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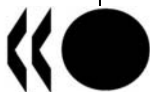

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CLASSIFICATION OF PAYMENTS TO DEPOSIT INSURANCE AND FINANCIAL STABILITY SCHEMES

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CLASSIFICATION OF PAYMENTS TO DEPOSIT INSURANCE AND FINANCIAL STABILITY SCHEMES

1. Introduction

1. The purpose of this paper is to report on the responses made by Delegates to the Secretariat's Questionnaire on the classification of payments made by Banks and other credit institutions to deposit insurance and financial stability schemes. The Questionnaire which was circulated in September asked Delegates to describe any schemes operating in their countries under three headings:

- Schemes similar to the Swedish 'stability fee' (details set out in Annex A – item 3).
- Schemes similar to the financial sector interventions operating in the United Kingdom (details set out in Annex B – item 2).
- Any other schemes being operated with similar aims.

2. Delegates were also asked to define for each scheme whether any payments received are classified as tax revenues or fee for a service in their National Accounts or as tax revenues in the *OECD Revenue Statistics.*

3. Responses were received from twenty-one countries: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Germany, Hungary, Israel, Italy, Japan, Luxembourg, Norway, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States.

4. Section 2 of this note considers the schemes reported by Delegates. Section 3 looks at the question of classification of payments under these schemes either as tax revenues or as fees for a service and section 4 describes the Secretariat's proposals for next steps.

2. Schemes reported by Delegates

5. The Schemes reported by Delegates have been summarised in the attached Annexes A-F. Each scheme has provisionally been allocated to one of six separate groups as follows. However this allocation can be altered if Delegates prefer to move one or more of the Schemes of their country to a different category.

- **Annex A - Stability fee schemes**

  Germany, Hungary, Sweden, United States.

- **Annex B - Schemes similar to the deposit protection scheme operating in the United Kingdom**

  Australia, United Kingdom.

- **Annex C - Other government sector deposit protection schemes**

  Australia, Belgium, Canada, Denmark, Germany, United States.

- **Annex D - Fund operated outside the government sector**

  Belgium, Czech Republic, Denmark, Hungary, Italy, Japan, Slovak Republic, Spain and Turkey.

- **Annex E - Non-state institution backed by the deposit takers**

  Austria, Luxembourg and Switzerland.

- **Annex F – Voluntary schemes**

  Belgium, Denmark.

6. Israel, Norway and Slovenia reported that no bank deposit protection schemes exist in their countries.

3. The classification of payments under the schemes as tax revenues or fee for a service?

7. Paragraph 1 of the *OECD Revenue Statistics* Interpretative Guide defines tax revenues as compulsory unrequited payments to government. Taxes are unrequited in the sense that benefits provided by government to taxpayers are not normally in proportion to their payments.

8. Under these definitions any payments made under the schemes in Annexes D, E, F cannot be classified as tax revenues and are therefore not relevant to *OECD Revenue Statistics* on the following grounds:

- Annex D because the payments are not being made to government.

- Annex E because the transaction is between the banks and an institution outside the government sector.

- Annex F because participation is voluntary.

9. Of the schemes in Annex A-C there are a number of different practices which can be summarised as follows

- **Annex A - Stability fee schemes**

  The payments are or will be classified as tax revenues in the National Accounts of Germany, Hungary and Sweden but of these only Hungary want to classify as a tax in *OECD Revenue Statistics*. The United States expect to classify the payments as a fee for a service.

- **Annex B - Schemes similar to the deposit protection scheme operating in the United Kingdom**

  In the United Kingdom, the realisation of assets is treated as a capital tax in National Accounts but not in *OECD Revenue Statistics.* In Australia the priority claim on assets is treated as fee for a service but any further general levy to overcome the shortfall would be treated as a tax.

- **Annex C - Other government sector deposit protection schemes**

  In Canada, these payments are classified as tax revenues in both their National Accounts and *OECD Revenue Statistics.* In Denmark the premiums are classified as capital transfer to the Financial Stability Company and thus not part of public administration in the National Accounts. In Australia, Belgium, Germany, United States the payments are classified as fee for a service. Of the six countries covered in this category the payments are classified as taxes only in Canada.

10. The variation in practice on classification is partly related to the interpretation of the term 'unrequited' in the Interpretative Guide. A tax is normally considered to be a compulsory contribution with no direct provision of a service whereas a fee is normally paid for a specific service. One of arguments put forward for the 'fee for a service' approach is that a payment could be regarded as a fee and not a tax, even when there is no specified provision of a service for a particular entity if the payments are entirely are channeled back to the sector of the economy where companies are subject to the payment. This is the case for the stability fee in some countries – Germany and Sweden where the levy is made on all companies that are eligible for support in case of financial problems. The fee may thus be unrequited for an entity but for the sector as a whole it does finance a potential service.

4. Proposals for next steps

11. Delegates are asked comment on the following proposals for taking this topic forward.

- The text in Annexes A-F is based on a summary made by the Secretariat of information provided by Delegates in their Questionnaires. The Secretariat would like to receive any comments and corrections from Delegates to ensure the accuracy of the document. This can include proposals to switch schemes between categories.

- Any submissions by Delegates not so far responding to the Questionnaire can be added to the summary.

- The Secretariat will provide a paper for the May 2011 Working Party 2 meeting with proposals for the way forward on classification issues which would lead to eventually lead to agreed additions to the text of the Interpretative Guide in respect of this issue.

ANNEX A

STABILITY FEE SCHEMES

1. Germany

The German Federal Government has decided on 25 August on a draft bill for the introduction of a rectructuring and liquidation regime for ailing banks. The introduction of a bank levy, with the proceeds being channelled into a special restructuring fund to be administered by the Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktsstablisisierung, FMSA) is part of this legislative proposal.

The levy will be paid by all credit institutions under German supervision and aims to charge the size and connectedness of a bank/credit institution. The base of the main component of the levy are an institution's liabilities, excluding equity capital and non-bank deposits (liabilities to clients), since these are fully insured in Germany. This base is charged with a progressive rate (0.02 percent until 10 billion €, 0.03 percent for amounts from 10-100 billion € and 0.04 percent for amounts above 100 billion €). In addition to this is a smaller component which charges the nominal value of derivatives held by an institution (on- and off- balance-sheet) with a rate of 0.00015 percent.

In Germany, the bank levy cannot be organised as a tax because of constitutional constraints – a payment obligation limited to a specific sub-group of taxpayers such as financial institutions, can not be levied as a general tax funding the general budget, but only as a special levy (Sonderabgabe) financing.

Such a levy has to meet certain requirements in order to pass a possible review by the Federal Constitutional Court, which can be initiated by individual complaint from anyone charged with the levy:

- The special levy has to serve a specific purpose going beyond the mere raising of general revenue.
- The subjects charged must belong to a homogeneous group, in this case financial institutions.
- The purpose for which the levy is intended to be used, must fall mainly within the field of responsibility of the members of the group charged. In this case it is the restructuring fund which allows for the protection of financial stability in the restructuring of ailing systemic banks.
- The revenues raised by such a levy must be spent to serve interests of the group charged. According to the Constitutional Court, this precludes these revenues from flowing into the regular budget, but requires allocation to a special purpose fund, such as the planned restructuring fund.

As the bill is not yet in force, final decisions on the classification of the fees in National Accounts have yet to be made. According to the German statistical office (destatis) these fees will presumably be treated as tax revenue.

The bank levy has the same constructional characteristics as the waste water charge. As a result, the German Delegate would prefer to treat the revenue as a fee for service and not as tax revenue for the purposes of OECD Revenue Statistics.

2. Hungary

As from September 2010, financial corporations are obliged to pay surtax in Hungary. The tax assessment rules vary between institutions engaged in different activities. For example, banks and credit institutions must pay the surtax on the basis of the total amount of balance sheet (modified with some elements), and the applicable tax rate is 0.15 per cent up to HUF 50 billion and 0.5 per cent above that level. Insurance companies are obliged to pay on the basis of the amount of insurance premiums received at a rate of 6.2 per cent. These amounts paid provide proceeds for the central government for financing general budget purposes. The projected budget revenue from this new tax amounts to HUF 187 billion in 2010 - 0.7 per cent of GDP.

These payments will be treated as tax revenue in both National Accounts and OECD Revenue Statistics.

3. Sweden

The Swedish 'Stability fee' was introduced towards the end of 2009 with the aim of financing measures required to counteract the risk of serious disturbance to the financial system in Sweden. It is paid by banks and other credit institutions and is levied on all of an institution's liabilities, excluding equity capital and some junior securities at a rate of 0.036%. The proceeds are to be channelled into a special stability fund to be administered by the Swedish Debt Office with a view to accumulating a fund equivalent to 2.5% of the gross domestic product in 15 years.

It has been decided that the Stability fee will be treated as a tax in the Swedish National Accounts.

The Swedish Delegate would prefer to regard the payment as a fee for service and not a tax for the purposes of OECD Revenue Statistics on the grounds that the payments are entirely are channelled back to the sector of the economy where companies are subject to the payment. The stability fee is levied on all companies that are eligible for support in case of financial problems. The fee may thus be unrequited for an entity but for the sector as a whole it does finance a potential service.

4. United States

Under the recently passed (July 2010) Financial Reform law, Federal government regulators will have the power to seize and dismantle troubled financial firms whose collapse might pull other companies down as well. Hence, there is a stabilization purpose. This resolution authority would be overseen by the Federal Deposit Insurance Corporation (FDIC). Taxpayers would pay for upfront costs, but regulators would then be required to recoup the money by levying fees on financial firms with more than $50 billion in assets.

No economic transactions related to this provision have yet occurred. Hence BEA has not yet had to record such a transaction in the National Income and Product Accounts (NIPAs) or in the System of National Accounts (SNA). It is likely that the relevant fee would be treated as a fee for a service and classified as a "current transfer receipt from business" in the NIPAs, because the financial industry would be receiving the benefit of financial stabilization. In the SNA, the corresponding line (in SNA Table 200) would be TRD7REC: "Other Current Transfers, Receivable."

It is not expected that these fees will be treated as taxes in either National Accounts or OECD Revenue Statistics.

ANNEX B

SCHEMES SIMILAR TO THE DEPOSIT PROTECTION SCHEME OPERATING IN THE UNITED KINGDOM

1. Australia

The Financial Claims Scheme (FCS) is a post-funded deposit protection scheme applying to deposits held in Australian-incorporated authorised deposit-taking institutions (ADIs). If an ADI becomes insolvent, the Australian Prudential Regulation Authority (APRA, the administrator of the FCS) will pay depositors the value of their deposits, up to $1 million per depositor, per ADI. The FCS is intended to be a permanent part of Australia's deposit protection framework, but the $1 million cap will be reviewed from 11 October 2011.

No up-front fee is charged for FCS protection. If an ADI becomes insolvent, APRA receives a priority claim on its assets in liquidation, for its payout and administrative costs. If there are insufficient assets, APRA may levy the ADI industry to make up the shortfall. The levy power is set out in an Act; to implement it, a regulation would be passed.

While no fees have been received to date, if the scheme were to be activated, it is likely that the revenues would be treated as follows:

- A priority claim on the ADI's assets in liquidation would be treated as a fee for service.
- A levy to cover any shortfall would be treated as a tax.

2. United Kingdom

In the UK, there is a deposit protection scheme operated by the Financial Services Compensation Scheme (FSCS) which is in the Central Government sector. It is responsible for compensating depositors with assets up to a certain threshold. Recently the Government has taken direct responsibility for any compensation of additional amounts above the threshold but there are no guarantees that it will do so in the future. During 2008 the UK undertook a number of financial sector interventions via FSCS whereby depositors were compensated for the loss of their deposits caused by the failure of certain financial institutions.

The Scheme is not operated as a fund and therefore does not have a ready source of compensation to draw on when defaults occur. Its sources of income are as follows:

- An annual levy on banks and building societies to fund its operating costs (along with interest payments on debt).
- Realising the assets of failed institutions - when a financial institution is deemed to be in default, FSCS protection is triggered. In the short term the compensation payments to depositors are financed by borrowing but in time this borrowing is repaid as the assets of the failed institutions are realised. If the realisation of assets proves to be insufficient, then the FSCS will levy the other banks and building societies to meet the shortfall.

The treatment of these transactions in the UK National Accounts is as follows:

- The levy covering the operating costs is recorded as a current tax on production on the banks and building societies and is included as a tax in the *Revenue Statistics*.

- The realisation of the assets of failed institutions to finance the compensation of depositors is recorded as a capital tax. Thus in National Accounting terms this income is recognised as a tax rather than a service as it is deemed to be providing services to depositors rather than the financial institutions that fund it.

In the UK public sector finances, the classification of the realisation of assets is different compared to that in National Accounts. In this environment, capital taxes have traditionally been recorded alongside current revenues, as from the perspective of government traditional capital taxes (such as Inheritance Tax) produce a regular income stream. This is not the case for the depositor compensation transactions and so these have been recorded in the capital account. The transactions are recorded as 'capital transfers' as opposed to tax revenues in order to offset the transfers to householders.

The UK Delegate also considers that there are other points that support the case for not treating this income stream as tax revenue in either the UK public sector finances or OECD *Revenue Statistics*:

- The transactions record situations where rights are transferred to government to cover payments paid to depositors of failing financial institutions. These are unusual transactions for a number of reasons. One is that taking into account that they offset the compensation payments that accrue at the same time, they have no positive net impact on government borrowing. In addition, they are only directed at specific institutions.

- Government will not receive a net profit from the taxes though in theory it could record a loss. The amounts from the realisation of assets that are recorded as tax revenues in National Accounts will not be greater than the corresponding amounts paid to depositors in compensation. The same is the case in respect of any additional compensation over and above the FSCS limits that is made directly by the government.

ANNEX C

OTHER GOVERNMENT SECTOR DEPOSIT PROTECTION SCHEMES

1. Australia

The Guarantee Scheme for Large Deposits and Wholesale Funding ('Guarantee Scheme') covers Australian-incorporated authorised deposit-taking institutions' (ADIs) eligible wholesale funding instruments and the portions of large deposits held in them (over $1 million per depositor, per ADI). Under the Guarantee Scheme, ADIs pay a fee, based on their credit rating, of between 70 bps and 150 bps for coverage. The fee is paid into the Consolidated Revenue Fund. The Guarantee Scheme closed to new liabilities on 31 March 2010. Existing liabilities are covered until maturity (the maximum maturity is five years), or until October 2015 for large deposits.

The National Accounts classifies these payments as fee for a service. The payments are not classified as taxes in either National Accounts or OECD Revenue Statistics.

2. Belgium

At the end of 2008, the cover offered to deposit holders under the existing **Protection Fund** was raised from 20,000 to 100,000 euro, and insurance companies were offered, on a voluntary basis, the opportunity to guarantee class 21 life insurance products in a similar way. For this purpose, the government set up the **Special Protection Fund** for deposits and life insurances. This new Fund was intended to cover class 21 life insurance products, and the 50,000 to 100,000 euro tranche of deposits with credit institutions, the first tranche of 0 to 50,000 euro being covered by the existing Protection Fund. The cover provided by the investor protection scheme remained fixed at 20,000 euro per person and per institution.

From January 2011 onwards, the responsibilities of the Special Protection Fund will increase substantially. First; the participation of the insurance companies issuing class 21 life insurance products will become compulsory. Second, the covering of deposits by the Protection Fund will partly be shifted to the Special Protection Fund. In case of default of a financial institution, the covering of the first tranche of 50,000 of deposits by the Protection Fund will be lowered to only its "available means" after settlement of the claims of financial instrument investors; the remaining (up to 100,000) being covered by the Special Protection Fund. This shift of responsibilities is accompanied by a change (increase) in the fee structures.

The federal Treasury has to pre-finance compensations to depositors and investors if the cost of interventions exceeds the available funding. Then in subsequent years, a proportion of the payments made by contributing institutions will be allocated to paying back this pre-financing.

The Special Protection Fund is administered by the federal Treasury. It is classified as belonging to the federal government sector in the national accounts (ESA95 S.1311) which classifies these payments as fee for a service. The payments are not classified as taxes in either National Accounts or OECD Revenue Statistics.

3. Canada

In Canada there is the federally controlled crown corporation, Canada Deposit Insurance Corporation (CDIC), and as well as two provincial government corporations, the Deposit Insurance Corporation of

Ontario and the Credit Union Deposit Guarantee Corporation of Alberta, that collect insurance premium revenue from financial corporations to insure deposits made in the financial corporations.

CDIC is a federal Crown corporation created by Parliament. It works at arm's length from the government and reports to Parliament through the federal Minister of Finance. It was created to insure deposits held in CDIC member banks, trust companies, loan companies and associations governed by the Cooperative Credit Associations Act. Its work is governed by the CDIC Act.

(CDIC) insures eligible deposits at each CDIC member institution up to a maximum of $100,000 (principal and interest combined) **per depositor** (or, in the case of joint deposits, **per set of joint owners**), for each of various different types of accounts. To be eligible for deposit insurance, deposits must be payable in Canada, and in Canadian currency. As a general rule, a deposit is considered to be payable in Canada if it is held at a branch or office of a CDIC member institution in Canada.

Each year, every member institution is classified into one of four premium categories. Except under special circumstances, classification is based on a system that scores a member institution according to a number of factors including capital adequacy, profitability, asset quality and concentration.

At present, insurance premiums paid by financial corporations to federal and provincial deposit insurance plans are classified as taxes in both National Accounts and OECD Revenue Statistics.

4. Denmark

To ensure trust in the Danish financial sector, a political agreement was formed in October 2008. Through the Bank Package the Danish State issued a general two-year guarantee for deposits and simple claims in all Danish financial institutions who are members of the Private Contingency Association (Det Private Beredskab). This covers 99 per cent of the financial sector.

The Bank Package established the Financial Stability Company (Finansiel Stabilitet A/S) to ensure the coverage of the unsecured creditors' claims in case a bank becomes financially distressed. The Company is responsible for ensuring the timely payment of all due claims of unsecured creditors and depositors and also to take over the liabilities of distressed financial institutions. The Company is state-owned through the Danish Ministry of Economic and Business Affairs.

To benefit from the state guarantees of the Bank Package each financial institution involved pays a fee according to their relative size. In total the financial institutions pay a 15 billion DKK fee to the state. Furthermore, the participants guarantee 20 billion DKK to cover any potential loss in relation to the liquidation of financial institutions in distress. Thus, the total fee paid by the financial sector depends on the amount of losses from distressed members of the Private Contingency Association but amounts to between 15 and 35 billion DKK. Any additional liabilities were to be covered by the Danish State.

When the unlimited deposits guarantee of the Bank Package expired at the end of September 2010, deposits are covered by The Depositors' Guarantee Fund from October 1st 2010 and onwards (see Annex D).

The premium paid by the financial institutions for the two year coverage is actually neither a tax nor a payment for service. Instead this insurance premium is classified as a capital transfer to the Financial Stability Company and thus not part of public administration in the National Accounts.

5. Germany

There are two mandatory Deposit Guarantee Schemes that insure especially deposits of private persons and small & medium enterprises up to 50,000 € according to EU-Directive 94/9/EC. There are also several voluntary schemes operated by banks.

These payments are classified as fee for a service. The payments are not classified as taxes in either National Accounts or OECD Revenue Statistics.

6. United States

There is an already existing program of deposit insurance, including fees paid by banks, that is administered by the Federal Deposit Insurance Corporation (FDIC). In response to the 2008-09 financial crisis, the Federal government instituted:

- A one-time special assessment on banks for deposit insurance:
- Prepayments of FDIC fees

These payments are classified as fee for a service in National Accounts. The payments are not classified as taxes in either National Accounts or OECD Revenue Statistics.

ANNEX D

FUND OPERATED OUTSIDE THE GOVERNMENT SECTOR

1. Belgium

The current "Deposit and Financial Instrument Protection Fund" (commonly shortened as "**Protection Fund"**) was installed in 1999, in response to two European Directives: one concerning Deposit Guarantee Schemes (94/19/EC), the other concerning Investor Compensation Schemes (97/9/EC). The Protection Fund continued the activities and responsibilities of predecessors in both areas.

Participation in the schemes is compulsory for credit institutions (banks, savings banks, investment banks) and stock broking firms established either under Belgian law or the law of a country which is not a member of the European Economic Area. Their membership is an indispensable condition to obtain accreditation from the Banking, Finance and Insurance Commission.

The National Accounts Institute classifies the Protection Fund as a unit engaged in financial activities, in particular an insurance corporation owned by the government (ESA95 S.12501) but it is treated as being outside the government sector.

Therefore, the payments are not classified as taxes in either National Accounts or OECD Revenue Statistics.

2. Czech Republic

According to Directive 94/19/EC on Deposit Guarantee Schemes, the Czech Republic operates a Deposit Insurance Fund (DIF) which provides insurance to deposits on accounts maintained by credit institutions up to the coverage limit of 50,000 EUR (100,000 EUR from the end of 2010). It also operates a Securities Traders Guarantee Fund to protect the clients of investments firms (according to the directive 97/9/EC on investor compensation schemes).

In both schemes, the contributions raised from members are accumulated by the Funds in the form of savings and are not considered to be part of the income of the state budget. The schemes therefore operate as non-state funds. The only functions of their organizations are to collect contributions from members and to repay investors in cases of a financial institution failure. They have no powers to intervene into the functioning of its members.

The payments are not classified as taxes in either National Accounts or OECD Revenue Statistics.

3. Denmark

The Depositors' Guarantee Fund is administered by the Financial Stability Company (Financial Stabilitet A/S). It covers registered cash deposits and securities of private persons and companies up to a threshold of approximately DKK 750,000 (€ 100,000) – raised from DKK 300,000 in October 2010. Loans and other liabilities are deducted, whereas certain deposits such as pension savings are fully covered.

The Depositors' Guarantee Fund is an independent and privately run institution funded by mandatory size-dependent payments from financial institutions operating in Denmark and so the payments are not classified as taxes in either National Accounts or OECD Revenue Statistics.

4. Hungary

There is a deposit insurance scheme outside the State sector financed mostly by the mandatory payments of financial institutions. The payments are not classified as taxes in either National Accounts or OECD Revenue Statistics.

5. Italy

The "*Fondo Interbancario di Tutela dei Depositi*" (Interbank Deposit Protection Fund), is a compulsory union among banks existing since 1993. It is approved and governed by the Bank of Italy but its existence is based on laws governing transactions between private subjects and the public sector is not involved in any monetary flows. Branches of EU banks operating in Italy can adhere to the Fund to supplement the protection offered by their source State. Non-EU banks branches authorized in Italy are obliged to adhere unless they participate in a equivalent foreign ensuring system.

The purpose of the Fund is to guarantee the depositors of member banks which undertake to provide the financial resources necessary to achieve the purposes of the fund. The contribution rates and initial share of participation payable by each member are determined by the level of recoverable funds and some other factors.

The payments are not classified as taxes in either National Accounts or OECD Revenue Statistics.

6. Japan

The objective of the deposit insurance system is to protect depositors and other parties. It covers financial institutions (banks and Long-term credit banks etc.) whose headquarters are located in Japan. It attempts to guarantee settlement when a financial institution can no longer repay the deposits they have accepted, thereby contributing to maintain financial stability.

The insurance coverage by Deposit Insurance Corporation of Japan (DICJ) automatically begins when insured financial institutions accept deposits eligible to be insured. The deposit insurance is mainly financed by insurance premiums, which are paid annually to the DICJ by insured financial institutions to in accordance with their amount of deposits.

The payments are treated as a fee for a service of the private financial institution in National Accounts.

The contributions are not included in the OECD Revenue Statistics tables.

7. Slovak Republic

Banks and foreign bank branches (including building societies) operating in Slovakia, which have a banking license issued by the National Bank of Slovakia are obliged to take part in the deposit protection system in the Slovak Republic. Obligation to take part in deposit protection system becomes effective on the day of the first accepted deposit, which is protected by the Deposit Protection Act.

Banks are obligated to pay the following contributions to the Fund:

- Initial contribution (one-off contribution) in the amount of EUR 33 194.
- Annual contribution (recurrent contribution) in any year is determined by the Fund between 0.1% to 0.75% of the amount of deposits protected.

- Extraordinary contributions.

The Fund is legally empowered to organize and execute activities related to the protection of deposits held by private individuals and legal entities (stipulated by law), in banks and foreign bank branches. This includes compensation up to a certain threshold. The Fund is not a government fund and is not financed from the state budget, therefore attributed in sector of financial corporations S.12 in National Accounts.

Contributions to the Fund were treated as a fee for services up to 2008 in National Accounts. From 2009 they have been treated as a financial transactions F.22.

The contributions are not included in the OECD Revenue Statistics tables.

8. Spain

The Spanish system of guaranteeing deposits held by credit institutions comprises the following three Deposit Guarantee Funds **(FGD)**:

- Deposit Guarantee Fund for Banking Establishments **(FGDEB)**.
- Deposit Guarantee Fund for Savings Banks **(FGDCA)**.
- Deposit Guarantee Fund for Credit Cooperative Banks **(FGDCC)**.

The above institutions were created by Decree (1980) and operate under private Law. Their purpose is to guarantee money deposits and securities held by depositors in the credit institutions. Besides offering these two different, but compatible guarantees, they can also, under certain circumstances, act so as to reinforce the solvency and operation of credit institutions.

The deposit insurance system aims to guarantee the recovery of money and securities, up to certain limits, held by depositors in the credit institutions. In addition, the deposit insurance system also may carry out actions to strengthen the solvency and operation of a failing credit institution, defending interests of both the depositors and the Fund.

The FGD are funded by the contributions made by the credit institutions attached to the system and income derived from their own assets. In the following link you can find official information about them.

In the Spanish National Accounts, these three institutions are included in the Sector of Financial Institutions (S.12). Therefore, no income or expenses are included in the accounts of General Government (S.13). Payments into the funds are therefore not classified as taxes in either the National Accounts or OECD Revenue Statistics.

9. Turkey

The *SAVINGS DEPOSIT INSURANCE FUND (SDIF) is a* Deposit insurance system established for the protection of deposits. The system works by linking the deposit owners, banks accepting the deposits and the institutions taking the deposits under insurance guarantee. The SDIF is an administratively and fiscally autonomous organization. Its sanction power ís based on legislation. The Association providing the insurance collect specified premiums from the deposit takers. The Association has legal powers to step in when a bank in which deposits are invested can not repay the owner's deposit. It pays the total amount under the insurance to the depositor/s. In order to take back reclaim the amounts paid, it also initiates the legal process in respect of the bank having difficulty in paying.

If the assets of the Fund are insufficient to meet the needs then in a particular situation then it can take the following action:

- Borrow from the Treasury or under the Treasury's authorization.

- Take advance payments may be received from banks of up to the total insurance premium paid by them in the previous year, which will be deducted from their future premium obligations with the opinion of the Banking Regulation and Supervision Agency.

- Obtain advances from the Central Bank.

The revenue collected by SDIF is not classified as tax revenue or fee for service in either National Accounts or OECD Revenue Statistics. The collected revenue composes special income for the Fund, which uses on its operational costs and paying the insured amounts of the deposits of the bank having difficulty in paying to deposit owners.

ANNEX E

NON-STATE INSTITUTION BACKED BY THE DEPOSIT TAKERS

1. Luxembourg

The bank deposits guarantee body in Luxembourg “Deposit Guarantee Association Luxembourg” (“Association pour la Garantie des Dépôts, Luxembourg », AGDL) is a non-profit association. It was set up on the basis of two European directives which were transposed into Luxembourg legislation by the Laws of 11 June 1997 and 27 July 2000.

Its purpose is to set up a mutual guarantee system (the Guarantee) covering both cash deposits (deposit guarantee) and also claims resulting from investment transactions (investor compensation) as defined by the law and by its statutes in favor of customers and investors with members of the Association. Investment instruments are transferable securities and investment fund shares, money market instruments, futures, future interest rate contracts (FRA), ”SWAPS” and options on currencies and financial instruments. The guarantee covers both natural persons and corporate bodies.

The members of the AGDL are all the credit institutions (i.e. banks) listed in the official table of credit institutions kept by the Commission for the Supervision of the Financial Sector (CSSF), the Financial Services of the Post Office (Services Financiers de l’Entreprise des Postes et Télécommunications) and the investment firms (i.e. commission agents, private portfolio managers, investment fund management companies, professionals acting for their own account, distributors of investment fund shares and underwriters) listed in the official table of investment firms kept by the Commission for the Supervision of the Financial Sector (CSSF).

In the event of insolvency of a member establishment, the AGDL protects all cash depositors by guaranteeing the reimbursement of their deposits up to the amount of 100,000 Euro (increased from 20,000 Euro from in 2009). It also protects all investors by guaranteeing the reimbursement of their claims arising out of investment transactions up to the amount of 20,000.

The AGDL itself has no own accounts and is classified in sector 11 “Non financial corporations”. As a result there are no transactions recorded as taxes in either National accounts or OECD Revenue Statistics.

2. Austria

According to the Austrian Banking Act, each of the five Austrian banking associations has to maintain a guarantee scheme. Every credit institution in Austria which accepts deposits is under a statutory obligation to be member of the guarantee scheme according to the association it belongs to. The guarantee scheme requires its member institutions to pay proportionate contributions immediately only in cases where guaranteed deposits are to be paid out (= ex post funding).

These schemes are privately organized and as a result there are no transactions recorded as taxes in either National accounts or OECD Revenue Statistics.

3. Switzerland

The Swiss depositor protection scheme was strengthened in December 2008 through emergency law. This temporary solution will apply until July 2011, when it will enter permanent law as a part of the revised federal banking act.

The depositor protection scheme is fully financed by the affected institutions. Banks and pension funds run a joint institution that guarantees bank deposits up to an amount of 100,000 Swiss Francs per depositor (previously 30,000.). In the new act, 125% of the guaranteed amount must constantly be backed by each institution's own domestic assets (compared to none under the former scheme). The upper system limit of guaranteed deposits has been increased to 6 billion Swiss Francs (previously 4 billion).

An immediate payment of at least 5,000 Swiss Francs is guaranteed from the resources of a troubled bank. The size of the amount is to be determined case by case by the supervisory authority.

Additionally, deposit protection has been extended to employee pension accounts with separate coverage in the revised law.

The scheme is privately organized and as a result there are no transactions recorded as taxes in either National accounts or OECD Revenue Statistics.

ANNEX F

VOLUNTARY SCHEMES

1. Belgium

As from 16 October 2008 the Belgian government set up a **temporary guarantee scheme** to facilitate the refinancing of credit institutions and financial holding companies on the interbank and wholesale markets.

Participation in the scheme is **voluntary**, and the institutions concerned must apply to join. The eligibility criteria for the scheme relate to the institution's solvency and liquidity and its importance for the Belgian economy and for the protection of depositors in general.

The guarantee can be granted for all finance raised by the beneficiary institution for the purpose of refinancing itself including bonds and debt instruments issued to institutional investors, so long as the borrowings mature before 31 October 2011. The scheme thus covers instruments such as interbank deposits, deposits by fiduciaries, central bank deposits, institutional deposits, commercial paper, certificates of deposit and negotiable medium-term notes, provided they were contracted or renewed by the beneficiary institution between 9 October 2008 and 31 October 2009.

The guarantee is granted in return for **payment of a fee** reflecting the financial benefit derived by the institution from this guarantee.

On 20 November 2008, the European Commission authorised the guarantee schemes set up jointly by the Belgian, French and Luxembourg governments for Dexia group, and the Belgian government's scheme for Fortis Bank Belgium. The latter did not use it. In March 2009, a state guarantee scheme was implemented in favour of the Holding Communal and KBC also made use of a state guarantee scheme.

At the end of 2009, the guaranteed value amounted to about 27% of gdp. At present, it is considered to be unlikely that these financial institutions will actually apply the guarantees. The fee income for the federal government sector was budgeted at 657 million euros in 2010 (0.2% of gdp).

The payments are treated as fee for a service In National Accounts, since the fees reflect the financial benefit derived by the institution from the accorded guarantees. They could not be treated as tax revenues in either National Accounts or OECD Revenue Statistics as participation in the scheme is on a voluntary basis.

2. Denmark

The Credit Package was initiated on January 2009 to constitute a supplement to the Bank Package (see Annex B) to lessen the risk of healthy businesses and households not being able to achieve funding of their activities.

With the Credit Package to spur lending and ease a possible credit squeeze, Danish financial institutions could apply the state for a capital contribution. The package is a loan of 100 billion DKK in total with 75 billion DKK earmarked for banks and the remaining 25 billion DKK for mortgage lenders. If banks or mortgage lenders make use of the package, they are charged with an individually agreed interest rate. The package is in effect for three years with an annual interest rate of 10 per cent on average.

The general guarantee ended on September 2010, but subsequently financial institutions can apply for an individual guarantee. The Credit Package provides the opportunity for the Financial Stability company A/S to grant financial institutions state guaranteed individual loans. For this guarantee the financial institutions pay an individual fee, while the state will carry the risk when the guarantees are utilized.

The Credit Package provides the Danish state with a net revenue from the interests paid by the financial institutions making use of the Credit Package and from the provisions from financial institutions applying for an individual state guarantee. The latter can be thought of as payments of risk premium as the state carries the risk of the distressed institutions not being able to meet their liabilities. Also there is the risk of banks converting their capital injection into stock as it has happened in one occasion. Finally, the state also carries the risk of having to defray amounts covered by the individual guarantee.

There are a number of uncertainties in relation to the size of this possible revenue from the Credit Package. However, it has been included in the budget proposal for 2011 at the amount of 4.5 billion. DKK.

The interest revenue is included in the national accounts as ordinary interest revenue, whereas the provisions are treated as a fee from the sale of a service. However neither can be treated as tax revenues in either National Accounts or OECD Revenue Statistics as the packages are not compulsory.