**Deposit\_Guarantee\_Scheme\_Recast**

**Memo by**: Daniel Rasch **Team**: DE

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| **ID:** 137 **Code:** COM (2010) 368 **Type:** Directive  **Date of Proposal:**  12.7.2010  **Current Status:** COM position on EP’s 1st reading, 16.Feb 2012  **Title:** Proposal for a DIRECTIVE …/…/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on Deposit Guarantee Schemes [recast]  **Identified Commission Official:**  DG Internal Market and Services, Michel BARNIER – or see ID 24  **Media archive Score:** 32 in four sources (AE, EV, FAZ, FT) | **ID:** 24 **Code:** COM (2008) 661 **Type:** Directive  **Date of Proposal:** 15.10.08  **Current Status:**  in power since 16/03/2009  **Title:** DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 94/19/EC on Deposit Guarantee Schemes as regards the coverage level and the payout delay  **Identified Commission Official**: Charlie McCreevy, DG Internal Market and Services  **Media Archive score:** 20 in four sources (AE, EV, FAZ, FT) |

***NOTE: Both proposals are collapsed in the MLG-Sample in one case with ID 137.***

**Objective:**

The main elements of this proposal are:

* Simplification and harmonization, in particular as to the scope of coverage and the arrangements for payout;
* Further reduction of the time limit for paying out depositors and better access for deposit Guarantee Schemes (DGS) to information about their members (i.e. banks);
* Sound and credible DGSs that are sufficiently financed;
* Mutual borrowing between DGSs, i.e. a borrowing facility in certain circumstances.
* increasing the coverage level from € 20 000 to € 100 000 by the end of 2010.

**Background:**

The recast of the directive is driven forward by the need of increasing the liquidity of banks to redeem all or a significant share of its deposits on the spot, the Commission says. This is done because of the realization of financial stress due to the financial crisis. To prepare the banks for possible bank runs, the relevant Deposit Guarantee Scheme (DGS) reimburses depositors up to a certain ceiling (the ‘coverage level’), which is now planned to be increased from 20.000 to 100.000 Euros.

**Consultation:**

A public consultation was held from 29 May to 27 July 2009 with 104 contributions. Nearly all respondents were in favor of simplification and harmonization of eligibility criteria for depositors. Another big issue was the reducing of the deadline for payout, where the majority of participants were against prolonging, while the Commission maintains that the current deadline is too long to prevent bank runs and to meet depositors’ financial needs.

In terms of extern expertise: the development of the proposal was supported by the European Forum of Deposit Insurers (EFDI), which in 2008 also finalized several reports on specific issues. This work has been taken into account in drafting the current proposal, Commission says. The ECB was also closely involved in the preparation of this proposal.

**Issues:**

1. harmonization of 40 different DGS in the EU,
2. conflict on the reduction of the time limit for paying out depositors
3. Increasing the coverage level to 100.000 Euros

**Frames:**

On issue

1) none

2) that it has not been implemented yet and practical experience is needed before deciding whether to shorten it further. They also felt that 4-6 weeks was already ambitious, and a shorter period would be unrealistic and may undermine the credibility of the system. By contrast, proponents of a shorter payout delay argued that it would increase confidence as it is important for depositors to have as fast access to their funds as possible to avoid a run on banks. Proponents argued that a very short payout deadline was feasible and cited the US practice (2-day payout delay), but opponents stated that comparison with the US was not relevant since the FDIC is based on different principles than the EU DGS. Both proponents and opponents agreed that the actual speed of payout depends on DGS access to relevant bank data and data quality.

***>> feasibility of the proposed measures***

3) that the costs for banks would not outweigh the rather marginal benefits (Nordic countries); a large majority believed that banks trading under different names should not receive coverage per brand but per bank; about three quarters of respondents were in favor of coverage for non-EU currencies.

***>> costs and benefits***

**Other Information:**