

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 de Garantia de Depósitos

1.1.2 Organization Address:

Av. da República, 57 - 8º. 1050-189 Lisboa. Portugal

1.1.3 Organization Telephone No:

(351) (21) 792 57 35

1.1.4 Organization Fax No:

(351) (21) 794 20 01

1.1.5 Organization Internet Address:

<http://www.fgd.bportugal.pt>

1.2 Contact Person(s):

1.2.1 Contact Person(s) Name:

António José Vieira Águas

1.2.2 Contact Person(s) Address:

Av. da República, 57 - 8º. 1050-189 Lisboa. Portugal

1.2.3 Contact Person(s) Telephone:

(351) (21) 792 57 35

1.2.4 Contact Person(s) Fax:

(351) (21) 794 20 01

1.2.5 Contact Person(s) E-mail address:

ajaguas@sgfbpp.pt

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:

Fundo de Garantia do Crédito Agrícola Mútuo.(Deposit scheme) Sistema de Indemnização aos Investidores.(Securities scheme)

1.3 Please provide information on other participants in your financial system

safety-net:

1.3.1 Name of Central Bank:

Banco de Portugal

1.3.2 Central Bank Address:

Rua do Comércio,

1.3.3 Central Bank Telephone:

1.3.4 Central Bank Fax:

1.3.5 Central Bank Internet Address:

<http://www.bportugal.pt>

1.3.6 Central Bank Contact Person:

Paulo Amorim (International Department)

1.4 Financial Supervisor:

1.4.1 Financial Supervisor Name:

Banco de Portugal

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)?

Deposit Guarantee Fund was established and approved by Decree-Law No. 298/92, of 31 December of 1992.

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?

To guarantee the repayment of deposits with credit institutions which are members thereof. The Fund can also cooperate, on a temporary basis, in actions intended to restore the solvency and liquidity conditions of the said institutions, within the framework of the intervention programme prescribed by law.

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

Mainly the European Directive 94/19, May 30, 1994.

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?

Other

When circumstances justify a review process.

2.1.6 What sort of system do you have?

Government legislated and administered

The Fund is a public-law legal person with administrative and financial autonomy.

2.1.7 Who makes decisions to pay depositor claims?

Supervisor

Banco de Portugal as supervisor authority

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

2.3 Authority to

2.3.1 Enter into contracts

Yes

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

No

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

2.4.2 Authority to terminate the insured status of a member institution

Yes

In special circumstances (vg. refusal of payment of annual fees)

2.5 Depositor reimbursement

2.5.1 Affect reimbursement of depositors claims

Yes

In certain cases prescribed by law.

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

Initial fee and annual levies.

2.6.2 Terms and conditions of premiums or levies

Yes

Risk-based contribution, based on capital adequacy.

2.6.3 Borrowing authorities and limits

No

The Fund can borrow money without limits.

2.7 Information Requirements

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

Yes

Information related to the guarantee.

2.7.2 Access to information through supervisory authorities

Yes

Cooperation with the supervisory authority.

2.8 Enforcement and intervention

2.8.1 Authority to conduct examinations and/or reviews

Yes

In case of compensation payment.

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

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

Yes

2.10 Authority to:

2.10.1 Undertake formal liquidation

No

2.10.2 Purchase and assumption (sale and merger)

No

2.10.3 Open assistance (bridge bank)

No

2.10.4 Other forms of failure resolution

Extraordinary measures in order to protect the interest of depositors taken by Banco de Portugal, according to the Legal Framework of Credit Institutions and Financial Companies.

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

But Banco de Portugal provides administrative and technical support to the Fund

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

Board or Committee

null|null|Three members, the chairman being the vice-governor of Banco de Portugal, another member being appointed by the Minister of Finance, and a third member appointed by the banking association.|null|null|

3.1.3 How is the governing body selected?

3.1.4 What is the composition of the governing body?

Three members; one chairman and two other members.

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

To manage the Fund, including management of financial resources.

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

Yes

One member is appointed by the banking association.

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

Yes

The chairman is a member of the board of the central bank.

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

Yes

The chairman is a member of the board of the supervision authority (central bank).

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

the supervisor?

Yes

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

No

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

- Management Committee (3 members) - Secretary-General (1) Banco de Portugal provides administrative and technical support to the Fund.

3.1.12 Do you have an internal control and audit systems

Yes

Audit Council of Bank de Portugal

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?

No

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

Annual Reports,Audited Financial Statements

null|null|null|null|

Section 4: Human Resources & Infrastructure

4.1.1 What is the total number of employees at the DIS (e.g. full-time, part-time and contract) ?

- One secretary-general in full-time and 1 secretary in full-time. The administrative and technical services are provided by the Banco de Portugal.

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

No

The secretary-general and the secretary are employees of Banco de Portugal.

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

Yes

4.1.4 Is there shared training and development between the staff of the DIS and

other authorities involved in financial sector supervision or regulation? (i.e. central bank, supervisor, regulator, other)

Yes

With departments of Banco de Portugal involved with the support to the Fund.

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

4

4.1.6 Are confidentiality provisions for employees provided for?

Yes

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

No

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

Cost with training, development and information are supported by Banco de Portugal.

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?

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

Eligible deposits for the assessment of the annual levies and covered deposits for the assessment of the Fund's responsibilities.

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.

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

4

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

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

Within EFDI (European Forum of Deposit Insurers)

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?

Sometimes

Section 6: Membership

6.1.1 What types of institutions are covered in your DIS?

All credit institutions authorised to receive deposits, except agriculture cooperative saving banks included in SICAM (Agriculture Cooperative Saving Banks). For these cooperatives exists another deposit guarantee scheme (FGCAM).

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)

Terms and conditions are ruled by law.

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.

Other

Branches of credit institutions of other Member States of the European Union are covered by home country schemes, except in case of topping up for complementary guarantee.

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?

52 members as of December 31, 2007.

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

- Total deposits from individuals and companies of all member institutions amount to about 120 billion euro. Insured deposits (up to the compensation level, 25,000.00 per depositor and by bank) is estimated to be around 50% of the total deposits.

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)

Deposit shall mean any credit balance which a credit institution must repay under the legal and contractual conditions applicable and which results from funds left in an account or from temporary situations deriving from normal banking transactions.

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

Savings account, Chequing account, Certificates of deposit, Foreign currency deposits

null|null|null|null|null|null|null|null|null|null|null|

7.1.3 Is coverage

per depositor per institution

7.1.4 What is the coverage limit per depositor?

25,000.00 Euro per depositor per institution.

7.1.5 How was this figures arrived at?

Based on the limit set out in the european directive.

7.1.6 For eligible financial instruments with maturity dates, what is the longest contract term 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|Pension funds, credit institutions, investment funds, insure companies, administrative
authorities, state, regions, local authorities, non-nominatine deposits, etc.]

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?

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?

PLease, see the definition of deposit.

7.1.15 When member institutions merge how are insured deposits treated?

Deposits are added.

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?

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)

Insurance premiums are assessed on a risk base. According capital adequacy ratio the base rate is adjusted.

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

The rate base is 3 basis points for the current year.

8.1.5 How often is the premium assessed?

Once every year.

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 risk assesemnt system is based on the capital adequacy ratio.

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

No (Skip the next question)

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

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

The Fund invests its available resources in financial operations, according to an investment plan agreed with Banco de Portugal. In pratical terms, The Fund invs«ests in bonds and treasury bills issued by euro area State Members with short maturities or with variable interest and negotiated in active and liquid markets.

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.

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

Other please explain

null|null|In an urgent situation, namely if systemic stability aspects are at stake, the Banco de Portugal may, under the conditions laid down in its Organic Law, grant temporarily to the Fund the financial resources required to meet its immediate needs.|

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?

Repayment shall take place within a maximum period of three months as of the date on which deposits became unavailable.

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

Yes

9.1.3 When is the DIS obligated to reimburse insured depositors?

Please, see 9.1.1.

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

Yes

The Legal Framework of Credit Institutions and Financial Companies and the Regulation of the Fund.

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

Yes

Based on the European directive.

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

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

There is no set-off.

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

9.1.9 When is the DIS given access to an institution's financial and depositor records?

In case of unavailability of deposits.

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.

Yes

Interests on deposits are accounted up to the date of the unavailability of deposits.

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

The unavailability of deposits and the initiation of the payment process.

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

The general rules of banking secrecy are applied.

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

The failed institution should prepare a list of deposits per depositor. The date is verified and audited by the Fund.

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

The intervention of Banco de Portugal and of the Fund impose rules in order to ensure that records are accurate.

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

Other

Since the creation of the Fund there is no experience with respect reimbursement of deposits.

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

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

Credit institutions that take deposits in Portugal shall make available to the public all the pertinent information on guarantee schemes on the deposits taken by them, including amount, the scope of cover offered, and the maximum repayment term. The information shall be made available at the branches, in a well identified place and in a readily comprehensible manner.

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

Supervisor

null|null|null|null|null|

10.1.3 Are these explicitly stated in policy or law?

Yes

In law.

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?

Other

null|null|null|null|Please, see 10.1.1.|

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

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

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

No

11.1.4 What is the risk assessment approach used by the DIS to monitor financial institutions? Please describe. Please be sure to include the criteria used to determine member institution risk.

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?

No

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

Banco de Portugal and a Court of Justice.

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

V.g. if annual levies are not paid to the Fund.

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

In case of unavailability of deposits; When the authorisation to exercise the banking activity is withdrawn by Banco de Portugal.

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

Two little saving banks, before the creation of the Fund.

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 for banks.

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

Yes

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

Two credit institutions (saving banks of little size)

12.2.2 Purchase and assumption (sale and merger)

12.2.3 Open bank assistance (e.g. recapitalization)

12.2.4 Bridge banks and other interim solutions

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

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?

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

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)?

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

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

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)?

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

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

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?)

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.

Section 14: Other Issues

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

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