartered banks that are not members of the Federal Reserve System and back-up enforcement authority over all other FDIC-insured institutions.

2.8.4 Authority to cancel deposit insurance of a member institution

Yes

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

Yes

2.9 Failure resolution

2.9.1 Authority to decide on appropriate form of failure resolution

Yes

Resolution strategies are subject to a least-cost test specified by statute that requires the strategy chosen to be less costly than an insured depositor payout.

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

Yes

The FDIC can provide open bank assistance, but circumstances under which such assistance can be provided are specified in law

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

Yes

Subject to the least-cost test.

2.10 Authority to:

2.10.1 Undertake formal liquidation

Yes

Yes, if that resolution transaction meets the least-cost test.

2.10.2 Purchase and assumption (sale and merger)

Yes

Yes, if that resolution transaction meets the least-cost test.

2.10.3 Open assistance (bridge bank)

Yes

Yes, if that resolution transaction meets the least-cost test.

2.10.4 Other forms of failure resolution

Systemic-risk exception to the least-cost test: In cases where the failure of a bank poses systemic risk the FDIC may pursue a resolution strategy that does not meet the least-cost test if, upon written recommendation of not less than two-thirds of the members of the FDIC Board of Directors and not less than two-thirds of the members of the Board of Governors of the Federal Reserve System, the Secretary of the Treasury (in consultation with the President of the United States) determines that such actions or assistance would avoid or mitigate serious adverse effects on economic conditions or financial stability.

2.11 Optimizing recoveries

2.11.1 Ability to act as a receiver

Yes

The FDIC is, by law, the receiver of failed banks.

2.11.2 Ability to act as a liquidator

Yes

The FDIC also liquidates failed-bank assets.

Section 3: Governance Arrangements

3.1.1 Is the DIS a legally separate organization from other public or private bodies? (e.g. central bank, supervisor, industry association)

Yes

The FDIC is a legally separate organization.

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

Board of Directors

null|null|null|null|null|

3.1.3 How is the governing body selected?

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

3.1.4 What is the composition of the governing body?

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

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

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

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

No

Insured institutions have no representation in the management of the FDIC.

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

No

The central bank (e.g. the Board of Governors of the Federal Reserve System) has no representation in FDIC management.

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

Yes

The heads of the OTS and OCC are exofficio members of the FDIC Board of Directors.

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

Yes

see 3.8

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

No

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

The FDIC's organizational directory as of June 2008, can be found at:<http://www.fdic.gov/about/contact/directory/index.html>. Organization charts can be found at: <http://fdic01/division/doa/org-charts/>

3.1.12 Do you have an internal control and audit systems

Yes

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

No

No, given the activity arises from the normal scope of their duties and responsibilities.

3.1.14 Is there an advisory committee to the DIS?

Yes

There are two: the Advisory Committee on Banking Policy and the Advisory Committee on Economic Inclusion

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

Yes

The FDIC takes action against bank officers when deemed necessary. See FDIC 2007 Annual Report, p.31.

<http://www.fdic.gov/about/strategic/report/2007annualreport/index.html>

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) ?

As of year-end 2007, the FIDC had 4,532 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

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

The FDIC

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

Yes

See 4.3 above.

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

4

yes

4.1.6 Are confidentiality provisions for employees provided for?

Yes

4.1.7 Do employees of the DIS receive legal protection against lawsuits for their actions taken in good faith and acting in the best interests of the DIS?

Yes

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

21 percent

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

5.1.1 Who performs examinations of DIS member institutions?

Other

Depending on how an insured institution is chartered, it may be subject to examination by the FDIC, the OCC, the OTS, the Federal Reserve, and the state chartering authority, or some combination thereof. Insured institutions are examined for safety and soundness and compliance with the Community Reinvestment Act. In its role as the deposit insurer, the FDIC also is empowered to conduct examinations as deemed necessary to protect the insurance fund.

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

5.2 The FDIC and the other regulators conduct periodic on-site examinations of all federally insured institutions. In addition, these institutions also are monitored through an off-site examination process.

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

All insured banks are required to file quarterly Reports of Condition and Income (Call Reports). Insured thrifts are required to file quarterly Thrift Financial Reports (TFR).

5.1.4 What arrangements (i.e. formal or informal) are in place between organizations responsible for deposit insurance and other parties comprising the safety-net (e.g. central bank, supervisor, regulator) regarding the sharing of information concerning member institutions? Please provide details of these agreements.

The FDIC coordinates with the other federal banking regulators and with its supervisory counterparts at the state level. The FDIC also is a member of the Federal Financial Institutions Examination Council (FFIEC), which is made up of representatives of the four Federal regulators. The FFIEC coordinates the rulemaking process for supervisory and examination issues. Regulations crafted by the FFIEC are issued by each regulatory agency through the Federal rule-making process.

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?

Other

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?

Regularly

Direct contacts with other DIS and through the IADI.

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

Yes

Section 6: Membership

6.1.1 What types of institutions are covered in your DIS?

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

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)

Conditions for membership are stated in Section 6 of the FDIC Act. Members must abide by all applicable laws, regulations and any orders issued by the FDIC.

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

Foreign banks must establish separately capitalized subsidiaries to engage in a retail deposit business.

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

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

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

No

6.1.7 How many member institutions do you have?

As of March 31, 2008, there were a total of 8,534 FDIC-insured banks and savings associations.

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

As of March 31, 2008, FDIC-insured institutions held: \$13,034.1 billion in total assets; \$8,415.4 billion in total deposits and \$ 4,431.8 in total estimated insured deposits.

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)

Yes. See Section 3(l) of the Federal Deposit Insurance Act (12 U.S.C. 1813(l)).

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

Savings account,Chequing account,Certificates of deposit,Travelers cheques,Money orders,Certified drafts of cheques,Foreign currency deposits,Inter-bank deposits,Other

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?

The basic coverage limit is \$100,000 per depositor. Coverage for most retirement accounts is \$250,000. However, depositors can obtain separate insurance coverage for their interests in individual accounts, joint ownership accounts, certain types of revocable and irrevocable trusts accounts, pension and other employee benefit accounts, etc. Consequently, a depositor can have far in excess of \$100,000 insured at a single bank if he/she has funds owned in different manners and satisfies the FDIC's regulatory requirements for the separate coverage provided for different types of accounts.

7.1.5 How was this figures arrived at?

The initial deposit insurance limit (when the FDIC first commenced operations in January 1934)was \$2,500. Since then, this basic limit has been raised by the United States Congress on an incremental basis. The last time it was raised was in 1980 when the U.S. Congress set the limit at \$100,000, with the passage of the Depository Institutions Deregulation and Monetary Control Act. The Federal Deposit Insurance Reform Act of 2005 expanded coverage for retirement accounts to \$250,000 and provided for indexation of the coverage limit beginning in 2011.

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

There is no limit under our statute and regulations.

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

Other

null|null|null|null

7.1.8 Is the coverage amount indexed?

Yes

Yes, beginning in 2011. See 7.5 above.

7.1.9 What is it indexed to?

Inflation.

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?

other

Not applicable -- coinsurance is not used.

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

Yes

Coverage levels are not affected by choice of resolution method with one exception. In resolution transactions where all of an institution

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?

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

7.1.15 When member institutions merge how are insured deposits treated?

When one insured depository institution merges with another insured institution, the deposits assumed continue to be separately insured for 6 months from the date of the assumption or, in the case of time deposits, until the first maturity date after the end of the six-month period. If a time deposit matures during the six-month period and is rolled over on the same terms and conditions as the initial deposit, the separate insurance continues until the first maturity date after the end of the six-month period. If it is rolled over on any other terms, the separate insurance ceases. See 12 U.S.C. 1818(q) and 12 C.F.R. 330.4

7.2 Does your country offer the following?

7.2.1 Islamic banking

Yes

7.2.2 Islamic deposit insurance

No

Section 8: Funding & Fund Management

8.1.1 What type of funding is used by the DIS?

A combination of the above two approaches

Deposit insurance assessments paid by member banks and interest earned on the deposit insurance fund.

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

Premium assessment

8.1.3 If insurance premiums are assessed, are they assessed as a flat rate or are they differential in some way, please explain? (e.g. risk based)

The FDIC's risk-based assessment system is described in detail on the FDIC's Web site:

http://www.fdic.gov/deposit/insurance/risk/rtps_ovr.html The FDIC uses a risk-based premium system that assesses higher rates on those institutions that pose greater risks to the Deposit Insurance Fund (DIF). Under the rule adopted by the FDIC Board in November 2006, effective in 2007, the FDIC places each institution in one of four risk categories using a two-step process based first on capital ratios (the capital group assignment) and then on other relevant information (the supervisory group assignment). Within the lowest risk category, Risk Category I, rates will vary based on each institution's CAMELS component ratings, certain financial ratios (for most institutions), and long-term debt issuer ratings (for large institutions that have such a rating). Capital group assignments are made quarterly in accordance with the FDIC's Rules and Regulations, using the method agreed upon by the Federal Financial Institutions Examination Council (FFIEC) Surveillance Task Force for calculating capital ratios. The method uses data reported in an institution's Report of Income and Condition (Call Reports), Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks, or Thrift Financial Report. No changes to capital ratios are considered except for amendments to the previously mentioned reports. Capital Group Descriptions "Well Capitalized." Total Risk-Based Capital Ratio equal to or greater than 10 percent, and Tier 1 Risk-Based Capital Ratio equal to or greater than 6 percent, and Tier 1 Leverage Capital Ratio equal to or greater than 5 percent. "Adequately Capitalized." Not Well Capitalized and Total Risk-Based Capital Ratio equal to or greater than 8 percent, and Tier 1 Risk-Based Capital Ratio equal to or greater than 4 percent, and Tier 1 Leverage Capital Ratio equal to or greater than 4 percent. "Undercapitalized." Neither Well Capitalized nor Adequately Capitalized. For insured branches of foreign banks, the capital groups are: "Well Capitalized." The insured branch maintains the pledge of assets required under 12 CFR 346.19, and the branch maintains the eligible assets prescribed under 12 CFR 346.20 at 108 percent or more of the average book value of the insured branch's third party liabilities for the quarter ending on the capital group cut-off date. "Adequately Capitalized." Not Well Capitalized, and the insured branch maintains the pledge of assets required under 12 CFR 346.19, and the branch maintains the eligible assets prescribed under 12 CFR 346.20 at 106 percent or more of the average book value of the insured branch's third party liabilities for the quarter ending on the capital group cut-off date. "Undercapitalized." Neither Well Capitalized nor Adequately Capitalized. Supervisory group assignments for members of the DIF are defined below. Supervisory Group Descriptions Group A. This group consists of financially sound institutions with only a few minor weaknesses and generally corresponds to the primary federal regulator's composite rating of "1" or "2." Group B. This group consists of institutions that demonstrate weaknesses which, if not corrected, could result in significant deterioration of the institution and increased risk of loss to the DIF. This group assignment generally corresponds to the primary federal regulator's composite rating of "3." Group C. This group consists of institutions that pose a substantial probability of loss to the DIF unless effective corrective action is taken. This group assignment generally corresponds to the primary federal regulator's composite rating of "4" or "5."

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

Deposit Insurance Assessment Rates (Basis points, December 31, 2007) Risk Category I - Minimum

..... 5 I - Middle	5.01- 6.00 I - Middle
..... 6.01- 6.99 I - Maximum	7 II
..... 10 III	
..... 28 IV	

43

8.1.5 How often is the premium assessed?

Premiums are assessed and collected quarterly.

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

Total deposits

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

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

Yes

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

See response to 8.3 above.

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

Yes (Go to next question)

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

The Federal Deposit Insurance Reform Act of 2005 eliminated the fixed designated reserve ratio (DRR) of 1.25 percent and required the FDIC Board of Directors to set and publish annually a target DRR for the Deposit Insurance Fund (DIF) within a range of 1.15 percent to 1.50 percent. On January 1, 2007, the FDIC Board of Directors set a target DRR at 1.25.

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

The FDIC is required by law to invest the funds held in the DIF in obligations of the United States or in obligations guaranteed as to principal and interest by the United States, which is done through the U.S. Department of the Treasury's Bureau of Public Debt.

8.1.12 If a fund is not maintained, is an assessment levied on institutions after the failure of a financial institution has occurred? If so, please explain how the levies are determined and losses distributed among institutions.

Other

The FDIC maintains a deposit insurance fund, and may levy ex-post assessments under certain conditions.

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

Other please explain

null|null|null|

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

No

Section 9: Reimbursing Depositors

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

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

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

No

No, but in cases where a depositor has uninsured deposits, they may complete paperwork and/or submit documentation to the FDIC to complete the deposit insurance determination process.

9.1.3 When is the DIS obligated to reimburse insured depositors?

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

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

Yes

The reimbursement process is established in law (the FDI Act) and FDIC regulations.

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

Yes

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

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

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

9.1.7 Are the rules regarding clearing, set-off, trust accounts, and related issues well defined (through the legal system or formal agreement)? Please explain.

Yes

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

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

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

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

The FDIC typically has 90 days advance access. Insured institutions that have capital below 2 percent of assets can be closed at the end of 90 days unless they can secure additional capital to cure their capital deficiency. When the insured institution's capital is found to be below 2 percent, the primary regulator formally issues a notice to the potentially failing institution in the form of a prompt-corrective-action letter to the institution's Board of Directors. The FDIC's resolutions staff is typically given access to the institution's financial and depositor records shortly thereafter.

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

Insured depositors are typically paid on the next business day after closure. FDIC as receiver has ability to make advance dividend payments to uninsured depositors if appropriate.

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?

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

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

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

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

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

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

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

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

Yes

The FDIC develops a Strategic Resolution Plan for each potential bank failure and also conducts an analysis of "lessons learned" following every failure.

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

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

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

FDIC-insured institutions are required by law to display an official sign that indicates that deposits are

Federally insured to \$100,000 at each location where insured deposits are usually and normally received, with certain specified exceptions. In addition, insured banks are required to include an official Federal Deposit Insurance Corporation advertising statement in certain newspaper, television, radio and other media advertisements.

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

DIS

FDIC-insured institutions and the FDIC.|null|null|null|null|

10.1.3 Are these explicitly stated in policy or law?

Yes

Law and FDIC regulations require that insured institutions display the official sign and to utilize the official advertising statement. (12 C.F.R. 328)

10.1.4 Are the terms and conditions of DIS explained in a manner that the general public can understand fully?

Yes

Yes, although FDIC coverage rules are complex.

10.1.5 If so, what methods are utilized?

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

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

10.1.7 Has a survey of public awareness about the DIS been conducted? If so/ what were the results? If not why not? Please include supporting documentation.

Yes

Yes, the FDIC conducted a Household Survey of Deposit Insurance Awareness. See, <http://www.fdic.gov/deposit/insurance/initiative/household/>

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.

The FDIC has not conducted a general advertising campaign to raise public awareness. However, the FDIC has conducted numerous training sessions for bankers (and sometimes members of the public) to educate them on the deposit insurance rules.

Section 11: Risk Assessment & Intervention

11.1.1 Does the DIS have a risk monitoring function to analyze and assess the risk of member financial institutions?

Yes

A case manager is assigned to each institution to monitor risk and any concerns that arise during an exam and review the institution

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

Yes

The FDIC regularly examines state-chartered nonmember institutions and has legal authority to examine all insured institutions for risks posed to the insurance fund.

11.1.3 Does the DIS receive information/data/statistics directly from its member institutions or from a third party, such as a regulator or supervisor? If so what information is received and how often?

Yes

The FDIC receives quarterly financial reports on all insured institutions and has access to examination ratings and reports.

11.1.4 What is the risk assessment approach used by the DIS to monitor financial institutions? Please describe. Please be sure to include the criteria used to determine member institution risk.

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

11.1.5 Please list and describe the actions taken by the DIS in situations where member institutions are causing concern. Please indicate when coordination occurs with other supervisory/regulatory authorities and the mechanisms used.

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

Section 12: Failure Resolution

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

Yes

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

The chartering authority (the institution's primary regulator) determines whether a member institution has failed or is "insolvent" and revokes the institution's charter or license. Under conditions discussed in 12.3, the FDIC has back-up authority to close a member financial institution.

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

In most circumstances, the primary regulator of a problem bank or thrift will close a failing institution and appoint the FDIC as receiver. The FDIC can cancel or terminate deposit insurance (effectively closing the bank) as a last resort using its powers of self-appointment as receiver. Circumstances where this may happen include the bank's failure to meet previously prescribed enforcement actions, or where the primary regulator is unwilling or unable to close a financial institution whose continued operation is viewed as increasing the potential loss to the deposit insurance fund.

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

The most common reasons for closing an insured institution include: being "critically undercapitalized," having assets insufficient to meet obligations, engaging in unsafe or unsound banking practices, willful violation of a cease-and-desist order, concealment or tampering with books and records, money laundering, or the voluntary cessation of insured status. When an institution is critically undercapitalized, the primary regulator formally notifies the institution's board of directors that it has 90 days to cure its capital deficiency or be subject to losing its charter and facing closure. The primary regulator then monitors the success of the institution in obtaining the additional capital that is needed to recapitalize the institution at an appropriate level and to avert failure.

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

For information on FDIC resolution transactions, please see FDIC 2007 Annual Report, Appendix on Recoveries and Losses by the Deposit Insurance Fund, 1934-2007 (p.110-11) and Appendix on Number, Assets, Deposits, Losses and Loss to Funds of Insured Thrifts, 1989-1995 (p.112). <http://www.fdic.gov/about/strategic/report/2007annualreport/appendix.pdf> Since 2000, the number of failures has been (year number of failures): 2007 3, 2006 0, 2005 0, 2004 4, 2003 3, 2002 11, 2001 4, 2000 7, 1999 8, 1998 3, 1997 1, 1996 6, 1995 6, 1994 13, 1993 42, 1992 122, 1991 127, 1990 169, 1989 207, 1988 280.

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

No

By law, failed insured institutions are handled by a resolution regime that is separate from the corporate bankruptcy process.

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

Yes

The FDIC acts as the receiver and liquidator of failed institutions.

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

12.2.1 Formal liquidation

Yes

145 deposit payoff cases (see question 12.5 for data source)

12.2.2 Purchase and assumption (sale and merger)

Yes

784 P&As (see question 12.5 for data source)

12.2.3 Open bank assistance (e.g. recapitalization)

Yes

87 assistance transactions (see question 12.5 for data source)

12.2.4 Bridge banks and other interim solutions

Yes

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

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

12.2.6 Is the deposit insurer required to resolve failed or failing insured depository institutions in a manner that is least costly to the DIS?

Yes

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

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

Private companies may become involved in the resolution process in a number of ways. FDIC-insured institutions are among the primary targets of the FDIC's efforts to sell the deposits and assets of failing FDIC-insured financial institutions. In addition, other private companies are commonly approached as prospective purchasers of failed-bank assets. Private companies also may become involved in the resolution process as contractors for the FDIC. The FDIC has significantly reduced its bank resolution staff in recent years with the understanding that resources from private-sector contractors could be added as needed to support the resolution process. Private-sector companies could be used to assist the FDIC in the valuation and sale of failing-bank assets, as advisors for developing and implementing sales strategies, for securing and servicing financial institution assets and liabilities, and for other needs and services identified as critical to the success of the resolution process.

Section 13: Claims, Recoveries & Estate Management

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

Yes

The FDIC acts as liquidator and receiver of failed banks.

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

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

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

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

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

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

13.1.5 By what standard is the DIS judged with respect to performing its function in claims and recoveries (e.g.x. Comparative private sector or DIS benchmarks, internal assessments, past experience)?

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

13.1.6 What assets have you found to be the hardest to recover? Why? What types of strategies have been used to recover different assets?

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

13.1.7 Does the DIS have rights of subrogation (i.e. the subrogation of insurance entity to the rights of insured depositors) or an equivalent arrangement?

Yes

Depositors receiving payment for their insured deposits subrogate their claims on failed-bank assets to the FDIC.

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

Yes

After administrative expenses of the receiver are paid, depositors (both the FDIC as subrogee for insured depositors and uninsured depositors) have priority over other unsecured creditors.

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

Yes

Mutuality must exist (the owner of the deposit and the loan must be the same party) for a "setoff" to be considered. For example, dollar for dollar reduction in an outstanding loan balance for uninsured deposits.

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?

Despite the difficulties stemming from the decline in housing prices, mortgage sector problems, and a

slowdown in the economy, the Deposit Insurance Fund (DIF) remains financially strong with 99 percent of FDIC-insured institutions well-capitalized at year-end 2007. We are focusing our attention on maintaining the safety and soundness of the institutions we insure and are prepared to move promptly to handle any bank failures that may occur. For more information about the FDIC, please visit our Web site at www.fdic.gov.

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

The ability of IADI members to promptly pay insured depositors in the event of failure. The analysis of cross border issues that impact DIS ability to address bank resolution matters.