

# 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:

Fondo de Seguro de Depositos (FSD)

#### 1.1.2 Organization Address:

Avenida Guillermo Prescott N° 180 Lima 27, Peru

#### 1.1.3 Organization Telephone No:

(511) 222-7500

#### 1.1.4 Organization Fax No:

(511) 441-8629

#### 1.1.5 Organization Internet Address:

www.fsd.org.pe

### 1.2 Contact Person(s):

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

Juan Klingenberger

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

Carlos Carrion

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

Marco Panduro

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

Jose Sato

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

jklingenberger@sbs.gob.pe ccarrion@sbs.gob.pe mpanduro@sbs.gob.pe jsato@sbs.gob.pe

#### 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:

No

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

**safety-net:**

**1.3.1 Name of Central Bank:**

Banco Central de Reserva del Peru (BCRP)

**1.3.2 Central Bank Address:**

Miro Quesada 441, Lima 1, Peru.

**1.3.3 Central Bank Telephone:**

(511) 613-2000

**1.3.4 Central Bank Fax:**

(511) 613-2174

**1.3.5 Central Bank Internet Address:**

[www.bcrp.gob.pe](http://www.bcrp.gob.pe)

**1.3.6 Central Bank Contact Person:**

Julio Velarde, President of BCRP

**1.4 Financial Supervisor:**

**1.4.1 Financial Supervisor Name:**

Superintendencia de Banca, Seguros y AFPs

**1.4.2 Financial Supervisor Address:**

Los Laureles 214, Lima 27, Peru

**1.4.3 Financial Supervisor Telephone:**

(511) 221-8990

**1.4.4 Financial Supervisor Fax:**

(511) 441-7839

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

Felipe Tam

**1.5 Other related entities:**

**1.5.1 Other Related Entities Name:**

Ministerio de Economía y Finanzas

**1.5.2 Other Related Entities Address:**

Junín 319, Cercado de Lima, Lima 1-Perú

**1.5.3 Other Related Entities Telephone:**

(51 1) 311 5930

**1.5.4 Other Related Entities Fax:**

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

www.mef.gob.pe

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

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

The FSD was established in 1991 to provide protection to companies of the financial system under the parameters established in the Bank's Law. (Ammended Law N° 26702).

### **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?**

- Provide coverage to depositors in accordance with the Bank's Law. - Participate in diferents resolution schemes in order to contribute to the stability of the financial system. The last time the objectives were reviewed and changed was in 1999 with the Law N° 27102, which amended the Law N° 26702 (Bank's Law).

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

The process was undertaken by the Superintendencia de Banca, Seguros y AFPs and Minsiterio de economía y Finazas. It involved consultation with the Banco central de Reserva del Perú, the Bank Association and finally it was discussed with the Congress.

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

Legislation  
Bank's Law. (Ammended Law N° 26702).

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

No

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

Government legislated & privately administered

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

Supervisor  
Superintendencia de Banca. Seguros y AFPs

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

### **2.3 Authority to**

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

Yes

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

No

Any statutory amendments shall have the prior approval of the Superintendencia de Banca, Seguros y AFPs.

## **2.4 Authority over entry and exit of member deposit taking institutions**

### **2.4.1 Establish terms and conditions of membership**

No

The Bank's Law states that all of the companies of the financial system authorized to receive deposits from the public, are members of the FSD.

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

No

## **2.5 Depositor reimbursement**

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

No

The Superintendencia de Banca, Seguros y AFPs determines when the FSD should do so.

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

Yes

Only public information

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

Yes

## **2.6 Funding**

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

Yes

The Bank's Law determines all sources of funds for the FSD.

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

No

The Superintendencia de Banca, Seguros y AFPs is empowered to change premiums

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

Yes

- Credit Lines from the Public Treasury approved by Urgency Decree. - Credit Lines obtained through guaranties pledged by the Public Treasury, approved by Urgency Decree. - All other funds obtained with the approval of the Administrative Council.

## **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

Superintendencia de Banca, Seguros y AFPs conducts examinations and reviews

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

No

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

No

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

No

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

No

## **2.9 Failure resolution**

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

No

Superintendencia de Banca, Seguros y AFPs determines the resolution method

### **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

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

Yes

## **2.10 Authority to:**

### **2.10.1 Undertake formal liquidation**

No

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

No

### **2.10.3 Open assistance (bridge bank)**

Yes

### **2.10.4 Other forms of failure resolution**

a) Rehabilitate a financial institution during the Surveillance Procedure whose liquidation could negatively affect other institutions in the system (System Risk), and in which neither shareholders nor third parties made any capital additions. b) Facilitate the transfer of the “good” assets of a financial institution, subject to Intervention Procedure, to other entities within the financial system (one or more banks) in the form of cash contributions to be used to pay all insured depositors. “No-good” or “residual” assets become part of the liquidation process. c) Acquire all or part of the insured deposits of a financial institution subject to Intervention Procedure in order to subrogate the legal position of the depositors. d) Establish a company within the financial system to acquire all or part of the assets and liabilities of financial institutions that have been subject to Intervention Procedure. This entity will operate for a maximum of one year. Its operations can be lengthened for up to three years through annual extensions approved by the FSD.

## **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

The FSD is a special private legal entity.

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

Board of Directors

null|null|null|null|null|

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

The Board of Directors is composed by: - One representative from the SBS appointed by the Superintendent, who acts as chairman. - One representative of the Central Reserve Bank, appointed by its board of directors. - One representative from the Ministry of Economic and Finance, appointed by the Minister. - Three representatives of the companies of the financial system, appointed by its Member Assembly.

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

Go to answer 3.3

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

- Approve, modify and supervise the FSD Annual Budget. - Approve the FSD Annual Report and the Audited Financial Statements. - Design and approve the FSD Investment Policy. - Authorize the participation of the FSD in the different resolution schemes stated in article 151° of the Bank's Law. - Request the Executive secretary reports for all FSD operations. - Approve statutory amendments.

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

Yes

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

Yes

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

Yes

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

Yes

**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**

Board of Directors, FSD President, Legal Dept. Executive Secretary, Finance & Investment Accounting

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

Yes

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

Yes

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

No

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

Yes

Director and CEO of the failed member institution.

**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) ?**

4 full time employes

**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

The Superintendencia de Banca, Seguros y AFPs supplies the personnel to the FSD

**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

**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

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

4

**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?**

No

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

Less than 10%

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

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

Supervisor

Superintendencia de Banca, Seguros y AFPs

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

Superintendencia de Banca, Seguros y AFPs performs examinations and inspections “in situ” at least once a year to all member institutions.

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

The Superintendencia de Banca, Seguros y AFPs collects all the information required to assure the soundness of all member institutions.

**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.**

There are no formal arrangements between the FSD, the Superintendencia de Banca, Seguros y AFPs and the Banco Central de Reserva regarding the sharing of information concerning member institutions. All shared information between these organizations is public information and is given upon request.

**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**

4

**5.2.2 timeliness**

3

**5.2.3 Is there a consistent definition/classification across authorities of problem institutions**

No

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

Consult, Advise

- FSD - Superintendencia de Banca, Seguros y AFPs, - Banco Central de Reserva del Peru - Ministerio de Economía y Finanzas - Congress - Bank Association|null|null|

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

Yes

Details are shared regarding such matters. Discussion is encouraged prior to implementation through the Congress.

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

Occasionally

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

Yes

## **Section 6: Membership**

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

All financial system companies authorized to accept deposit from the public

**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.**

Other

We have no application process, but member institutions have to contribute to the FSD during a period of twenty-four months before their deposits can be covered.

**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 institutions are covered in the same way as domestic institutions. In both cases, only domestic deposits are insured.

**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?**

There is no application process. Financial institutions become members immediately after the Superintendencia de Banca, Seguros y AFPS authorized them to receive deposits from the public.

**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?**

42(16 BANKS, 2 FINANCIAL INSTITUTIONS, 12 MUNICIPAL SAVINGS AND CREDIT UNIONS, 1 POPULAR MUNICIPAL CREDIT UNION, 11 RURAL SAVINGS AND CREDIT UNIONS

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

As of April 30, 2008 Total Assets : USD 46.1 billion Total Deposits: USD 29.1 billion Total insurable deposits: USD 9.5 billion

## Section 7: Coverage

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

No

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

Savings account, Chequing account, Certificates of deposit, Foreign currency deposits  
null|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?**

S/. 82 845 (aproximately US\$ 28 000)

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

To guarantee the mayority of the deposits but a small amount of them.

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

Indefinite

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

Foreign (non-residents),Officers and directors of member institutions,Corporations (domestic),Corporations (foreign)

null|null|null|null|null|

**7.1.8 Is the coverage amount indexed?**

Yes

**7.1.9 What is it indexed to?**

The Wholesale Price Index

**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?**

No

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

No

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

No

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

New financial products must fulfill the criteria established in the bank's law in order to be eligible.

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

Insured deposits continue backed by the FSD, except if the acquired institution has not completed the 24 months of premium payments required by Law. Once the acquired institution fulfills this requirement, all insured deposits are backed by the FSD.

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

**7.2.1 Islamic banking**

No

**7.2.2 Islamic deposit insurance**

No

## **Section 8: Funding & Fund Management**

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

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

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

Premium assessment

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

Risk based premiums.

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

Risk Rating Premiums (Annual) A 0.45% B 0.60% C 0.95% D 1.25% E 1.45%

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

Premiums are assessed by Superintendencia de Banca, Seguros y AFPS Resolution, but there isn't a specific time when they should be 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?**

Yes

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

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

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?**

There is an investment policy determined by the Executive Council of the FSD. Also the Bank's Law (No. 26702) establishes the criteria for investing the resources of the FSD.

### **8.1.12 If a fund is not maintained, is an assessment levied on institutions after the failure of a financial institution has occurred? If so, please explain how the levies are**

**determined and losses distributed among institutions.**

No

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

Government funding

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?**

If a member of the FSD is dissolved, the Superintendencia de Banca, Seguros y AFPs shall make sure that within a term of sixty (60) days, a list of insured depositors is prepared and remitted to the FSD, with an indication of the amount of their reimbursement. The list must be displayed at least in the headquarters of the relevant company for a period of no less than one hundred and eighty (180) days, together with a notice informing of the dates and places where service will be provided to the insured.

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

Other

Depositors are not required to file a claim. Only those who may have been omitted from the list of insured depositors may file a claim with the Superintendencia de Banca, Seguros y AFPs within sixty (60) days from when the notice was first posted. The claim must be certified by a notary.

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

Payments to be made by the FSD shall be made within ten (10) business days from the date of receipt of the list of insured depositors prepared and remitted by the Superintendencia de Banca, Seguros y AFPs.

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

Yes

Article 154 and Article 156 of the Bank's Law (No. 26702)

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

Yes

The FSD has a reimbursement plan that allows him to pay insured depositors in 24 hours after the resolution of the FSD member.

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

- Bridge Bank (only under systemic risk) - Purchase and Assumption - Deposit payoffs. - Open Bank Assistance (only under systemic risk)

**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

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

At least basic information regarding the client.

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

At the time of the resolution of the member

**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)?**

Yes

**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?**

The total amount of the reimbursement, breaking down principal and interest amounts. Also the date and place (another bank) to claim for the reimbursement.

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

All the information regarding the reimbursement of a insured depositor, is only given to him when he claim his deposit.

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

The Superintendencia de Banca, Seguros y AFPs prepared this information based in the software used for this purpose.

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

The software used has itself a sequence of "Controls" or "Tests" to ensure the information regarding the reimbursement of insured depositor is accurate. Historically, the software used had an 99% of accuracy.

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

Other

The FSD is planning to document all its experience with respect to the reimbursement action.

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

The software used to reimburse the insured depositors has been developed by the Superintendencia de Banca, Seguros y AFPs.

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

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

According to Article 37 of the FSD Statute, the FSD has the obligation to publish its Annual Report that should include, at least, the FSD investment portfolio and the Audited Financial Statements.

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

DIS, Supervisor

null|null|null|null|null|null

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

Yes

Yes, under the FSD Statute (Resolution SBS No. 0498-99)

**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, Telephone call center, Website

null|null|null|null|null

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

Information regarding financial institutions is disclosed by the Superintendencia de Banca, Seguros y AFPs and only public information.

**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

The public awareness of the DIS is low. Only 1 OF 10 knows about DIS

**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?**

Other

Only through its web site, telephone call center and Annual Report.

**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?**

Other

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

No

The Superintendencia de Banca, Seguros y AFPs does the examination of member institutions.

**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

From Supervisor, Monthly, Financial Information

**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.**

The FSD only uses public information, specially the Financial Statements and the risk classification given by external private risk rating agencies. The FSD considers all insured deposits of member institutions with a risk classification equivalent to "C" or "D" as contingent liabilities, and consequently a similar amount of the FSD resources is invested in highly liquid assets.

**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.**

Since the resolution of member institutions is decided by the Superintendencia de Banca, Seguros y AFPs, the FSD wait until the Superintendencia de Banca, Seguros y AFPs instructs it to proceed with the resolution mechanism adopted. Meanwhile, the FSD makes sure that it has the resources available to participate in the resolution mechanism (maximum equivalent to 100% of insured deposits) and that all administrative requirements are meet.

## **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 Supervisor (Superintendencia de Banca, Seguros y AFPs)

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

The FSD cannot cancel/terminate the deposits insurance of a member institution. According to Law, all financial institutions authorized by the SBS to receive deposits from the public are embers of the FSD. If the authorization is removed by the Superintendencia de Banca, Seguros y AFPs, the financial institution is not longer a FSD member.

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

Accroding to the criteria established by the ammended Law No. 26702.

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

13 member institutions

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

Other

Depends on the resolution schem applied. All resolution mechanism are stated in the amended Law No. 26702.

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

No

**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

10 cases

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

Yes

3 cases

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

No

**12.2.4 Bridge banks and other interim solutions**

Yes

0 cases

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

The Superintendencia de Banca, Seguros y AFPs should use, at least, the following criteria to determine the method of failure resolution: - Least cost to the FSD - Least time to pay insured depositors - Least loss of the financial institution asset value - Difficulty in doing a due diligence to the failed financial institution.

**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?**

Other

The Superintendencia de Banca, Seguros y AFPs determines the manner in which failed institutions are resolved. (Refer to question 9)

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

Private financial institutions (banks) are involved in the failure resolution process because insured depositors are paid through the banks agencies, since the failed financial institution is closed. Also private financial institutions can participate when bridge bank or purchase and assumption methods are chosen as resolution processes .

## **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

The DIS has a passive function. According to the law the DIS only have to wait for the liquidated institution to pay to DIS

**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)?**

maximization of nominal and present value recoveries

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

According to the law, The Superintendencia de Banca, Seguros y AFP can delegate his duty of manage the liquidation process to a private company

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

If is necessary, hire legal and financial advisors in order to improve the recoveries.

**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)?**

go to answer 13

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

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

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?)**

Yes

**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

## **Section 14: Other Issues**

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

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

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