

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:

Fundo Garantidor de Créditos - FGC

1.1.2 Organization Address:

Rua Dr. Eduardo de Souza Aranha, 387 - conjunto 31 - 3.º andar

1.1.3 Organization Telephone No:

+ 55 (11) 3842-5626

1.1.4 Organization Fax No:

+ 55 (11) 3848-9695

1.1.5 Organization Internet Address:

fgc@fgc.org.br

1.2 Contact Person(s):

1.2.1 Contact Person(s) Name:

Antonio Carlos Bueno de Camargo Silva

1.2.2 Contact Person(s) Address:

Rua Dr. Eduardo de Souza Aranha, 387 - conjunto 31 - 3.º andar

1.2.3 Contact Person(s) Telephone:

+ 55 (11) 3842-5626

1.2.4 Contact Person(s) Fax:

+ 55 (11) 3848-9695

1.2.5 Contact Person(s) E-mail address:

acb@fgc.org.br

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 do Brasil

1.3.2 Central Bank Address:

Setor Bancário Sul (SBS) Quadra 3 Bloco B - Ed. Sede - 70074-900 - Brasília - DF

1.3.3 Central Bank Telephone:

+ 55 (61) 3414-1414

1.3.4 Central Bank Fax:

+ 55 (11) 3414-2553

1.3.5 Central Bank Internet Address:

www.bcb.gov.br

1.3.6 Central Bank Contact Person:

1.4 Financial Supervisor:

1.4.1 Financial Supervisor Name:

Central Bank

1.4.2 Financial Supervisor Address:

1.4.3 Financial Supervisor Telephone:

1.4.4 Financial Supervisor Fax:

1.4.5 Financial Supervisor Internet Address and contact:

1.5 Other related entities:

1.5.1 Other Related Entities Name:

1.5.2 Other Related Entities Address:

1.5.3 Other Related Entities Telephone:

1.5.4 Other Related Entities Fax:

1.5.5 Other Related Entities Internet Address:

Section 2: Objectives, Mandates & Powers

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

The Brazilian DIS, Fundo Garantidor de Créditos - FGC, was authorized as a private non-profit entity, for the purpose of administering the protection mechanism for credit holders against financial institutions, on August 31, 1995, by a Resolution 2,197, of the National Monetary Council. Before this date, the only deposit insurance contracts were those related to savings accounts guaranteed up to the limit of R\$ 5,000.00 (five thousand Reais), through the Real Estate Bill Guarantee Fund (FGDLI). The remaining obligations had no formal guarantee and thus depended upon the methods of banking failure resolution adopted by the Central Bank of Brazil, to be reimbursed to credit holders in the event of liquidations or interventions. With the creation of the FGC, deposit insurance range and value were expanded and a more complete system was introduced with the advantage of being funded exclusively with resources from the own financial system. However, the justification for the establishment of a deposit insurance system at that moment was based on the urgent need for the strengthening of the banking system safety network, both with the search for minimizing economic and social costs that would result from an eventual bank run, but also with the potential threat to the gains achieved in the aftermath of the recent economic stability. The year of 1994 is an important benchmark in the Brazilian economic history. Following decades of persisting inflation and a cluster of derailed economic stabilization plans, the “Real” plan is implemented and manages to stabilize the level of prices. This change of environment meant a significant shrinking of the banking sector which accounted, already in the year of 1995, for 6.79% of the GDP versus a peak of 15.61% in 1993. Therefore, the stabilization of price levels in the middle of the 1990 decade meant the need for an unprecedented adjustment in the banking sector, both due to the new economic environment that was created but also due to the need to heal inefficiencies encountered in the Brazilian banking system, that existed as a function of the significant gains derived from inflationary transfers. The cost of this adjustment was already clear at the end of 1994, with the liquidation of seven small banks, in addition to the failure of a large national retail bank. A first analysis should focus on the evolution of the basic interest rate of the Brazilian economy. In mid 1994, the annualized overnight Selic rate reached the level of 56%, and, in spite of experiencing a period of decline, this rate begins the year of 1995 at a level above 46% p.a. with a rising trend. It was exactly at that time that the contribution rate destined to the FGC was assessed at 0.30% p.a. on the guaranteed outstanding deposit balances. Already in mid 1995, interest rates began to show a declining trend, which was interrupted – and even reversed – on account of the Asian and Russian crises in 1997 and 1998 respectively, and the Brazilian exchange crisis of 1999. The reduction of interest rates volatility occurred after the adoption of the floating exchange regime and the inflation target system, followed by positive consequences for the economy as a whole, and especially for the banking sector. Quantitative and qualitative changes were not smaller in the banking sector when we analyze the time period in question. Not only in the number of banks, but mainly in relation to the structure of the system, differences are rather striking. Once the crisis period was over, after liquidations, interventions, closures, fusion and acquisitions, the Brazilian banking system displayed a new profile. A period of sanitation, followed by the sector’s internationalization and the reduction of public participation, brought about a more efficient and solid system concentrated in a smaller number of banks. In the year that the FGC was instituted, the Brazilian banking system consisted of 246 banking institutions among commercial, multiple and savings banks. A great portion of those originated from commercial banks and brokerage houses that became banks after the banking reform of 1988 that encouraged the institution of multiple banks in Brazil. From that year onwards, the total number of institutions in operation has been decreasing and reached a total of 162 banks in June, 2006. During this shrinking process the number of banks operating in the Country was reduced by one-third, in the period of 1996/2006 only, a total of 25 institutions were liquidated by the Central Bank, all having their deposits honored by the FGC. The direct performance of the FGC, therefore, began exactly when the Brazilian banking sector crisis reached larger proportions and required the government to make stronger preemptive interventions. During the year of 1995, the financial sector protection safety network began its restructuring and strengthening, offering special liquidity lines; and the Central Bank expanded its powers in the evaluation and transfer of equity control of those banks facing failure problems and in the improvement of the structure of banking supervision and regulation. During the year of 1996, five

liquidations were decreed by the Central Bank, representing a total of R\$ 259.244 million in deposits honored by the FGC. In the following year, the situation deteriorated even further with the failure of another large private national bank, the Bamerindus, which required the FGC to pay out over R\$ 3 billion and demanded a financial effort that, although extremely burdensome at the time, has now been completely resolved. The years of 1997 and 1998 still required significant payouts on the part of the FGC but in a declining scale: R\$ 151.568 million and R\$ 57.812 million respectively. From that point on, isolated and minor failures in terms of requirements became the rule, without the occurrence of big surprises, and without major difficulties in terms of resources on the part of the FGC, which in the years of 2003 and 2004, rendered guarantees for a total amount below R\$7 million and R\$20 million respectively. These amounts refer to the liquidation of one bank in 2003 and another bank in 2004. From 2005 to 2007 there has been no banking liquidation, and therefore, there has been no payout for deposit insurance on the part of the FGC. All amount figures mentioned above are recorded on a historical current basis.

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 Brazilian DIS, Fundo Garantidor de Créditos - FGC was created on August 31, 1995 by an act of the National Monetary Council (Conselho Monetário Nacional - CMN) for the purpose of administering the protection mechanism for credit holders against financial institutions. Its policy objectives are to: provide insurance against loss of deposits with member institutions; promote and contribute to the stability of the National Financial System; and prevent systemic banking crises.

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

The process for the development of public policy for the FGC was undertaken by the National Monetary Council, which comprises: - Minister of Finance, as Chairman of the Board - Minister of the Planning, Budget and Management - President of the Brazilian Central Bank

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

Other

Resolutions number 3,251 and 3,400

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

Yes

Every 3 years

2.1.6 What sort of system do you have?

Privately established and administered

2.1.7 Who makes decisions to pay depositor claims?

Other

The liquidator and the DIS

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

2.3 Authority to

2.3.1 Enter into contracts

Yes

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

Yes

2.4 Authority over entry and exit of member deposit taking institutions

2.4.1 Establish terms and conditions of membership

No

Membership is compulsory

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

2.5.2 Access to depositor information

Yes

2.5.3 Use various methods of reimbursing depositors claims

No

2.6 Funding

2.6.1 How funding is provided

Yes

through the collection of monthly premium payments

2.6.2 Terms and conditions of premiums or levies

Yes

up to 0.15 % per annum on deposits

2.6.3 Borrowing authorities and limits

No

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

No

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

2.8.4 Authority to cancel deposit insurance of a member institution

No

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

No

2.9 Failure resolution

2.9.1 Authority to decide on appropriate form of failure resolution

No

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

Yes

Limited to 20% of the FGC's equity

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

No

2.10 Authority to:

2.10.1 Undertake formal liquidation

No

2.10.2 Purchase and assumption (sale and merger)

No

2.10.3 Open assistance (bridge bank)

No

2.10.4 Other forms of failure resolution

2.11 Optimizing recoveries

2.11.1 Ability to act as a receiver

No

2.11.2 Ability to act as a liquidator

No

Section 3: Governance Arrangements

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

Yes

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

Board of Directors, Administrative

null|null|null|null|

3.1.3 How is the governing body selected?

Both bodies are elected by the Member's General Meeting.

3.1.4 What is the composition of the governing body?

Board of Directors - is composed of five to nine effective members and an equal number of alternates.

Members must be natural persons residing in the Country, and are nominated by member institutions.

Administrative body(Executive Director's Office)- Up to 3 members

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

- to assess the ordinary contribution percentage for the FGC's member-institutions; - to establish the overall guidelines for the services rendered by the FGC, especially policies and norms to be followed in order to fulfill its social purposes and for investing its resources, following the requisites of composition and diversification of risks in its portfolio, being also authorized to outsource the management of its investments; - to approve the internal bylaw and defining responsibilities for the decisions and implementation of procedures under the FGC legal scope; - to nominate to the general meeting the names of candidates for the Executive Director's Office membership; - to approve FGC's operational and investment budgets; - to approve the remuneration levels for the Executive Director's Office; - to decide on the acts and operations that, in accordance with its statute or the internal bylaw, fall under the responsibility of the FGC, including the alienation of items from permanent assets; - to decide on the hiring of independent auditors;

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

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

No

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

No

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

No

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

1. General Meeting 2. Board of Directors 2.1. Executive Director's Office 2.1.1. Managers

3.1.12 Do you have an internal control and audit systems

Yes

KPMG

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

3.1.14 Is there an advisory committee to the DIS?

Yes

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

No

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

Annual Reports, Audited Financial Statements, 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) ?

10 full-time employees

4.1.2 Are the majority of DIS employees dedicated staff or do they come from other organizations (i.e. government, central bank, private sector)?

Yes

Private sector

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

We do not have training and development programs

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

bank, supervisor, regulator, other)

No

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

1

4.1.6 Are confidentiality provisions for employees provided for?

No

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?

0.0001% on Information Technology.

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

5.1.1 Who performs examinations of DIS member institutions?

Central Bank

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

We do not have access to the Central Bank examination process.

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

Not applicable to the FGG

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 agreements

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

4

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

Central Bank|null|null|

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

Yes

Central Bank

5.2.6 How often do you contact other DIS?

Regularly

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

Section 6: Membership

6.1.1 What types of institutions are covered in your DIS?

Multiple banks, commercial banks, investment banks, development banks, federal savings bank, credit, financing and investment companies, real estate credit companies, mortgage companies, and savings and loans associations

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)

Regulations

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

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?

162 member institutions

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

US\$445.060 billion Rate: 1.663 (Brazilian Reais)= 1 US\$

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, Money orders

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?

R\$ 60,000.00 = US\$ 36,079.00

7.1.5 How was this figures arrived at?

This limit amount has been adjusted to compensate the effects of inflation.

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|null|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.

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?

This decision is made by the Central Bank.

7.1.15 When member institutions merge how are insured deposits treated?

They receive the same treatment as all other deposits.

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?

Other

The rate is the same for all member institutions

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)

Flat rate

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

The current premium rate is fixed at 0.15% per annum, of the total balance of the accounts corresponding to the obligations of the guarantee. It used to be 0.30% per annum.

8.1.5 How often is the premium assessed?

Every 5 years

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?

Yes

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)

Yes (Go to next question)

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

2% of the total balance of the accounts guaranteed

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

The fund is invested only in government securities.

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?

Access to private markets

null|null|null

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

No

Section 9: Reimbursing Depositors

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

1. The Liquidating Bank prepares separate lists that consolidate credits of beneficiaries and the amount each beneficiary will receive from the FGC as well as the respective payment documents (Assignment Documents). 2. Payments are made by a Paying Bank, chosen by the FGC, in branches which are located close to the Liquidated Bank branches in order to facilitate access on the part of beneficiaries. 3. When the beneficiary receives the credit he or she signs the Credit Ceasing Commitment Document to the FGC, which are sent to the branches of the Paying Bank. 4. Direct credit to checking accounts is not allowed, even if the beneficiary has an account with the Paying Bank. 5. Neither the beneficiary nor the FGC will be charged for

this service.

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

No

The FGC makes use of information and data from the failed institution.

9.1.3 When is the DIS obligated to reimburse insured depositors?

In the event of intervention and extrajudicial liquidation or bankruptcy.

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

No

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

Yes

Please see the FGC website

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

Payment is made through a Paying Bank, selected by the FGC, in branches which are located close to the Liquidated Bank branches in order to facilitate the access on the part of beneficiaries.

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

No

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

Name, type of accounts, amount value, and maturity dates.

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

After liquidation is decreed.

9.1.10 Does the DIS have the option of making advance payments to depositors in situations of dire need (i.e. in an emergency)?

No

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

No

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

Depositors are called for through announcements on newspapers and websites.

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

Only the Paying Bank has access to the information and data.

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

1. The Liquidating Bank prepares separate (according to branches) lists which consolidate all credits to be reimbursed. 2. The lists are submitted to the FGC.

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

1. The FGC hires an auditing company to verify the information and data of depositor records of failing banks.

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?

A financial institution selected by the FGC is responsible for processing all reimbursements.

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

Financial statements, Board of Directors reports, reports on investment resources.

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

DIS

Executive Director (CEO)|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?

No

10.1.5 If so, what methods are utilized?

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

With respect to information on the risk profile of a member institution, in the normal course of business, this information is kept confidential by the Central Bank. However, when an institution fails or enters into the process of liquidation this information is displayed at the website and the monetary authorities make the necessary announcements through the main newspapers.

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

Central Bank

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

biannually

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.

Not applicable.

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.

Actions are taken by the Central Bank.

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?

Central Bank

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

Not applicable.

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

Not applicable. This is determined by the Central Bank.

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

27 member institutions.

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

Yes

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

Yes

The receiver role is performed by an administrator appointed by a court judge.

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

Last 10 years

12.2.2 Purchase and assumption (sale and merger)

Yes

Before 1995, through a special federal program named PROER (Program of Incentives for the Restructuring and Strengthening of the National Financial System)

12.2.3 Open bank assistance (e.g. recapitalization)

Yes

Before 1995, through a special federal program named PROER (Program of Incentives for the Restructuring and Strengthening of the National Financial System)

12.2.4 Bridge banks and other interim solutions

Yes

Occasionally

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

The criteria is set by the Central Bank according to the minimum cost to the society.

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

No

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

Holding companies.

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 DIS designs projects which are evaluated and approved by the Central Bank

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 DIS is a pay box system. The FGC pays the claims of insured deposits and seeks to maximize nominal recoveries.

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

None.

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

Just a follow-up day by day.

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)?

To maximize recoveries, the FGC prepares studies together with the Central Bank, with former controllers and with liquidators. Comparison with the private sector is not applicable because to perform their assets they use mainly the studies prepared by the FGC.

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?

Non-performing assets which require a considerable effort and time to perform.

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

Taxes, rights under labor laws, collateral security, other creditors

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?

So far, we are not concerned about the potential impacts 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?

No