

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:

Seguro de Depósitos S.A.

1.1.2 Organization Address:

San Martín 344, 12th floor, C1004AAH - Buenos Aires

1.1.3 Organization Telephone No:

+541141312800

1.1.4 Organization Fax No:

+541141312801

1.1.5 Organization Internet Address:

www.sedesa.com.ar

1.2 Contact Person(s):

1.2.1 Contact Person(s) Name:

Carlo Nosedá

1.2.2 Contact Person(s) Address:

San Martín 344, 12th floor - C1004AAH - Buenos Aires

1.2.3 Contact Person(s) Telephone:

+541141312820

1.2.4 Contact Person(s) Fax:

+541141312801

1.2.5 Contact Person(s) E-mail address:

cnosedá@sedesa.com.ar

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 la República Argentina (BCRA)

1.3.2 Central Bank Address:

Reconquista 266, C1003ABF - Buenos Aires

1.3.3 Central Bank Telephone:

+541143483500

1.3.4 Central Bank Fax:

1.3.5 Central Bank Internet Address:

www.bcra.gov.ar

1.3.6 Central Bank Contact Person:

Miguel Angel Pesce

1.4 Financial Supervisor:

1.4.1 Financial Supervisor Name:

Superintendence of Financial and Exchange Entities (SEFyC)

1.4.2 Financial Supervisor Address:

Reconquista 250, C1003ABF - Buenos Aires

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 Deposit insurance system came into force through the act 24.485 (April 1995). For that purpose the national Executive Power created the entity "SEDESA" pursuant to Decree 540/95, with the sole purpose of acting as Trustee whenever so required by the National State or the Central Bank of the Argentine Republic. Such decree created the Deposit Guarantee Fund (DGF) in order to insure bank deposits, its scope of action being clearly laid down in such regulation and its subsequent amendments.

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 System of Deposit Insurance Guarantee is created, which will be limited, binding and whose funding is covered exclusively by the financial entities, with the purpose of covering the risks of the bank deposits, in a subsidiary and complementary manner with regard to the system of privileges and deposit protection established by the Law on Financial Entities, without jeopardising the resources of the Central Bank of the Argentine Republic nor those of the National Treasury. Last review: June 2002

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

The duties of SEDESA as manager of the DGF are stated in the regulations in force Law: 24.485 Decree: 540/95

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

Legislation

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

No

2.1.6 What sort of system do you have?

Government legislated & privately administered

2.1.7 Who makes decisions to pay depositor claims?

DIS

The DIS decides if the resolution implies the direct payment of the coverage of the guarantee to the depositors, other alternatives of resolution must be decided by the Steering Committee elected by the Banks and Chaired by the Central Bank.

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

It is mandatory for all institutions to be members of the DIS.

2.4.2 Authority to terminate the insured status of a member institution

No

All financial entities are members of the DIS as long as they are authorized by the Central Bank to function as such.

2.5 Depositor reimbursement

2.5.1 Affect reimbursement of depositors claims

Yes

2.5.2 Access to depositor information

Yes

2.5.3 Use various methods of reimbursing depositors claims

Yes

2.6 Funding

2.6.1 How funding is provided

Yes

A fund is established due to the monthly premiums of banks that operate in Argentina

2.6.2 Terms and conditions of premiums or levies

Yes

There is a mandatory monthly premium of 0.015% of total deposits plus a risk differentiated premium.

2.6.3 Borrowing authorities and limits

Yes

market securities, no limit.

2.7 Information Requirements

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

No

The Central Bank provides the information needed in every intervention.

2.7.2 Access to information through supervisory authorities

Yes

The Central Bank provides the information needed in every intervention.

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

OTHER: SEDESA can inform the Central Bank about risky conduct of member institution

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

The resolution is decided by the Steering Committee and its decisions become mandatory for SEDESA.

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

Only if it is decided by the Steering Committee

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

No

Only if it is decided by the Steering Committee

2.10 Authority to:

2.10.1 Undertake formal liquidation

No

2.10.2 Purchase and assumption (sale and merger)

No

Only if it is decided by the Steering Committee

2.10.3 Open assistance (bridge bank)

No

Only if it is decided by the Steering Committee

2.10.4 Other forms of failure resolution

a) To make effective the coverage of the guarantee to the depositors, with the limits and conditions set forth in these presents, and their regulatory, complementary and clarifying provisions. b) To make capital contributions, non reimbursable contributions or loans to: (I) The financial institutions which are subject to a regularization and restructuring plan and to the effect of supporting the fulfillment of same. (II) The financial institutions which acquire assets and assume the responsibility for the payment of the deposits of another institution subject to the regime of Section 35 bis and concordant of Law on Financial Entities N° 21,526 and its modifying laws, when it were convenient to compensate the inadequacy of said assets with regard to the whole of the deposits transferred; or (III) The financial institutions which take over or purchase financial institutions in the framework of a regularization and restructuring plan. c) To enter, with financial entities acquiring assets and taking charge of the payment of the deposits of another entity subject to the regime of Section 35 bis and concordant of Law N° 21,526 and its modifications, a contract of sale option in favor of the acquiring entity, on the whole or part of the assets transferred. The transaction foreseen in this Paragraph may be performed through the constitution of a trust agreement to which the assets of an entity subject to the regime of Section 35 bis of the above mentioned Law are transferred, and in which SEDESA, in its capacity of administrator of the DGF, acquires beneficiary right on the proceeds of the sale or of the liquidation of the assets transferred to the trust agreement. d) To acquire deposits of banks suspended under Section 49 of the Articles of Incorporation of the BANCO CENTRAL DE LA REPUBLICA ARGENTINA (Law N° 24,144), up to the amounts of the guarantees foreseen in Section 13 of the present Decree, surrogating itself in the rights of the depositors. e) To borrow or to receive loans or to enter whatever other credit operation on account of the DGF, in its capacity of administrator of same, up to an amount not higher than the total amount of the monthly normal and additional assessments of the financial entities referred to in Section 6, be it cash or through the assumption of the commitment to contribute in accordance with the provisions of Section 6, during the period of TWO (2) years effective as from the moment when the loan or the credit transaction is initiated. To the effect of determining the total assessments during the above-mentioned TWO (2) year term, the amount of the monthly assessments of each entity at the time of contracting the loan or performing the credit transaction, shall be computed. f) To perform, maintain or finance swap programs with foreign banks, with the purpose of contributing to the stability of the Financial System, with the previous agreement of the BANCO CENTRAL DE LA REPUBLICA ARGENTINA, and on account of the DGF. The application of the alternatives foreseen in the foregoing paragraphs b), c) and d) as well as the transactions to which paragraph e) refers, shall be exclusively decided by a Steering Committee, the decisions of which shall be binding to SEDESA. A representative of the BANCO CENTRAL DE LA REPUBLICA ARGENTINA and a number of members to be determined in the Trust Agreement between a minimum of FOUR (4) and a maximum of SEVEN (7) representatives of the financial entities which contribute to the DGF shall make up said Committee.

2.11 Optimizing recoveries

2.11.1 Ability to act as a receiver

No

2.11.2 Ability to act as a liquidator

No

Section 3: Governance Arrangements

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

Yes

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

Board of Directors

null|null|null|null|null

3.1.3 How is the governing body selected?

Every 3 years there is a shareholders General Meeting where they elect the Chairman, Vicepresident and Executive Director.

3.1.4 What is the composition of the governing body?

There is a Chairman, Vicechairman and Executive Director. As a control body there is a Board of 3 Internal Comptrollers

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

To put into force the duties of trustee which are stated by the national government or central bank.

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

Yes

The Board of Directors is elected by the financial institutions

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

Yes

The Central Bank elects one of the internal comptrollers of SEDESA, it also selects the chair of the steering committee.

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

Yes

The Central Bank elects one of the internal comptrollers of SEDESA, it also selects the chair of the steering committee.

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

General Manager (CEO) - Administration and Finance Manager - Planning and Control Manager - Trusts and Asset Recoveries Manager - IT and Organization Manager

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

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) ?

48 people including all the staff, directors and part 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

Dedicated Staff

4.1.3 Does the DIS train and develop its own staff? If so, briefly describe programs which have been put in place for training and development?

Yes

there is an annual training plan

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

All sectors are compared to the compensations in the same area and there is an Annual Bonus compensation depending on the fulfilment of goals

4.1.6 Are confidentiality provisions for employees provided for?

Yes

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

Yes

all the managers are covered with a legal protection insurance

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

2%

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?

The Central Bank through the Superintendency performs the examination process. This examination process covers monthly reports provided by the financial entities and inspections in situ.

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

Specific information collected for the DIS covers revenues collected for the Deposit Insurance Fund.

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.

A formal arrangement is maintained through the Steering Committee on the occasion of resolving individual cases.

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

3

5.2.2 timeliness

3

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

Yes

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

Advise,Other

null|null|null|

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

Yes

With the central bank

5.2.6 How often do you contact other DIS?

Other

There is no other DIS in Argentina

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 institutions providing financial intermediation licensed by the Central Bank.

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

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?

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?

Currently (As of dec 2007) we have 85 members: There are 12 state owned banks and 55 private banks and 18 are other financial entities.

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

Total deposits (Dec 07) 205.550.494.000 ARG pesos Total level of assets (dec 07) 297.962.648.000 ARG Pesos

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)

The deposits in both pesos and foreign currency constituted with the participating entities under the form of checking accounts, saving accounts, time deposit, special deposits, time investment, immobilized balances or other forms that the Central Bank of the Argentine Republic may determine, in line with the preceding concepts, shall benefit from the insurance coverage offered by the system.

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

7.1.3 Is coverage

Other

Per deposit account + per depositant + per institution

7.1.4 What is the coverage limit per depositor?

\$30.000 Argentine Pesos per depositor per deposit account

7.1.5 How was this figures arrived at?

On the basis of historical records. Argentina, with the exceptions of brief periods, has different types of DIS since 1935.

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

The coverage of deposits has no term limit.

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

Officers and directors of member institutions, Other

null|null|null|null|null

7.1.8 Is the coverage amount indexed?

No

7.1.9 What is it indexed to?

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.

Yes

The Central Bank can modify them

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?

The decision is left to the Central Bank.

7.1.15 When member institutions merge how are insured deposits treated?

Insured deposits are treated as a sole 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-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)

Basically, premiums are assessed as a flat rate but there is an additional form of risk-adjustment premiums.

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

Currently 0.015 percent of the monthly average of total deposits of each institution. The law allows the Central Bank to establish a normal monthly premium of between 0.015 and 0.06 percent of the monthly average of daily balances of deposits in pesos and foreign currencies. The Central Bank can also establish an additional premium as a function of the risk indicators of each institution. This additional premium cannot exceed the normal one.

8.1.5 How often is the premium assessed?

monthly

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.

The normal assessment shall be corrected according to the results obtained for each entity through the application of an index that, constructed as a function of risk factors. The index shall fluctuate between the values 1 and 2

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

Yes (Go to next question)

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

The target level of the fund is defined by law and it is equivalent to five percent of the total deposits of the financial system.

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

The law dictates that the resources of the fund should be invested in similar conditions as those established for the investment of the international reserves of the Central Bank.

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

Other

Not apply

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, Other please explain

null|null|null|

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

No

Section 9: Reimbursing Depositors

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

The guarantee shall be paid in a subsidiary and complementary manner to the reimbursement of deposits by application of the privilege set forth in the law on financial entities, within the term of THIRTY (30) working days as of the day following that of the revocation of the authorization to operate of the entity, provided the depositors meet the established requirements and the DGF has funds available. At SEDESA's request, the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may authorize the extension of said term, when the number of beneficiaries in process of settlement so justifies it. When the resources of the

DGF are insufficient to cover the payment of the amounts guaranteed, the reimbursement shall be made through the distribution of the available funds on a pro-rata basis. The balance shall be paid within a term of THIRTY (30) days counted as of the date when the DGF reports the existence of financial availability. In these cases and when there were more than one entity whose authorization had been revoked, the payment priority shall be governed by the chronological order resulting from the beginning of the counting of the term of payment of the guarantee. In no case shall the DGF cover or acknowledge interests for the period going from the original due date of the deposits and the date of payment of the guarantee.

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

No

9.1.3 When is the DIS obligated to reimburse insured depositors?

The guarantee shall be paid within the term of THIRTY (30) working days as of the day following that of the revocation of the authorization to operate of the entity.

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

Yes

for details please check answer 9.1

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

Yes

The special accounts covering wages and salaries will be made effective within five (5) working days as from the date of suspension of the entity up to the maximum limit of the guarantee, currently amounting to Thirty Thousand pesos.

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

SEDESA may issue nominative bonds non-endorsable with the purpose of offering them to the depositors in payment of the deposit guarantee, if it had not enough funds to these effects. Said bonds, whose conditions shall be established with a general character by the BANCO CENTRAL DE LA REPUBLICA ARGENTINA, shall have to be accepted by the financial entities so as to constitute deposits in the conditions stipulated by said regulations.

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.

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

The central bank regulates the information regarding the depositant records which are kept by the banks.

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

Once the assistance to the Bank has been decided

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

By law, deposits accounts where salaries are deposited, are paid within 5 working days after the Bank has been suspended

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?

There is no communication scheme

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

There is not an specific procedure

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

This information is provided by the Central Bank through the Superintendence of Financial and Exchange Entities (SEFyC)

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

This information is provided by the Central Bank through the Superintendence of Financial and Exchange Entities (SEFyC)

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?

No

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

No specific technology is used

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

The law establishes the obligation of participating institutions to inform the public about the mechanism of deposit insurance.

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

DIS,Other

null|null|null|null|null

10.1.3 Are these explicitly stated in policy or law?

Yes

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

Yes

10.1.5 If so, what methods are utilized?

Website,Other

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?

This kind of information is confidential.

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

No

10.1.8 Has the DIS ever embarked on a public awareness campaign to increase awareness and knowledge? If yes, how many times has this been done and when was the last time?

No

10.1.9 Please describe the approach used; objectives, target audience, communication strategy, and timing results.

Section 11: Risk Assessment & Intervention

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

No

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

No

SEFyC

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?

Other

We access to the public information publish by the central bank.

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.

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.

Section 12: Failure Resolution

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

Yes

There is a Steering Committee that decides the failure resolution that is mandatory for SEDESA

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

The central bank

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

The DIS can not terminate the deposit insurance of a member institution.

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

It is determined by the Central Bank

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

Since 1995 when SEDESA was created, 26 financial institutions failed and had been assisted by the DIS.

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

No

There is a special bankruptcy process established by the Financial Institutions Act

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

Other

In general the receiver is different from the disposer

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

12.2.2 Purchase and assumption (sale and merger)

Yes

12.2.3 Open bank assistance (e.g. recapitalization)

Yes

12.2.4 Bridge banks and other interim solutions

Yes

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

In the past 20 years there have been several modification in the legislation regarding bank resolution. Currently The Steering Committee decides upon the solution that results in the "least cost"

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

Yes

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

Other Banks

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

Sometimes SEDESA receives assets as a compensation for an assistance.

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)?

Increase the liquidity of the deposit guarantee fund.

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

Sometimes the banks (private and state owned) participate in the Bank failure resolution as buyers or trustees.

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

SEDESA has developed a process to efficiently manage the information regarding the asset recovery and to follow up on each of this situations.

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

The DIS performance is analyzed by the Internal controllers, stockholders and its actions are also reviewed by the Central Bank.

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?

We have found that loans with automobiles as collateral are the hardest assets to recover. This is because the difficulties to find the collateral and the quick depreciation of the cars value.

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.

No

Section 14: Other Issues

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

Cross border issues

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

Investment Policies