

STUDENT'S
NAME: _____ DATE: _____
COURSE/GRADE: _____ SUBJECT: _____
TOPIC: _____
INSTRUCTION: _____

BANKING CRISIS

On March 8, 1999, the government of former Ecuadorian President Jamil Mahuad announced a “banking holiday” that was meant to last only a day but up to the present days those banks have not given the money back to their savers. Sixteen banks closed as a result of the crisis, including the two largest banks such as Filanbanco y Banco del Progreso.

On December 30, 2008, the National Assembly approved the Law to Create the Financial Security Network, which radically changes the management of potential financial crisis. The supervision of the financial system is strengthened, a new method of banking resolution is defined in order to never again socialize the banking sector’s private losses, and the deposits guarantee fund and the liquidity fund (lender of last resort) are created, this time however, financed by the contributions of the financial institutions themselves (IFI for its abbreviation in Spanish) and no longer with public funds. With regard to BCE, it enters into a new structural reform to update its role for the purpose of contributing to the creation of Good Living, and confront the challenges faced by a Central Bank of the XXI century.

The political desire to mitigate social unrest led the Government to announce the dollarization of the Ecuadorian economy on January 9, 2000. The US Dollar replaced the Ecuadorian sucre as legal tender in Ecuador, fulfilling the value reserve’s function, unit of account and means of payment.

MATCH QUESTIONS WITH THE CORRECT ANSWERS ABOUT BANKING CRISIS.

- 1.- When did the US Dollar replace the Ecuadorian sucre?

A) a “banking holiday”
- 2.- Why is a new method of banking defined?

B) President Jamil Mahuad
- 3.- What did The Ecuadorian government Announce on March 8, 1999?

C) On January 9, 2000
- 4.- How many banks were closed due to the crisis?

D) In order to never again socialize the Banking sector’s private losses.
- 5.- Who was the president when “Banking Holiday” Was announced?

E) Sixteen banks, including Filanbanco and Banco del Progreso.