

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:

Superintendencia de Protección del Ahorro Bancario (SPAB)

1.1.2 Organization Address:

Diagonal Fabini 777, Montevideo, Uruguay,

1.1.3 Organization Telephone No:

(00598 2) 1967 1111

1.1.4 Organization Fax No:

(00598 2) 902.32.29

1.1.5 Organization Internet Address:

infospab@bcu.gub.uy

1.2 Contact Person(s):

1.2.1 Contact Person(s) Name:

Cr. Jorge Sánchez, Cra. Rosario Soares Netto

1.2.2 Contact Person(s) Address:

Diagonal Fabini 777, Montevideo, Uruguay,

1.2.3 Contact Person(s) Telephone:

(00598 2) 1967 1231

1.2.4 Contact Person(s) Fax:

(00598 2) 902.32.29

1.2.5 Contact Person(s) E-mail address:

jsanchez@bcu.gub.uy

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 del Uruguay

1.3.2 Central Bank Address:

Diagonal Fabini 777, Montevideo, Uruguay,

1.3.3 Central Bank Telephone:

(+598 2) 1967

1.3.4 Central Bank Fax:

(+598 2) 1967

1.3.5 Central Bank Internet Address:

Info@bcu.gub.uy

1.3.6 Central Bank Contact Person:

Dr. Aureliano Berro

1.4 Financial Supervisor:

1.4.1 Financial Supervisor Name:

Superintendencia de Instituciones de Intermediación Financiera

1.4.2 Financial Supervisor Address:

Diagonal Fabini 777, Montevideo, Uruguay,

1.4.3 Financial Supervisor Telephone:

(+598 2) 90830509

1.4.4 Financial Supervisor Fax:

(+598 2) 9021360

1.4.5 Financial Supervisor Internet Address and contact:

siif@bcu.gub.uy

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 was constituted on the 27th December, 2002 by means of the Law N° 17.613. It has an independently assigned capital, and is managed by the Superintendencia de Protección del Ahorro Bancario, a technically independent sector that operates within the Banco Central del Uruguay..

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?

Guarantee the limited coverage of insured deposits in Banks and financial intermediation cooperatives. The Superintendency can: 1. Require of financial intermediaries, directly or through the Superintendencia de Instituciones de Intermediación Financiera of the Central Bank of Uruguay, whatever information it deems necessary in order to comply with its responsibilities, with the periodicity and under the manner it considers necessary. 2. Administer the Deposits Insurance Fund. 3. Regulate the terms and conditions in which coverage is to be effective in situations of crisis affecting depository financial intermediation institutions. 4. Pay coverage of the deposit insurance. 5. disposal of banks shares that have not complied with plans for reorganization or required recapitalization by the Central Bank of Uruguay. The resale of those shares must follow the bidding procedure determined by the Superintendency for reasons of good administration. 6. Propose to the Central Bank of Uruguay the issue of regulations, resolutions, specific instructions, prudence standards, penalties and any other measure within its competence deemed convenient towards achieving its targets. No changes have occurred from the beginning

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

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

Legislation

<http://www.bcu.gub.uy/autoriza/sgoioi/spab/leyesydecretos.htm>

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?

Other

Pay box

2.1.7 Who makes decisions to pay depositor claims?

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

No

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 mandatory by law for banks and financial intermediation cooperatives.

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

Yes

In case of off-set. See question 9.1.1.

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

No

Establish by law. Government funding as loan to return, member institution premiums and the proceeds of the Fund investments.

2.6.2 Terms and conditions of premiums or levies

No

The SPAB can propose a change of the methodology to determine different categories of banks according to risk, to the Executive. The Executive is the one who fixes the corresponding rates to each risk category of bank.

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

Yes

2.8 Enforcement and intervention

2.8.1 Authority to conduct examinations and/or reviews

Yes

2.8.2 Ability to set standards or guidelines for member institutions

Yes

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).

No

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

No

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)

No

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

Board or Committee

null|null|null|null|null|

3.1.3 How is the governing body selected?

The members of the Comisión de Protección del Ahorro Bancario are appointed by the Board of Directors of the Central Bank of Uruguay, with the vote of the unanimity of its members.

3.1.4 What is the composition of the governing body?

The Commission is integrated by a President (from the Central Bank), a Vicepresident (proposed by the Executive Power) and a director (proposed by common agreement by the institutions members of the DIS).

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

To manage the Superintendencia de Protección del Ahorro Bancario, complying with the responsibilities detailed in 2.1.2

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

Yes

The director is chosen from a list of three candidates proposed by the institutions members of the DIS.

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

Yes

The President of the COPAB represents the Banco Central del Uruguay and the

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

Yes

Idem 3.1.7

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

Yes

Idem 3.1.7

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

Yes

See question 3.1.4 (Vicepresident)

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

See question 3.1.4 and 3.1.7 Bank Saving Protection Commission (3 members) Secretary Bank Saving Protection Manager Secretary Risk analysis and regulation department (2 Analysts)and Fund Management Department (3 Analysts)

3.1.12 Do you have an internal control and audit systems

Yes

The audit systems are those of the Central Bank while the SPAB has its own internal control procedures.

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?

Yes

The Investment Committee (informal) is integrated by 2 board members and the manager.

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,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) ?

There are 12 employees including board (commission) members.

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

4.1.3 Does the DIS train and develop its own staff? If so, briefly describe programs

which have been put in place for training and development?

Yes

The training program of the DIS depends on the training program of the Banco Central del Uruguay.

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

There are shared training with the Supervisor.

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

1

because of the situation of the SPAB. In the late 2005 the Executive Power has promoted a law project that is in the Congress until now. This project promotes a new independent entity in charge of the deposit insurance. That is why the SPAB has a provisory structure inside the Banco Central del Uruguay and is unable to give incentives to its staff. The compensations are the sames offered by the Banco Central del Uruguay to its employees..

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

according to Constitution, Art. 20 and 21.

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

Approximately: Training:0.6% Development and information technology:3%

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

5.1.1 Who performs examinations of DIS member institutions?

Supervisor

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

The process evaluates the Corporate Governance, the financial and economic situation, the risk management and the Information Technology (CERT). Besides, the SIIF manages a permanent off site analysis

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

From Member institutions: - Deposits - Depositor's information From Supervisor - Institution's Shareholders - Risk assessment -Institution's economic and financial capacity. - The Cert category

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 is an agreement with the Assets Management Area (AMA) in order to make international investments on behalf of the Fund. According to the Agreement, the AMA should inform the Superintendencia de Protección del Ahorro Bancario on the available investment instruments universe in order to let the SPAB to select the eligible assets and carry out investment decisions consistent with the parameters defined.. There is an agreement with the Financial Intermediation Institutions Superintendency (memorandum of understanding) in order to receive the information mentioned in 5.1.3.

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

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?

Consult,Advise,Other
null|null|null|

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

Yes

5.2.6 How often do you contact other DIS?

Regularly

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?

Banks and financial intermediation cooperatives.

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?

There is only one member responsible for the application process for membership in the safety net (Central bank who in turn, is the supervisor. However in the process intervenes the Executive through the Ministry of Finance).

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?

There are 17 member institutions.

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

At 31/03/08 Total Assets:USD 18.508.908.370 Deposits: USD 15.517.811.070 Insurable Deposits: USD 12.505.983.713

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,Annuity contracts,Foreign currency deposits

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?

Up to an amount of US\$ 5,000 (five thousand USA dollars) for all the deposits in foreign currency of each physical or legal person in each member institution, and up to the equivalent to UI 250,000 (two hundred

and fifty thousand indexed units, equivalent U\$S 22.000) for all the deposits in domestic currency of each person and in each member institution.

7.1.5 How was this figures arrived at?

The foreign currency deposits are riskier than domestic ones to the financial system. Besides, all are not to be covered because of moral hazard reasons. The Executive Power determined the coverages.

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

All the eligible deposits are covered by the DIS

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?

See 7.4 Consumer Price Index

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

Other

The coverage is limited as explained in 7.1.4.

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

Yes

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

In the crisis of 2002, the Government covered all deposits until U\$S 100.000. At present, there is not public expectation in a complete coverage provided by the Government

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

The insurance deposit covers all the deposits described in question 7.2

7.1.15 When member institutions merge how are insured deposits treated?

The coverage is by person. Actually if one person has deposits in both member institutions, after the merge the coverage will be only taking into account the consolidated balances of each depositor.

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).

It is used: Government funding as loan to return, member institution premiums and the proceeds of the Fund investments .

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

Premium assessment

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

The premium is composed by a flat rate plus a differential one. Differential premiums are applied considering 1. The entity's weaknesses; 2. The entity's capital level; 3. The entity's shareholder's economic and financial capacity; and 4. The entity's shareholder's commitment.

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

Flat rate 1‰ (one per thousand) over deposits in local currency Flat rate 2‰ (two per thousand) over deposits in foreign currency Variable: Risk I: 0‰ (zero per thousand) annually Risk II: 0.5‰ (half per thousand) annually Risk III: 1‰ (one per thousand) annually Risk IV: 1.5‰ (one and a half per thousand) annually Risk V: 2‰ (two per thousand) annually No changes have occurred until now.

8.1.5 How often is the premium assessed?

Twice a year

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

Insured Deposits

On the annual average of 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.

See 8.3 and 8.4

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?

It is the 5% of the total insured deposits

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

Liquidity policies Currency mismatch policies Credit risk ratings of the correspondent banks Profitability.

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

Yes

The fund can require 3 years of premiums in advance

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

Government funding, 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?

Deposits are reimbursed up to the coverage limit determined for each currency (local or foreign currency) following the degree of liquidity of each deposit constituted by the client. The SPAB has the capacity to off-set the amount of the coverage with the amount of matured debts of each depositor

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?

60 days after the Central Bank declares the financial institution liquidation or the suspension of its activities

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?

No

but we are working in a procedure manual

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

The methods of payment are not specified, In the unique payment made by the SPAB, we used internal checks

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

The clearing is made under the regulation of the Central Bank. The set-off is established by regulation. Trusts are treated like persons, being one trust a single person. The Fund pays with a special account issued for the occasion

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

The documentation that supports the information about depositors sent to the SPAB.

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

DIS access to deposits information periodically (every month), but the name of the depositor is not identified. Only in case of intervention or suspension of activities and subsequent reimbursement of deposits, the name of the clients could be known by the DIS.

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

According to Uruguayan laws, the accruing of interest stops due to the liquidation of a bank

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

Amount, date and place of reimbursement

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

Information is available only for the failed institution, the payment agency (can be the same institution) and DIS, secrecy is maintained regarding other agents.

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

Periodic audits of financial institution information are performed, using coding data to preserve depositor identity. In the procedure manual that is in process, it is planned not to pay before the DIS has a reasonable certainty of data provided by the failed institution

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

Audits made by the SPAB on the records of the institution members

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

At present we have only one experience (march 2006) and based on this experience, are elaborating a manual.

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

Special software designed to control data and payments.

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

Mandatory information regarding deposit coverage must be provided by financial institutions in all deposit contracts, all documents regarding general conditions of contracting, all documentation sent by mail regarding deposit contract confirmations, all communications between the institution and the client regarding deposit contracts. The relevant information must be written in bold. Deposit insurance conditions must be exposed in all locations of the financial institutions in places where deposit transactions are developed and in a clear and remarkable manner. The dimensions of the corresponding notice must be at least 30 cm by 50 cm.

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

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?

Brochures,Other

null|null|null|null

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

Economic and financial information is issued by the Banking Supervisor every month. Also annual audited financial statements are available to public in the web site of the Banco Central del Uruguay and are published in two 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?

Yes

we have made presentations at Universities and academic events organized by the Central Bank last year and a public campaign in this sense is planned to be done in the near future.

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

The target are current depositors and future depositors and the procedure is that not only banks must explain the deposit insurance system to the public, but also the SPAB and the supervisor must explain it as well.,

Section 11: Risk Assessment & Intervention

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

Yes

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

No

examinations are performed by the Banking Supervisor

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

Yes

Information about deposits is provided by member institutions (monthly)

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.

We have two different risk approaches, which are complementary. The first approach is used to determine the risk adjusted part of the premium. In this approach, five risk categories are established by the SPAB and have been identified as I, II, III, IV, and V, where I represents the lowest risk. and V represents the highest. These categories derive from a combination of the four above variables within a matrix pattern: the SPAB's Risk Matrix. In turn, this matrix derives from two sub-matrixes (the Strength Sub-Matrix and the Shareholder's Capacity and Commitment Sub- Matrix), comprising two variables each. Figure 1 shows an outline of the method for the computation of the SPAB's Risk Categories. In the second approach we make a rating of the institutions through the combination of two alert indicators: a) financial and economic ratios b) macroeconomics ratings. The first kind of ratios is assessed with absolute alerts (based in standard prudential relations) and relative alerts (related to the whole system and to the peer group). The second kind of ratios is assessed taking into account the manner that the more probable macroeconomic scenario can impact to each bank, depending on its risk profile. Through the combination of the two alerts, we obtain the final rating. With this analysis, we have another risk approach, and through the combination of both approaches and the qualitative information provided by the Supervisor we have a risk assessment that we formalize in a quarterly risk institution report

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.

More information is required from the Supervisor and we have work meetings with him on a more frequently basis.

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?

The Banco Central del Uruguay who is turn is the banking Supervisor

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

An institution is not member any more when it has failed

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

If capital requirement is not achieved and the Supervisor considers the institution is not viable any more

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

Seven

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

Yes

After the crisis one law has permitted to create a bank with the good assets of three liquidated banks (good bank, bad bank). The assets were acquired in an auction.

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

Yes

The Banco Central del Uruguay is the liquidator and in this function, is also the receiver through special independent funds created from assets from failing institutions and whose owners are depositors and creditors of the failing institution. These funds are managed by the Central Bank, who must collect the assets to pay the liabilities of the failed bank

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

Once

12.2.2 Purchase and assumption (sale and merger)

Yes

Once purchase and assumption and once merge

12.2.3 Open bank assistance (e.g. recapitalization)

Yes

Once

12.2.4 Bridge banks and other interim solutions

No

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

The method of failure resolution is decided by the Banco Central del Uruguay

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

Currently the DIS does not participate in failure resolutions..

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

In the last crisis private asset management companies participated in the management of bad assets of failing 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

The DIS pays the deposit insurance

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

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable

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

subrogation of insurance entity to the rights of insured depositors after the coverage is paid

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

the salary accounts have priority to other deposits. Alternatively, depositors are general creditors.

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

Not currently the SPAB has set a special regulation.

Section 14: Other Issues

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

The banks have decreased its revenues and at the same time its off-shore financial institutions deposits are riskier because of the US Subprime crisis. But we expect that the potential impact will not be much significant.

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

public awareness and best practices banking resolutions problems institutional arrangements safety net relationships