APPENDIX 7.1: INTERNATIONAL EXAMPLES OF GOVERNANCE ARRANGEMENTS

	Canada Deposit Insurance Corporation	United Kingdom Financial Services Compensation Scheme	United States Federal Deposit Insurance Corporation	Canada Property and Casualty Insurance Compensation Corporation
Legal Form	Federal agency, established by legislation in 1967 as an independent entity.	The Financial Services Compensation Scheme (FSCS) was established in 2001 under the *Financial Services and Markets Act 2000* (FSMA) as an independent entity.[1]	Federal agency established in 1933 by legislation as an independent entity.	Private corporation established under a by-law in 1998.
Governance	Board of Directors consisting of a Chairperson, four ex-officio members and up to five external directors appointed by the Minister.	FSCS is governed by a Board appointed by the Financial Services Authority (FSA). The Chairman is appointed by HM Treasury. The Board is independent of the FSA.	Governed by a Board of Directors appointed by the President. The board consists of five members, two of which are ex-officio.	Board is elected by representatives of member institutions. The Board must create a Memorandum of Operation to establish the rules and procedures of making payments to policyholders. The memorandum is subject to approval from regulators.
Accountability	Accountable to the Canadian Parliament.	Accountable to the FSA and ultimately HM Treasury.	Accountable to Congress.	Accountable to the superintendent and its members through an annual report.

1 The FSMA provides a unified legal framework for the financial sector and the powers and functions for the FSA. Included in this legislation is the requirement for the FSA to establish a single financial sector compensation scheme.

International comparison of governance arrangements (continued)

	Canada Deposit Insurance Corporation	United Kingdom Financial Services Compensation Scheme	United States Federal Deposit Insurance Corporation	Canada Property and Casualty Insurance Compensation Corporation
Funding and funds management	The Canada Deposit Insurance Corporation (CDIC) has powers to make by-laws relating to annual risk-based premiums. The CDIC invoices institutions and collects premiums. The CDIC has access to additional funding from Government and financial markets up to C$6 billion. CDIC has powers that allow it to manage its funds.	The FSCS has appointed the FSA as its agent to collect data, raise and issue levy invoices and collect payments. This approach was adopted to reduce duplication of activities and costs. Additionally, the FSCS has a revolving credit arrangement with a UK clearing bank for £50 million to cover 'unforeseen short-term funding requirements.'	The FDIC has the power to issue invoices, raise and collect levies. FDIC operates two funds and is required to invest the funds in obligations of the US. This is done through the Treasury. The fund balances are recorded against consolidated revenue, therefore fund payments and levies affect the budget balance (Eisenbeis and Wall 2002). FDIC has authority to borrow from a line of credit from the Treasury.	Property and Casualty Insurance Compensation Corporation (PACICC) has the power to raise and collect levies to cover administrative costs (pre-funding) and to recover costs from the failure of an insurer. PACICC can also establish a fund, however, this requires agreement amongst members.
Claims management	CDIC conducts all claims assessment and payout functions. The CDIC may transfer deposits to another institution or make payments directly to the depositor.	In the case of deposits the FSCS assesses claims and determines the compensation payable. In the case of policyholders the FSCS may transfer policies to another insurer or make payments. The FSCS will determine the compensation payable. For life assurance the liquidator determines the value of the policy.	FDIC conducts all claims management and payout functions.	The liquidator handles claims management, including, determining the value of a claim following the failure of an insurer. PACICC makes the payment of compensation.

International comparison of governance arrangements (continued)

	Canada Deposit Insurance Corporation	United Kingdom Financial Services Compensation Scheme	United States Federal Deposit Insurance Corporation	Canada Property and Casualty Insurance Compensation Corporation
Monitoring and prudential supervision	CDIC has established 'Standards of Sound Business and Financial Practices' that provide additional prudential monitoring and supervisory functions above those performed by the Office of the Superintendent of Financial Institutions (OSFI). OSFI and CDIC have in place a 'guide to intervention' to clarify each agency's role in supervisory activities and imminent insolvency.	The FSCS provides no additional prudential supervision or monitoring role above that provided by the FSA.	The FDIC is the prudential regulator of some institutions. The FDIC has powers to set standards and guidelines, often done in conjunction with other regulators.	PACICC has no explicit prudential regulatory functions.
Managing failure	CDIC works with OSFI. Under certain circumstances CDIC may investigate an institution with OSFI. CDIC may provide financial assistance for a restructuring transaction through acquiring assets from the institution, making or guaranteeing loans or making or guaranteeing a deposit institution.	The FSCS may be heard at a winding-up petition or bankruptcy petition. The FSCS may protect policyholders of long-term insurance by arranging transfers of business or assistance to the insurer.	The FDIC has the power to facilitate and commence transfers of business, insured deposit transfers, direct depositor payout or open bank assistance. The FDIC has policy requirements to ensure prompt corrective action and minimise the costs of deposit insurance.	Fund may take steps (prior to a winding-up order) to assist an insurer including, transfer or reinsurance of book business, issue guarantees or provide financial support. May also monitor and gather information on a member.

International comparison of governance arrangements (continued)

	Canada Deposit Insurance Corporation	United Kingdom Financial Services Compensation Scheme	United States Federal Deposit Insurance Corporation	Canada Property and Casualty Insurance Compensation Corporation
Insolvency	CDIC has the power to act as a liquidator and receiver. The CDIC has not used this power because it is usually the largest creditor and would have conflicts of interest if appointed in this capacity (CDIC 2001).	No powers allowing it to act as liquidator or receiver.	Bank insolvency process in the US is different from corporate insolvency. FDIC has a central role as liquidator and in the winding-up process. The chartering body (the entity that licenses the bank) has the authority to revoke the charter (effectively close the bank). The chartering body would then usually appoint the FDIC as receiver.	No powers allowing it to act as liquidator or receiver. PACICC works with the liquidator to facilitate quick payment

Source: http://www.cdic.ca/?id=100, http://www.fscs.org.uk/, http://www.fdic.gov/, http://www.pacicc.com/english/sub_contents.htm.