APPENDIX 2.3: INTERNATIONAL COMPARISON OF DEPOSIT SCHEMES

	Canada	Netherlands	United Kingdom	Italy	United States
Scheme	The Canada Deposit Insurance Corporation (CDIC) was established in 1967 following the failure of some of Canada's second tier institutions in the mid-1960s. CDIC's objectives include: the provisioning of insurance against loss of deposits, promoting standards of sound business practice and contributing to stability. The CDIC has 88 members. As of April 2002, total insured deposits was C$346.8 billion. Membership is compulsory.	The Netherlands has a fund to protect depositors, it operates from De Netherlands Bank (DNB, the central bank). The fund is known as the Collective Guarantee Scheme of Credit Institutions for Repayable Funds and Portfolio Investments (CGS). Membership is compulsory.	The Financial Services Compensation Scheme (FSCS) was established in December 2001 following the implementation of the *Financial Services and Markets Act 2000*. The FSCS merged together the Deposit Protection Scheme, Policy Holder Protection Scheme and the Investment Protection Scheme. The Deposit Protection Scheme was originally established following the 1973-74 banking crises. FSCS's objective is to promote market confidence and consumer protection. There are approximately 450 members. Membership is compulsory.	The Fondo Interbancario di Tutela dei Depositi (FITD) was established in 1987 as a voluntary association. The FITD is now governed by its own legislation. The FITD's objective is to 'prevent and solve bank crises through the diffusion of management systems that are adequate to avoid them'. The FITD has approximately 305 members with about EUR 300 million of insured deposits.	The Federal Deposit Insurance Corporation (FDIC) was created in 1934 during the Great Depression, when banks were unable to meet their liabilities. The FDIC's objectives are to provide deposit insurance, act as the regulator for some banks and act as the receiver and liquidator for some banks. The FDIC has approximately 9,480 members with more than US$3.3 trillion worth of insured deposits. Membership is compulsory.

International comparison of deposit schemes (continued)

	Canada	Netherlands	United Kingdom	Italy	United States
Products covered	The CDIC covers the following deposits: savings and chequeing accounts, term deposits, debentures issued by loan companies, money orders, drafts, certified drafts and cheques.	The CGS covers both deposits and bank investment products.	The FSCS covers deposits that are made by a relevant person of the UK or a branch of a UK firm established under a European Economic Area (EEA) right. The FSCS does not cover bonds issued by a credit institution that is part of the institution's capital, secured deposits, deferred shares or non-nominated deposits.	The FITD covers deposits held in savings accounts and certificates of deposits.	The FDIC covers all types of deposits including: savings deposits, chequeing deposits, deposits in NOW accounts, Christmas club accounts, and certificates of deposits. It also covers cashiers' cheques, officers cheques, expense cheques, loan disbursement cheques, outstanding drafts, negotiable instruments and money orders.
Eligibility	Deposits are only eligible for protection if they are placed in an institution that is a member of the CDIC. Deposits must be in Canadian currency and payable in Canada. Term deposits are eligible for coverage if they are repayable no later than five years from the date of the deposit.	The CGS will only cover products held by persons, foundations and smaller enterprises. The CGS does not cover interbank deposits or products held by insurance companies, pension funds, government bodies and insiders.	The FSCS will cover deposits held by individuals and small businesses. Larger businesses are generally excluded, although there are some exceptions. Deposits held in foreign currency are also covered.	Deposits are eligible for protection if they are held in an Italian bank. Deposits held in non-EU banks operating in Italy are also protected (if the banks are members of an equivalent foreign protection scheme, they are not covered). Deposits held with mutuals are covered under the Mutual Banks Depositor Protection Fund.	The FDIC insures all deposits that are payable in the US. Deposits that are payable only overseas are not insured. Foreign currency deposits are covered.

International comparison of deposit schemes (continued)

	Canada	Netherlands	United Kingdom	Italy	United States
Amount	The CDIC provides coverage up to C$60,000 (this includes the principal and interest) per depositor, per member institution. Joint deposits are insured separately up to C$60,000.	The CGS will cover up to EUR20,000 per depositor per member institution.	The maximum amount that can be claimed is £31,700 (100 per cent of £2,000 and 90 per cent of the next £33,000). Compensation is paid per depositor per institution. Each person in a joint account is eligible to receive compensation up to the maximum amount.	The FITD will provide protection up to EUR103,291 per depositor.	Deposits are covered up to a net insured amount of US$100,000 including principal and interest, per depositor per institution. It is intended that new legislation will increase the coverage limits and link these to inflation.
Funding	The CDIC is predominantly pre-funded by an annual risk-based premium on industry. Premiums are assessed on insured deposits. There are four premium categories determined from a mix of qualitative and quantitative data. The CDIC also has access to additional funding from Government and financial markets.	The DNB provides the first payment on behalf of the CGS to avoid delaying compensation to eligible persons. Industry is required to repay the interest free loan to the DNB. There is no clearly defined system to apportion repayments between the member institutions. Member institutions may reach an agreement amongst themselves as to how proportions will be allocated.	The FSCS is funded by a levy on industry. The levy is split between compensation costs (used to meet the costs of paying compensation) and a management expenses levy (used to meet the running costs of the FSCS). The FSCS also has a revolving credit facility with a UK clearing bank for £50 million to cover any 'unforeseen short-term funding requirements'.	The FITD is post-funded from risk-based premiums. The amount contributed by member institutions ranges between 0.4 and 0.8 per cent of the repayable funds of all members as of 30 June the previous year. The fund evaluates the credit risk of member banks using four indicators: risk, solvency, maturity transformation and profitability.	The FDIC is pre-funded from annual premiums. The premiums go into the 'general' fund of the US. Losses from a failure of an institution are reflected in the government's budget. The fund size is set at 1.25 per cent of insured deposits of the banking system. New legislation will combine both the Bank Insurance Fund and the Savings Association Insurance Fund.

Source: http://www.cdic.ca/?id=100, Garcia and Prast 2003, http://www.fscs.org.uk/, http://www.fitd.it, http://www.fdic.gov/.