

PRESS RELEASE: EBF welcomes DGS Agreement

The European Banking Federation welcomes the agreement reached by the European Commission, Parliament and Council on the long outstanding recast of the Deposit Guarantee Scheme (DGS).

It is one of the crucial pillars of financial stability along with the recently adopted new prudential capital and liquidity requirements (CRR) and bank recovery and resolution framework (BRRD). By affirming the EUR100.000 insurance amount for all depositors, the establishment of a credible pre-financed deposit insurance fund and the shortening of the payout timeframe, deposit insurance provides confidence to millions of customers that their money is safe with banks in Europe, irrespective of the bank's health or location.

The EBF supports the principle of fast payout and the establishment of ex-ante financed DGS funds. It however highlights that some banks and their Deposit Guarantee Schemes will be severely challenged by the implementation of these measures in the immediate future.

Implementing shorter payout will require banks to build comprehensive IT systems to calculate close to real-time payment instructions for DGS. In parallel, national schemes will have to ensure efficient payment processes after a bank failure to guarantee fast payout for millions of customers, ensuring monies go to the right recipients and for the right amount. These systems will have to be carefully developed over time to ensure they are operational at times of stress and avoid system failures which could have a disastrous impact on the wider financial system.

Finally, with regard to the build-up of national DGS insurance funds of 0.8% of covered, i.e. insured deposits, the EBF welcomes the flexibility for Member States to build up the fund over 10 years while also allowing the possibility to use payment commitments backed by high quality assets and the use of tax levies.

'Banks in Europe face different starting points. Some jurisdictions have not yet introduced a pre-funded system and they are still liable to finance the cost of the most recent bank failures. We must ensure that a level playing field is respected across the various jurisdictions, where national measures especially in terms of funding the schemes still differ widely. Therefore, an evolutionary approach to further harmonise the deposit insurance rules in Europe is the right answer and is less disruptive for competition' commented Ravoet.

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