

# 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:

Financial Supervision Commission

#### 1.1.2 Organization Address:

Finch Hill House, Bucks Road, Douglas, Isle of Man. IM1 3DF

#### 1.1.3 Organization Telephone No:

+44 (0)1624 689300

#### 1.1.4 Organization Fax No:

+44 (0)1624 689398

#### 1.1.5 Organization Internet Address:

[www.fsc.gov.im](http://www.fsc.gov.im)

### 1.2 Contact Person(s):

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

Susan Woolard & Andrew Kermodé

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

Finch Hill House, Bucks Road, Douglas, Isle of Man. IM1 3DF

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

+44 (0)1624 689333 or +44 (0)1624 689320

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

+44 (0)1624 689398

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

[susan.woolard@fsc.gov.im](mailto:susan.woolard@fsc.gov.im) or [andrew.kermodé@fsc.gov.im](mailto:andrew.kermodé@fsc.gov.im)

#### 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:

None for deposits, but there are schemes for investors in Authorised collective investment schemes and for life assurance policyholders.

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

**safety-net:**

**1.3.1 Name of Central Bank:**

None

**1.3.2 Central Bank Address:**

**1.3.3 Central Bank Telephone:**

**1.3.4 Central Bank Fax:**

**1.3.5 Central Bank Internet Address:**

**1.3.6 Central Bank Contact Person:**

**1.4 Financial Supervisor:**

**1.4.1 Financial Supervisor Name:**

Financial Supervision Commission

**1.4.2 Financial Supervisor Address:**

Finch Hill House, Bucks Road, Douglas, Isle of Man. IM1 3DF

**1.4.3 Financial Supervisor Telephone:**

+44 (0)1624 689300

**1.4.4 Financial Supervisor Fax:**

+44 (0)1624 689398

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

[www.fsc.gov.im](http://www.fsc.gov.im)

**1.5 Other related entities:**

**1.5.1 Other Related Entities Name:**

Isle of Man Government - Treasury Department

**1.5.2 Other Related Entities Address:**

Government Offices, Bucks Road, Douglas, Isle of Man. IM1 3PU

**1.5.3 Other Related Entities Telephone:**

+44 (0)1624 685980

#### **1.5.4 Other Related Entities Fax:**

+44 (0)1624 685662

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

[www.gov.im/treasury](http://www.gov.im/treasury)

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

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

The Isle of Man's Depositors' Compensation Scheme was established in 1991 following the collapse of the Savings and Investment Bank. The legislation which describes the terms of the scheme is the Banking Business (Compensation of Depositors) Regulations 1991, which were made by the Treasury Department of the Isle of Man Government under powers in the Financial Supervision Act 1988. The legislation for the scheme may be found at:

<http://www.gov.im/lib/docs/fsc/handbooks/guides/Banking/bankingappendixc1.pdf>. This shows that the Financial Supervision Commission was appointed as Scheme Manager, with responsibility for administration of the scheme. A schedule to the Regulations lists all banks which are licensed in the Isle of Man but which are not scheme participants.

### **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 Explanatory Note to the legislation states that the Regulations introduce a scheme of compensation to protect depositors in any bank (with certain exceptions) licensed in the Isle of Man which might become insolvent. There is no recent public policy statement for the scheme. However, the Isle of Man is currently reviewing the terms of the scheme -

<http://www.gov.im/lib/docs/fsc/Consultative/consultationresponsesdepositors.pdf> Public information about the scheme is available at: [http://www.fsc.gov.im/investor/dep\\_comp.xml](http://www.fsc.gov.im/investor/dep_comp.xml)

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

The objectives of the scheme were discussed in parliament (Tynwald) before approval of the scheme Regulations.

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

Legislation

Banking Business (Compensation of Depositors) Regulations 1991. See [www.gov.im/lib/docs/fsc/handbooks/guides/Banking/bankingappendixc1.pdf](http://www.gov.im/lib/docs/fsc/handbooks/guides/Banking/bankingappendixc1.pdf)

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

No

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

Government legislated and administered

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

DIS

Scheme Manager, which is the financial regulator, but only after claims have been accepted by the liquidator.

## **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

All banks licensed in the Isle of Man are scheme members except those which are listed on a schedule to the regulations. This schedule changes periodically and usually includes only banks that do not take retail or customer deposits.

### **2.4.2 Authority to terminate the insured status of a member institution**

No

All banks licensed in the Isle of Man are scheme members except those which are listed on a schedule to the regulations. This schedule changes periodically and usually includes only banks that do not take retail or customer deposits. Banks that take customer deposits do not have the option of non-membership.

## **2.5 Depositor reimbursement**

### **2.5.1 Affect reimbursement of depositors claims**

Yes

### **2.5.2 Access to depositor information**

Yes

The scheme manager, which administers the scheme, is the financial regulator of the Isle of Man.

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

No

There has only ever been one claim under the scheme.

## **2.6 Funding**

### **2.6.1 How funding is provided**

Yes

Maximum levies are specified in legislation. The scheme manager only has power to act within these limits.

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

Yes

Minor powers eg to exclude from calculation inter-bank deposit amounts.

### **2.6.3 Borrowing authorities and limits**

Yes

Limited ability to borrow

## **2.7 Information Requirements**

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

No

No explicit powers, but the scheme manager is the financial regulator

### **2.7.2 Access to information through supervisory authorities**

Yes

The scheme manager is the financial regulator

## **2.8 Enforcement and intervention**

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

No

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

No

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

No

However the scheme manager is the financial regulator so would take regulatory action if circumstances were appropriate.

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

Yes

Yes by placing a bank on the Schedule to the Regulations. However in normal circumstances this would be unlikely to occur as it would prejudice depositors.

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

No

Not in the capacity of scheme manager, but such matters would be considered by (in the capacity of) the financial regulator.

## **2.9 Failure resolution**

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

No

The scheme manager has no alternative resolution powers. However the Government may be able to take alternative action in certain circumstances.

### **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

The scheme manager has no alternative resolution powers. However the Government may be able to take alternative action in certain circumstances.

**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

No such explicit powers.

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

No

No such explicit powers.

**2.10.3 Open assistance (bridge bank)**

No

No such explicit powers.

**2.10.4 Other forms of failure resolution**

No such explicit powers.

**2.11 Optimizing recoveries**

**2.11.1 Ability to act as a receiver**

No

The scheme manager has no such powers.

**2.11.2 Ability to act as a liquidator**

No

The scheme manager has no such powers.

**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)**

Other/Commnets

The scheme is a separate body, but the Regulations are made by the Isle of Man Government Treasury Department and the scheme is administered by the Financial Supervision Commission (financial regulator in Isle of Man)

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

Board or Committee

null|null|null|null|null

**3.1.3 How is the governing body selected?**

See 3.1.4

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

The scheme is administered by the Board of the Financial Supervision Commission - a Statutory Board in the Isle of Man, all but one of whose members are non-executive and are appointed by Tynwald (the parliament).

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

To administer the scheme.

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

No

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

No

No central bank

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

Yes

The scheme is administered by the regulator

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

Yes

The financial regulator is also the supervisor

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

Yes

Indirect representation by Treasury Department of Isle of Man Government

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

See 3.1.4. Details of Members of the Financial Supervision Commission's Board may be found at:<http://www.fsc.gov.im/about/structure/membership.xml>.

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

Other

There has only ever been one claim on the scheme, in 1992. the schemes' accounts are audited independently.

**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?**

Other

No decisions made in the recent past.

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

No

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

No

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

Audited Financial Statements

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) ?**

No employees, but an external agent works part-time on administrative matters.

**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)?**

No

See 4.1.1 - negligible duties and responsibilities

**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 - less than one member of staff

**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 4.1.1

**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

No employees but staff of scheme manager are subject to Official Secrets Act and external agent is also subject to data protection legislation and contract terms.

**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

No employees

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

Scheme has no dedicated budget.

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

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

Supervisor

Supervisor is also regulator

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

All members must be licensed (by financial regulator) as deposit taking banks and are subject to supervisory approach of the regulator and to legislation.

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

No regular reporting, but one-off data is collected as needed and is supplied on a goodwill basis by participant banks.

### **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.**

Scheme Manager is regulator/supervisor (Financial Supervision Commission). Additionally a formal MOU exists between the supervisor and the Treasury Department of Government.

## **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**

Other

No problem institutions. There has only ever been one claim under the scheme - in 1992

### **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

Public consultation with banks, industry bodies and all others who have an interest.|null|null|

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

Yes

Recent consultation on new policy - see

<http://www.gov.im/lib/docs/fsc/Consultative/consultationtobanks6308final.pdf>

### **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?**

No

Not applicable to date, but would be done if appropriate.

## **Section 6: Membership**

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

All banks licensed in the Isle of Man except those which do not take retail/customer deposits.

### **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.**

No

Not except for those specified in 6.1.1

### **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

Offices in the Isle of Man only

### **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?**

31

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

Assets: £71 billion (GBP) Deposits: £66 billion (GBP) Insurable deposits: £42 billion (GBP)

## 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)

"An eligible protected deposit liability is the total liability of the participant to the depositor in respect of the principal and accrued interest on sterling and foreign currency deposits in the name of the depositor at the time of the default and made with an Isle of Man office of the participant. In determining the amount of the eligible protected deposit due to any person- (a) separate deposits in the same ownership shall be aggregated and treated as one account; (b) deposits in joint names shall be divided equally between the parties; (c) a deposit held by a partnership shall be treated as one deposit; (d) a deposit held by a bare trustee or nominee for other persons shall be treated as held by those other persons equally between them; (e) a deposit held by trustees of a settlement shall be treated as one account unless the beneficiaries of the trust are individuals whose identity and right to benefit can be conclusively established;(f) a client account, which is entitled as such, shall be treated as representing separate deposits made by persons, corresponding to the amount to which each is entitled; (g) if the deposit is in a currency other than sterling, it shall be converted into sterling for the purposes of this Scheme by reference to the middle market rate."

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

Savings account,Chequing account,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?

75% of a maximum of £20,000 (GBP)

### 7.1.5 How was this figures arrived at?

At the time the UK was also providing coverage at 75%.

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

Not applicable

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

Officers and directors of member institutions

null|Directors, Managers and Shareholders|null|null|null

### 7.1.8 Is the coverage amount indexed?

No

### 7.1.9 What is it indexed to?

Not applicable

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

Other

Scheme doesn't use cinsurance, (although it has legislative power to do so), but only 75% of a depositors's deposits are covered.

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

other

Yes regarding the 75% cover. This is mentioned on website at [http://www.fsc.gov.im/investor/dep\\_comp.xml](http://www.fsc.gov.im/investor/dep_comp.xml)

**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.**

Other

Unknown

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

Terms of scheme not revised for many years - not applicable.

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

Deposits would be merged as coverage is per depositor per institution.

**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-post (defined as an assessment levied after the failure of a member institution to provide funds to cover deposit insurance claims).

**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?**

Other

Levy calculated on total deposits - 1/8%. Minimum £25,000 per year, Maximum £250,000 per year per institution.

**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)**

Not applicable

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

See 8.1.2

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

No change in levy rate since scheme established

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

Total deposits

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

Other

See 8.1.2

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

Not applicable

**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?**

Not pre-funded

**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.**

Yes

Levy calculated on total deposits - 1/8%. Minimum £25,000 per year, Maximum £250,000 per year per institution.

**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|Maximum payment under scheme in any one year is maximum amount of levies that may be raised.|

**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?**

In respect of the one failure since the scheme began, cheques or telegraphic transfers were issued by the scheme manager.

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

Yes

The Regulations state: " no account shall be taken of any liability unless proof of debt which gives rise to it has been lodged with the liquidator, reciever or administrator"

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

No time limits specified.

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

Other

Nothing outside the terms of the Scheme Regulations: see <http://www.gov.im/lib/docs/fsc/handbooks/guides/Banking/bankingappendixc1.pdf>

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

No

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

See 9.1.1

**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

Please see: <http://www.gov.im/lib/docs/fsc/handbooks/guides/Banking/bankingappendixc1.pdf>

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

Required by financial legislation to hold transactional records.

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

The Scheme Manager is the financial regulator/supervisor and so has access to records held in this capacity.

**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

There is no legislative provision for this.

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

No

There is no legislative provision for this.

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

No claim has been made under the scheme since 1992, so no process has been used or devised recently.

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

See 9.1.12

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

"Proof of debt" must be accepted before a payment is made in respect of a claim.

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

See 9.1.12. No specific procedure but each deposit-taking bank is independently audited annually.

**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?**

See 9.1.12. External agent uses a database.

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

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

None

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

Supervisor, Regulator, Government

null|null|null|null|null|

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

No

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

Yes

See [http://www.fsc.gov.im/investor/dep\\_comp.xml](http://www.fsc.gov.im/investor/dep_comp.xml)

**10.1.5 If so, what methods are utilized?**

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?**

In the capacity of regulator, the Financial Supervision Commission, which is also the Scheme Manager, has the power to issue public statements on matters of public interest. This usually involves a notice on the website [www.fsc.gov.im](http://www.fsc.gov.im). However, there have been no failures since 1991 so there is no recent experience on which to base an answer.

**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.**

Not applicable

## **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

Regulator/supervisor

**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?**

No

**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.**

None, but regulator/supervisor is also scheme manager

**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.**

No experiences in recent years on which to base any comments.

## **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?**

Scheme Manager

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

This would be unlikely to occur as it would prejudice the depositors.

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

Nearly all member institutions are branches or subsidiaries of groups in other jurisdictions - principally the UK. Thus the Isle of Man would usually follow the Head Office in this matter.

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

Two

**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?**

Other

Insufficient data on which to base a general comment.

**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**

Other

Insufficient data on which to base a general comment.

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

Other

Insufficient data on which to base a general comment.

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

Other

Insufficient data on which to base a general comment.

**12.2.4 Bridge banks and other interim solutions**

No

No such legislation

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

Not applicable - Insufficient data on which to base a general comment. Also, nearly all member institutions are branches or subsidiaries of groups in other jurisdictions - principally the UK.

**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

No such legislative provision

**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

DIS is a claimant in the liquidation, as depositors are required by legislation to assign their rights to the Scheme in order to claim under it.

### 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)?

Not applicable

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

Liquidator is from private sector.

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

Not applicable

### 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)?

No evidence on which to base a response.

### 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?

Not applicable - only one claim has occurred since the scheme established (1991) and the Isle of Man office was a branch of a Luxembourg-incorporated office of the bank. Thus, the Isle of Man liquidator had little power compared to that of the Luxembourg liquidator.

### 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 countrys legal system? Please describe the various forms set-off can take.

Yes

Loans are set-off against a depositors savings before compensation is calculated

## Section 14: Other Issues

### 14.1.1 What is your view on recent trends and emerging issues in the financial sector in your country and the potential impact they might have on the DIS?

The Isle of Man is currently reviewing its depositors' compensation scheme as a result of international market turbulence and the UK having revised its scheme last autumn. A consultation on various options was conducted by the Financial Supervision Commission in March 2008 and further consultation is expected in due course. It is possible that various terms of the scheme may be revised.

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