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Ronald MacDonald

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DEPOSIT INSURANCE

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Foreword

This series of *Handbooks in Central Banking* has grown out of the activities of the Bank of England's Centre for Central Banking Studies in arranging and delivering training courses, seminars, workshops and technical assistance for central banks and central bankers of countries across the globe.

Drawing upon that experience, the *Handbooks* are therefore targeted primarily at central bankers, or people in related agencies or ministries. The aim is to present particular topics which concern them in a concise, balanced and accessible manner, and in a practical context. This should, we hope, enable someone taking up new responsibilities within a central bank, whether at senior or junior level, and whether transferring from other duties within the bank or arriving fresh from outside, quickly to assimilate the key aspects of a subject, although the depth of treatment may vary from one *Handbook* to another. While acknowledging that a sound analytical framework must be the basis for any thorough discussion of central banking policies or operations, we have generally tried to avoid too theoretical an approach. Moreover, the *Handbooks* are not intended as a channel for new research.

We have aimed to make each *Handbook* reasonably self-contained, but recommendations for further reading may be included, for the benefit of those with a particular specialist interest. The views expressed in the *Handbooks* are those of the authors and not necessarily those of the Bank of England.

We hope that our central banking colleagues around the world will find these *Handbooks* useful. If others with an interest in central banking enjoy them too, we shall be doubly pleased.

Needless to say, we would welcome any comments on this *Handbook* or on the series more generally.

Lionel Price
Director of Central Banking Studies

Tony Latter
Director for Technical Assistance and Series Editor

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Abstract

This *Handbook* aims to give practical guidance on the essential questions which have to be addressed in the establishment of deposit insurance schemes.. It examines the rationale for deposit insurance and the risk that insurance creates moral hazard. It then discusses the differences between formal deposit insurance schemes and implicit (or *ad hoc*) arrangements for depositor insurance, and the feasibility of private insurance. After describing different types of scheme it deals with more detailed matters such as triggers for the payment of compensation, the selection of those categories of deposit which are to be protected, compensation ceilings and co-insurance. Finally, it discusses the financing of compensation payments and administrative arrangements.

DEPOSIT INSURANCE

1 Introduction

During recent years, many countries have established formal systems of deposit insurance. While deposit insurance is a fairly straightforward concept, deposit insurance schemes in practice are relatively complex. Any country wishing to establish a scheme faces a large number of decisions regarding the nature of its own scheme. This *Handbook* is intended to assist persons working in this field by describing some of the basic characteristics of deposit protection and outlining the pros and cons of structuring insurance schemes in particular ways.

In most cases, a deposit insurance scheme is viewed as a <u>supplement</u> to other official measures which are designed to protect bank depositors from the risk of loss or to contain that risk. These include, of course, a system of bank licensing and supervision which operates primarily by controlling the amount of risk assumed by commercial banks relative to their resources of capital and management. In addition, if commercial banks come under serious liquidity pressure, central banks can - if they choose - prevent their closure by providing short-term financial assistance under a “lender of last resort” facility.

Deposit insurance schemes can also be viewed as an <u>alternative</u>, not merely to the situation in which insurance does not exist, but more importantly, to the various *ad hoc* arrangements which many governments or central banks put in place in order to protect depositors from loss in the event of an actual bank closure. By definition, *ad hoc* arrangements are not planned in advance. Nevertheless, if monetary authorities are willing to take such steps to protect depositors in the event of one or two isolated bank failures, they may create a presumption that they will take similar action in subsequent cases. Such actions create an “implicit” system of deposit protection which may have the same effects on depositor behaviour as a formal deposit insurance scheme.

At present, more than forty countries are known to have established formal schemes of deposit insurance[1]. More than half of such schemes are to be found in Europe; the remainder are mostly in the countries of the western hemisphere and Asia, and only to a limited extent in Africa and the Middle East. By contrast, some fifty countries have operated or put in place what is described in this *Handbook* as "implicit deposit protection" arrangements: these countries are fairly evenly distributed across all areas of the world with the notable exception of western Europe (where formal deposit insurance is the norm).

2 The rationale for deposit insurance

The direct rationale for deposit insurance is consumer protection[2]. Depositors, as users of banking products and services, are just as much consumers as are the purchasers of other products or services, and the same social and political pressures exist to ensure that they are protected from loss. Moreover, it is more difficult for potential depositors to assess the financial condition of banks than it is for purchasers of, say, consumer goods to verify quality before committing themselves; normally only a limited amount of the information necessary to make an effective up-to-date assessment of a bank is publicly available and, even then, the general public may have difficulty in interpreting such information. This market imperfection is partly redressed by both banking supervision and deposit insurance.

The indirect rationale for deposit insurance is that it reduces the risk of a systemic crisis, involving, for example, panic withdrawals of deposits from sound banks and breakdown of the payments system. The argument is that, if depositors know that their money is safe by virtue of deposit insurance, they will have little reason to withdraw it from banks. It is not easy to generalise about the importance of systemic considerations in the

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1 A brief description of some of these schemes is given in the Appendix.

2 This also applies to implicit deposit protection arrangements .

evolution of deposit insurance arrangements in different countries and in different circumstances. For historical reasons, systemic questions have been a prominent element in attitudes to deposit insurance in the United States, where insurance was initially conceived as a means of thwarting bank runs. The need to maintain confidence in the banking system has also been an important consideration for several developing countries which have established schemes in recent years. The effectiveness of insurance schemes in reducing systemic risk is increased if the public is well informed about their existence and scope. Member banks should, therefore, find it in their own interest to provide actual or prospective customers with information about any such insurance; or banks may be formally obliged to do so.

3 Moral hazard

Deposit insurance schemes can, like any other insurance, create "moral hazard" by freeing economic agents from the consequences of their actions[3]. In the literal sense, moral hazard refers to the adverse effects, from the point of view of the insurer, that insurance may have on the insuree's behaviour.

Bank depositors may, therefore, contribute to moral hazard if deposit insurance means that they no longer feel obliged to assess the credit risk associated with depositing money with a particular bank. In such a situation, depositors may choose banks without reference to their relative financial condition. This means that they will probably choose banks solely in accordance with the attractiveness of the interest rates they offer. Consequently, the normal impact of market forces in promoting prudent economic behaviour is reduced and unsound banks may attract additional deposits. The desire to avoid such eventualities is the main reason why certain national schemes do not provide 100 percent compensation for any depositor, and thus leave even the smallest depositor to carry part of the risk.

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[3] Again, often true of perceptions of implicit deposit protection.

Senior executives, directors and influential shareholders of banks may also contribute to moral hazard as a result of deposit insurance, particularly when the compensation provided to depositors is generous. The knowledge that depositors will not suffer in the event of bank failure can incline the people who control banks to follow more risky business strategies than they otherwise would. The extent of such risk-taking is likely, however, to be limited by management realising that they may lose their jobs if the bank gets into difficulties. Moreover, the threat of such behaviour can be counteracted by banking supervisors staying continuously abreast of a bank's business strategy and intervening whenever it appears that excessive risks are being assumed. Excluding the deposits of senior executives, directors and major shareholders (and of their close relatives and associates) from the benefits of insurance may also assist in discouraging imprudent behaviour.

4 Deposit insurance or implicit deposit protection?

A formal deposit insurance scheme is normally established by a law which specifies, *inter alia*, the circumstances in which compensation becomes payable (usually the involuntary closure of a bank), the maximum amount of compensation which can be paid to a single depositor, the types of deposit and/or depositors eligible for compensation, the arrangements for funding compensation payments and the administration of the scheme. Thus, the operation of a deposit insurance scheme is largely pre-determined; in the few instances where the governing body may have the authority, or be obliged, to act in a discretionary manner, the scope of such discretion is clearly specified.

By contrast, implicit deposit protection involves the government in having to decide, on a case by case basis, both the form which protection is to take and the manner in which it is to be financed. Protection of this kind can involve the government in paying compensation directly to depositors. Alternatively, the government may protect depositors by arranging for their deposits to be transferred to a healthy bank, by promoting the merger of a failed bank with a healthy bank or by rehabilitating the failed bank with public funds, possibly through an injection of new capital or a purchase of assets at original book value.

The principal advantages of implicit deposit protection are that it allows the government flexibility in the way in which it resolves individual cases of failure, and that it avoids the administrative costs involved in establishing and operating a formal scheme (although the resolution of any bank failure will inevitably absorb some government resources). On the other hand, implicit protection means that no financial resources have been earmarked in advance for providing compensation, nor is there any automatic mechanism for obtaining them. One option is to obtain financing from the current government budget, but this may prove difficult in view of existing expenditure commitments or other fiscal constraints. A second option is to borrow from the central bank, but this may be in conflict with monetary policy and, in some cases, even prohibited by statute. Consequently, implicit arrangements are more likely to encounter financing difficulties than are formal insurance schemes which have pre-arranged funding. Another disadvantage of arrangements which involve the rescue or rehabilitation of a failed bank, is that they in effect provide 100 percent protection to all categories of depositor rather than confining compensation to those, such as small individual depositors, who are least able to assess the financial risks involved in placing money with a particular bank and who are likely to suffer most, in relative terms, from bank failures. The non-discriminating, across-the-board compensation which is likely to ensue in most cases of implicit protection will also result in greater overall expense than under more formal, but limited schemes.

5 Private Insurance

In theory, deposit insurance could be provided by private sector insurance companies and banks could be required by law to purchase such insurance. One advantage of private insurance is that insurers would assess the riskiness of individual banks (using similar techniques to banking supervisors) and could charge individual banks premiums which directly reflected those assessments. Thus, banks which were adjudged the most prudent would pay less than those adjudged more risky, and the possibility of achieving lower insurance costs would, other things being equal, provide some financial incentive to banks to operate more prudently. However, private insurance is unlikely to be feasible in practice. First, the insurance industry in many countries is less developed than the banking industry and does not have sufficient capital resources to insure all banks' deposits. Second, even if insurance companies had sufficient resources, they might still be unwilling to provide insurance, either because bank failures tend not to be isolated events and insurers would not wish to be exposed to the risk of having to cover a widespread run on banks in the event of a systemic crisis, or because of difficulties in assessing the probabilities of bank failures. Thirdly, private insurers might insist on the right to cancel insurance in circumstances where they considered that risks had become excessive. Withdrawal of insurance in such circumstances could undermine confidence in the banks concerned, in addition to depriving depositors of cover at a time when they needed it most.

6 Types of deposit insurance scheme

In view of the unlikelihood of private sector non-bank insurers providing deposit insurance, this has to be provided either by the government or by some combination of the government and banks or by the banks themselves operating on a private contractual basis. The main options are the following:

- At one end of the spectrum, governments may provide unconditional deposit guarantees, such as the guarantees in respect of individuals' savings deposits given by governments in certain countries in eastern Europe and the former Soviet Union. Such schemes differ from the implicit deposit protection arrangements discussed above, mainly in that they are likely to be formally expressed somewhere in legal texts. Their chief characteristics are that the entire cost of providing compensation falls on the government and there is no pre-arranged funding. The principal advantage of such guarantees is their simplicity. Moreover, they may be the most effective means of preserving public confidence in countries where the commercial banking system is seriously undercapitalised. On the other hand, as noted above, the existence of such guarantees may increase risk-taking by the persons who manage the banks.

- A second alternative is for the government to establish a publicly owned deposit insurance corporation which administers the scheme but which is financed, at least in part, by contributions paid by the commercial banks.

- Thirdly, it is possible to establish a public scheme which is administered jointly by the central bank (or the banking supervisory authority) and the commercial banks, with all financing being provided by the latter.

- Finally, the scheme may be organised by the banks alone on an entirely private contractual basis without any government involvement.

In practice, the third and fourth options, which involve mutual insurance of banks, require a strong commercial banking system with sufficient capital to absorb losses among its members. Where this is lacking, the government will need to play some part in backing the insurance scheme. For this reason, privately funded schemes in particular are mainly to be found in western European countries, while developing countries tend to establish publicly administered schemes which receive at least partial funding from the government. Developing countries also appear to value greater involvement by government and/or central bank officials in the running of their schemes.

7 Triggering of compensation payments to depositors

It is very important that the law establishing a national deposit insurance scheme should specify the precise circumstances in which the scheme must begin paying compensation to depositors. These “triggers” are normally related to the domestic law governing the cessation of payments by banks and/or the making of judicial rulings (such as, for example, the appointment of a liquidator to a bank in the United Kingdom) which have the effect of suspending the rights of depositors to take legal action for repayment of their deposits. In countries where such judicial rulings are made, they provide a clear objective trigger for the deposit insurance scheme to begin paying compensation. In countries where the domestic law does not provide for such rulings to be made, it is necessary for some authority - in most cases the banking supervisory authority - to make an official determination that a bank is incapable of repaying deposits, in order to provide the necessary trigger for compensation payments to begin. In such countries, it is also essential that the competent authority should be subject to a legal obligation to make such a determination within a specified number of days of learning that a bank has failed to repay a deposit.

8 Limitation on categories of deposit protected

There are several categories of deposit which countries may wish to exclude from the benefits of insurance:

- deposits of other banks or financial institutions;

- deposits of central, regional or local government authorities;

- deposits of corporate as opposed to individual customers; in practice this distinction is rarely made (see section 9);

- deposits belonging to the directors, managers, shareholders[4] and auditors of a failed bank; this is justified on the grounds that these

[4] It may, however, be equitable to pay compensation to those shareholders who had no ability to influence the conduct of the bank, for example, those holding less than 5 percent of the share capital.

parties are likely to bear some responsibility for the failure of the bank and do not, therefore, merit compensation;

- deposits belonging to close relatives of directors, managers and shareholders, and third parties acting on their behalf;

- deposits of companies which belong to the same group of companies as the bank;

- deposits arising out of transactions in connection with which there has been a criminal conviction for money laundering[5] ;

- any deposits which take the form of debt securities issued by the failed bank or comprise part of the "own funds" of the bank (since these are liabilities of a capital nature); and

- that part of any deposits against which the depositor holds security or can offset claims on the bank.

The authorities must also decide whether their scheme should provide insurance for deposits denominated in foreign currency. Some countries exclude such deposits on the grounds that they are not part of the domestic money supply and consequently do not need to be insured in order to protect the payments system. However, in countries where individuals in particular hold a large part of their liquid and savings balances in foreign currency, there may be pressure to extend cover to foreign currency deposits. If this is done, there is no need for the insurance scheme also to make the actual compensation payments in foreign currency: the obligation of the scheme can be confined to paying compensation in domestic currency at the exchange rate ruling on the date the bank was closed.

The authorities must also consider whether their national scheme should insure deposits held with the foreign branches of their commercial banks. In theory, deposits held in foreign offices could be subject to a run

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[5] This is a mandatory requirement in European Union countries where exclusion from deposit insurance is used to reinforce anti-money laundering measures.

in the same way as deposits held in domestic offices, but this alone has seldom been regarded as a compelling argument in practice for extending insurance to them. Indeed, in the past the prevailing view was not to extend cover to such deposits, on the grounds that they were not part of the domestic payments system, the domestic money supply or domestic savings; and because such deposits might already be protected through the insurance scheme operated by the host country, and double insurance was unnecessary.

While that remains the philosophy across much of the world, in the European Union the deposit insurance scheme of each member state is now required to cover the branches of that state's banks in all other member states. This particular arrangement is an important element of the European "single market", in which banks incorporated in one member state are free to open branches in other member states.

Conversely, a country which allows foreign banks to establish legally dependent branches in its territory must determine whether such branches should be obliged to belong to its national deposit insurance scheme[6]. A failure to compel membership could expose domestic depositors to increased risk of loss, although in some cases cover provided by the scheme in the home country of the branch may prove adequate. However, if no such cover exists, it is prudent to insist that the branch participates in the local scheme. It is also worth noting that the insurance provided under a home country scheme could be more generous than that provided locally. If this occurs, countries may wish to prevent the branches of foreign banks from offering more generous compensation than locally incorporated banks (for the purpose of ensuring fair competition between banks in the domestic market rather than as a matter of deposit insurance policy *per se*).

[6] European Union countries face this dilemma only in respect of branches of banks incorporated in non-EU countires.

9 Amount of insurance coverage

From the point of view of depositors, the most attractive scheme is one which provides unlimited protection for those types of deposit which qualify for protection. However, very few national schemes provide this since moral hazard is thereby maximised and the costs - which fall either on healthy banks or the government - are usually regarded as excessive. Most schemes, therefore, set a ceiling on the amount of compensation which can be given to a single depositor for his insured deposits. Setting such a limit is a matter of judgement and can only be decided in the light of the circumstances prevailing in a particular country. One possible approach is to conduct research into the average size of individuals' deposits and to relate the maximum amount of compensation to that figure. Other economic data which are relevant to this question are *per capita* national income and average annual disposable income. The highest levels of insurance are mainly found, not surprisingly, in the most developed countries - which provide for compensation per person ranging from US$20,000 to $100,000 and above. For most countries in the European Union compensation per person of up to ECU20,000 (approximately $26,000) is obligatory - although member countries are, of course, free to exceed this level if they wish.

When calculating a single depositor's eligibility for compensation it is usual to amalgamate all the deposits he or she holds in separate accounts. In addition, it is advisable for the law governing the insurance scheme to specify the treatment to be accorded to jointly owned deposits and to specify how deposits held in a trustee or agency capacity should be dealt with. It is also helpful if the law lays down clear rules regarding the treatment of unpaid interest which has accrued on deposits up to the date of closure of the bank. It is equitable to include such interest when calculating the total amount which is eligible for compensation.

It is possible for insurance schemes to distinguish between individual and corporate depositors, and some countries may wish to confine compensation to the deposits of individuals. In practice, however, as noted earlier, such a distinction is rarely made. One reason is equity. A second is that the imposition of maximum limits on compensation tends in any case to limit the protection given to large corporate deposits. Compensation ceilings tend, therefore, to bias deposit insurance in favour of small depositors, in particular private individuals. This bias may accord with a deliberate intention of social policy.

Finally, countries may wish to consider practising “co-insurance”. Co-insurance means that the depositor always bears a share of the loss, even when the amount of the deposit is less than the insurance ceiling. This approach is followed in the United Kingdom where compensation is limited in all cases to a maximum of 90% of each person’s total claim on a failed bank. By imposing risk-sharing between depositors and the insurance scheme, co-insurance strengthens market discipline and gives even small depositors an incentive to assess the credit-worthiness of banks.

10 Financing deposit insurance

In order to function effectively, deposit insurance schemes must have adequate sources of finance. It has already been noted that this can be a problem where insurance takes the form of explicit government guarantees. In other schemes, it is equitable that the banking system should bear the cost since deposit insurance increases the attractiveness of bank deposits relative to other financial investments. However, the banking system in some countries may not be sufficiently strong to finance all the compensation required as the result of a banking crisis, without itself suffering a serious erosion of capital. In these cases, it may be appropriate for the government to finance part of the compensation, possibly by providing back-up finance for the scheme’s own resources. The extent to which a particular scheme should rely on government assistance can, however, only be gauged in the light of the strength of the commercial banking system and the government’s ability to find resources for this purpose.

Countries also have to decide whether or not to establish a fund as part of their deposit insurance scheme. If no fund is established, the insurance scheme will not have to levy contributions from banks until a closure occurs. This is highly advantageous to the banks so long as there are no failures. At the same time, however, there are disadvantages in reliance on contributions only after the event. Firstly, they concentrate the cost of compensation, instead of spreading it over time, thereby exacerbating the burden on healthy banks at a time when they may also be under pressure. Secondly, the failed bank itself would not have to contribute to the compensation required as a result of its own failure; this is inequitable. One advantage of creating a fund is that it is highly visible and tends to promote depositor confidence. Another is that the fund can be built up over time and this spreads the cost for the banks. Furthermore, if banking failures are infrequent, a fund can augment its resources by investing its assets: ideally, however, a fund should invest only in low risk, liquid assets.

Schemes must have legal authority to levy contributions from banks. These contributions may be expressed as a fixed percentage of some base figure such as the total deposits or total insured deposits of each bank. Total insured deposits are a preferable base, since they relate each bank's contribution directly to the insurance it receives. However, it may not always be easy for banks to calculate the precise level of insured deposits, if the coverage rules are complex.

Many countries require banks to make annual contributions to their schemes, normally at rates which lie between 0.01% and 0.50% of deposits. A very few levy a higher rate, but none requires more than 1.0% per annum. Other countries, however, choose to levy contributions only when a new bank (or the insurance scheme itself) is first established, and subsequently only if or when the scheme requires further funds to pay compensation or replenish its basic reserve.

Whatever the precise arrangements, fairness would demand that the power to levy contributions should be limited, in order not to place an unreasonable - and possibly damaging - burden on those banks which have operated prudently. Some schemes therefore have a ceiling on the total contribution which can be levied from each bank. It is desirable for the exact definition of such a limit to be agreed, if possible, between the monetary authorities and the commercial banks before being incorporated in legislation. Examples of such ceilings are 0.3% of deposits in the United Kingdom, 0.5% in Belgium and 1.0% in Iceland. It is also desirable to allow banks to deduct their contributions to the scheme from taxable profits.

It is possible, in principle, for schemes to apply differential rates of contribution among banks in an attempt to reflect the relative risks carried by individual banks or classes of bank. In practice, however, virtually all schemes have tended to avoid making the individual risk assessments which differential contributions - modelled on pure insurance - would require, apparently because of the difficulty of making objective assessments and the risk that disclosure of the implied official ratings might trigger a run on a perceived high-risk bank (although a similar risk would also attach to the accidental or unlawful release of any confidential supervisory information).

It is also helpful if the scheme has authority to borrow from the central bank or elsewhere against the contributions which it can levy from banks, since this enables the scheme to pay compensation as soon as it is legally triggered, without having to wait until it receives contributions. The speedy payment of compensation helps to maintain public confidence in banks generally.

11 Administrative arrangements

The law establishing a deposit insurance scheme should provide for its administration. It will, of course, require a governing body and the composition of such a body should reflect the degree of financial support which the scheme receives from the government and banks respectively. It should be given legal personality. It will also be appropriate for the central bank and (if different) the banking supervisory authority to be represented. A scheme requires staff, although the actual number is likely to vary considerably over time, in line with the occurrence of bank failures. It may, therefore, be advisable for the scheme not to appoint a large permanent staff of its own but rely on suitable persons being available on a temporary basis when needed - possibly seconded from the central bank. Another option is for the central bank to perform most of the scheme's operations on an agency basis. In collecting contributions from banks and paying compensation to depositors, a scheme will incur expenses and provision should be made for these to be met from banks' contributions or the investment income of the fund.

The establishing law should also provide for depositors' claims on a failed bank to be automatically transferred to the scheme, to the extent that the scheme pays compensation to a depositor, and with effect from the time compensation is paid; otherwise the law should establish the scheme's rights to reimbursement, but this would be a more cumbersome route. This transfer of legal claims allows the scheme to participate in the liquidation of the failed bank. Any amounts received by the scheme from the liquidation can then be added to its fund or, in the unlikely event that they are substantial, returned to the banks.

12 Conclusion

Deposit insurance schemes are relatively complex mechanisms. Because national banking systems differ considerably, it is not sensible to recommend any one model which would suit all countries. Most countries can benefit by introducing a scheme which protects the deposits of the less wealthy members of society and helps to maintain confidence in healthy banks. However, no scheme will achieve these objectives unless it is adequately funded.

Appendix

The following table lists certain countries which are known to have introduced formal deposit insurance and the main features of their schemes.

Country	Management	Maximum compensation per depositor (US dollars)[1]	Source of compensation	Permanent fund
Argentina	joint	10,000	banks, central bank and loans	yes
Austria	private	19,825	banks	no
Bangladesh	official	1,475	banks	yes
Belgium	joint	19,300	banks	yes
Canada	official	43,950	banks & loans	yes
Chile	official	3,000	government	no
Colombia	official	10,125	banks	yes
Czech Republic	official	3,760	banks & loans	yes
Denmark	private	45,075	banks	yes
Dominican Republic	joint	8,000	banks	yes
El Salvador	not known	3,425	government	no
Finland	not known	no limit	banks & loans	yes
France	private	(2)81,650	banks	no

Country	Management	Maximum compensation per depositor (US dollars)[1]	Source of compensation	Permanent fund
Germany	private	30% of own funds of failed bank	banks	yes
Greece	joint	25,300	banks	yes
Hungary	official	7,200	banks	yes
Iceland	private	no limit	banks	yes
India	private	850	banks & loans	yes
Ireland	official	20,230	banks	yes
Italy	private	(2)50,500	banks	no
Japan	joint	97,250	banks & loans	yes
Kenya	official	1,800	banks & loans	yes
Kuwait	not known	no limit	government	no
Lebanon	private	18	banks	yes
Luxembourg	private	(2)20,400	banks	no
Mexico	official	no limit	banks	yes
Netherlands	joint	25,750	banks & loans	no
Nigeria	official	2,300	banks & loans	yes
Norway	joint	no limit	banks & loans	yes
Peru	joint	2,000	banks & loans	yes

Country	Management	Maximum compensation per depositor (US dollars)[1]	Source of compensation	Permanent fund
Philippines	joint	3,800	banks & loans	yes
Portugal	joint	45,175	banks	yes
Spain	official	12,350	banks, central bank & loans	yes
Sweden	official	37,550	banks & government	n.a
Switzerland	official	(2)26,075	banks & loans	no
Taiwan	official	38,500	banks & government	yes
Tanzania	official	450	banks & government	yes
Trinidad & Tobago	official	8,350	banks & loans	yes
Turkey	joint	no limit	banks & loans	yes
Uganda	official	3,000	banks & government	yes
United Kingdom	joint	27,900	banks & loans	yes
United States	official	100,000	banks & loans	yes
Venezuela	joint	13,800	banks & loans	yes

1 Converted from national currency at the exchange rates at end-1995.
2 For these countries the maximum limit is per deposit, not per depositor.

Further reading

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