



# Directive 2014/49/EU on Deposit Guarantee Schemes

**9-10 April 2019**

*These slides accompany the explanation of the acquis to Albania and North Macedonia and can only be used for that purpose. Their content is subject to further development of the acquis and interpretation by the Court of Justice of the European Union*

# Background

- ❑ The **Directive on Deposit Guarantee Schemes (DGSD)** aims at improving depositor confidence in financial stability throughout the internal market
- ❑ Depositors benefit from improved access to Deposit Guarantee Schemes (DGSs), thanks to a broadened scope of coverage, faster repayment periods, improved information and robust funding requirements
- ❑ The Directive had to be implemented by Member States **by July 2015**

# Scope of application

Directive shall <u>apply</u> to:	Directive shall <u>not apply</u> <sup>1</sup> to:
<b>Statutory DGS</b> <sup>2</sup>	---
<b>Contractual DGS</b> that are officially recognised as DGS	<b>Contractual schemes</b> that are <u>not</u> officially recognised as DGS
<b>Institutional Protection Schemes</b> that are officially recognised as DGS	<b>Institutional protection schemes</b> that are <u>not</u> officially recognised as DGS
<b>Member banks</b> of those schemes <sup>3</sup>	---

<sup>1</sup> Except for some information requirements of the Directive (Art.16(5) and (7))

<sup>2</sup> Each MS shall ensure that within its territory one or more DGS are introduced and officially recognised (Art.4(1))

<sup>3</sup> No credit institution may take deposits unless it is a member of a scheme officially recognised in its home MS (Art.4(3))

# Level of coverage

## ☐ **Harmonised coverage level of € 100 000**

applicable in all Member States

- ✓ **Per depositor per bank**
- ✓ **No separate coverage per different brands of the same bank**

## ☐ **Temporary high balances:** Member States shall ensure coverage above € 100 000 for deposits arising from housing transactions (e.g. sale of residence) or from specific life events (e.g. marriage, divorce, inheritance)

- ✓ **Covered in full or partially**
- ✓ **Covered from 3 up to 12 months**

# Scope of coverage

	Covered	Not covered
<b>Depositors</b>	Individuals, all enterprises (small, medium, large)	Financial institutions, public authorities*
<b>Products</b>	Deposits in EU and non-EU currencies (USD, CHF, etc)	Debt certificates, structured products, etc

*\* Deposits of small local authorities (with annual budget up to € 500 000) may be covered by DGS*

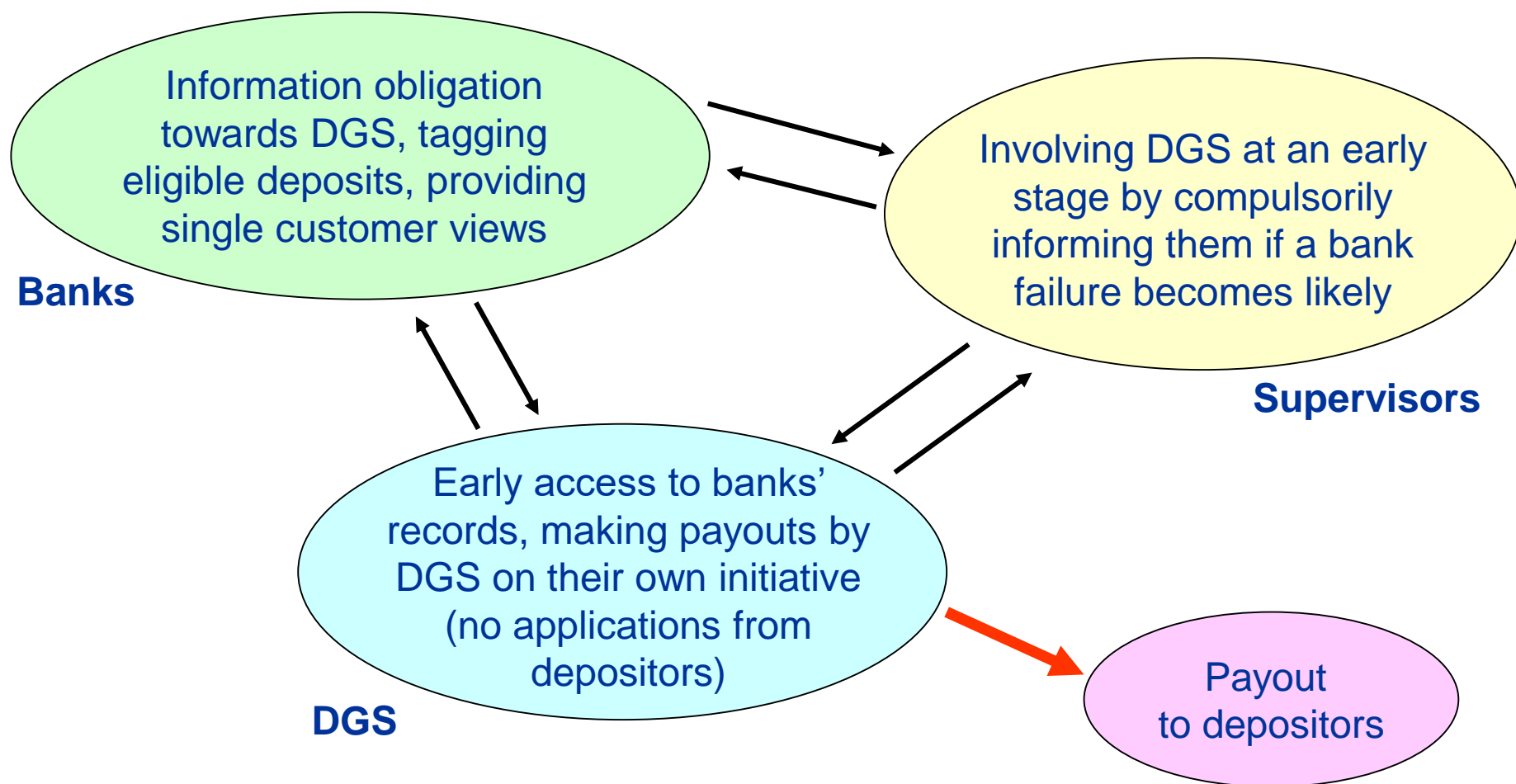
# DGSs and covered deposits in the EU

- ❑ Depositors in the EU are protected **by 40 DGSs**
- ❑ The **amount of covered deposits** in the EU, i.e. eligible deposits that do not exceed the coverage level, is equal to € 7.9 trillion (EBA data as of year-end 2017)

# Payout deadline

- ❑ Payout deadline will be **gradually reduced** from the current 20 working days to 7 working days in three phases:
  - ✓ **15 working days – from 2019**
  - ✓ **10 working days – from 2021**
  - ✓ **7 working days – from 2024**
- ❑ During the **transitional period** (until end-2023), depositors in need may ask for so-called "**social payout**", i.e. limited amount to cover their costs of living to be paid within 5 working days

# Factors facilitating faster payouts

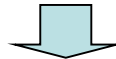




# Financing (1)

**Ex-ante funding (at least 0.8% of covered deposits)**

to be reached by Member States within 10 years



**Extraordinary (ex-post) contributions**

(up to 0.5% of covered deposits annually)



**Mutual borrowing facility  
on a voluntary basis**

(up to 0.5% of covered deposits  
of the borrowing scheme)

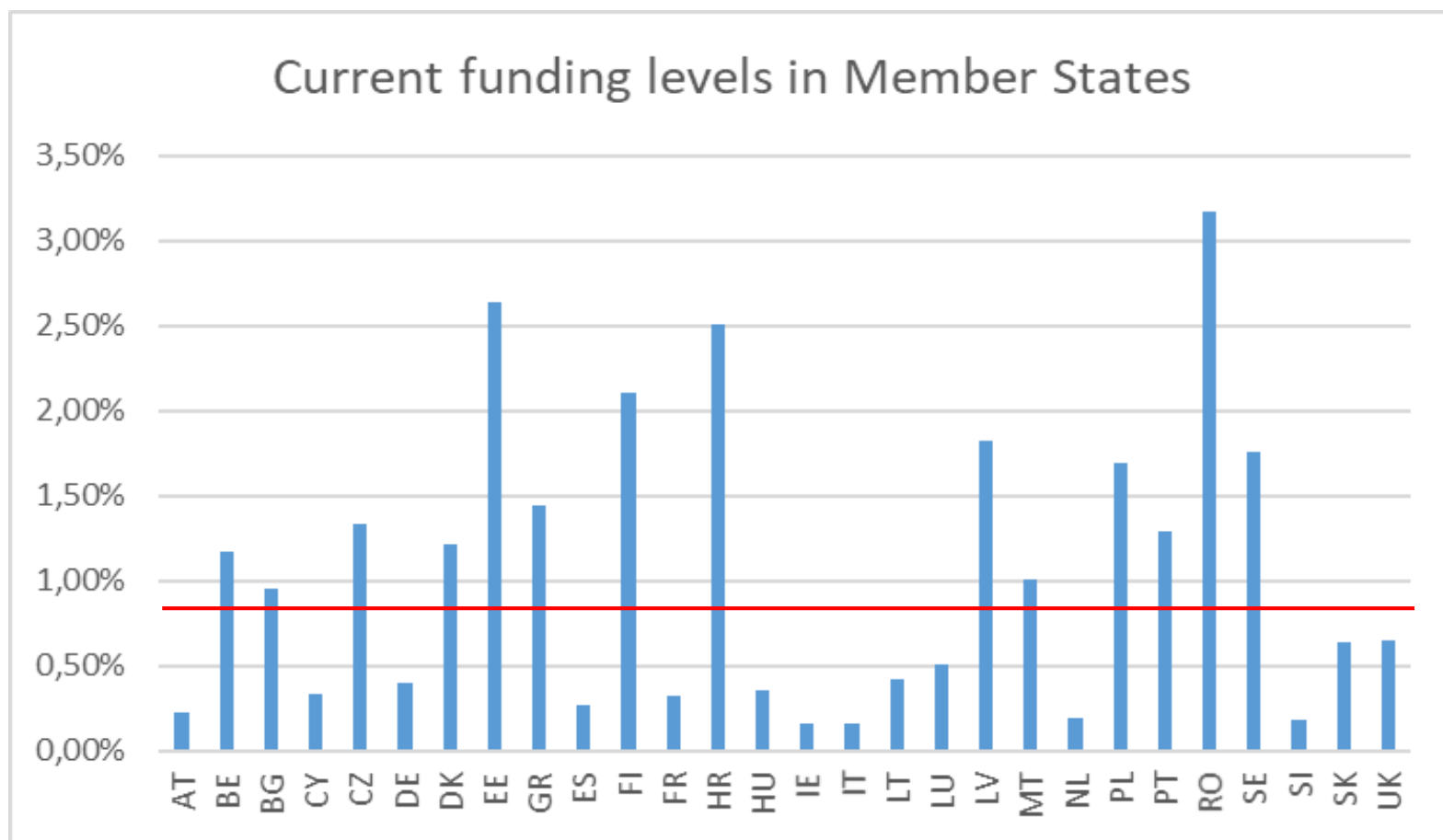
**Alternative  
funding arrangements**

(e.g. borrowing from governments  
or financial markets)

## Financing (2)

- ❑ The **target funding level** for DGS is at least **0.8% of covered deposits** to be reached in **10 years**
- ❑ **Ex-ante funds** of DGS should consist of cash, deposits, low-risk liquid assets and payment commitments. The EBA published Guidelines on irrevocable payment commitments (<https://eba.europa.eu/-/eba-publishes-guidelines-on-contributions-and-payment-commitments-to-deposit-guarantee-scheme>)

# Financing (3)



*EBA data as of year-end 2017*

# Risk-based contributions

- ❑ Contributions to DGSs have to reflect individual risk profiles of member banks  
⇒ **riskier banks have to pay more**
- ❑ **EBA** has published Guidelines on methods for calculating contributions to DGSs in May 2015 (<https://eba.europa.eu/regulation-and-policy/recovery-and-resolution/guidelines-on-methods-for-calculating-contributions-to-deposit-guarantee-schemes-dgss->)

# Use of DGS funds (1)

## Payout

DGS funds  
**shall be primarily used**  
to reimburse  
depositors after  
a bank failure

+

## Resolution

DGS funds  
**shall also be used**  
to finance the  
resolution of credit  
institutions

+

## Other interventions

DGS funds  
**may be used**  
for measures  
according to Art.  
11(3) and (6)  
DGSD

# Role of DGS in bank resolution

- ❑ **DGS shall contribute** to the resolution of a failed bank **as a preferred creditor**
  
- ❑ DGS's contribution would be **limited**:
  - ✓ **up to the amount they would have contributed in insolvency**
  - ✓ **up to the amount equal to 50% of the DGS target funding level**

# Art. 11(3) and (6) DGSD

- ❑ **Failure prevention (Art. 11(3) DGSD)** is contingent upon several conditions, for example:
  - ✓ the resolution authority has not taken any resolution action
  - ✓ the DGS has appropriate systems and procedures...etc
  
- ❑ **Transfer of assets and liabilities including deposit book transfer** in the context of national insolvency proceedings (**Art. 11(6) DGSD**)
  - ✓ if the costs borne by the DGS do not exceed the net amount of compensating covered depositors at the credit institution concerned (least cost test)

# Better information for depositors (1)

- ❑ While depositing money at a bank, depositors will have to **countersign a standardised information sheet** containing all relevant information about deposit protection by the DGS
- ❑ The **updated standardised information sheet** will be sent by banks to their customers **at least once a year**
- ❑ Banks will be obliged to inform their depositors about DGS protection of their deposits on the **statements of account**
- ❑ Some **restrictions on advertising** on deposit products (only factual information, no referring to unlimited protection, etc)



# Depositor information template

Basic information about the protection of deposit	
Deposits in (insert name of credit institution) are protected by:	[insert the name of the relevant DGS] <sup>1</sup>
Limit of protection:	€ 100 000 per depositor per credit institution <sup>2</sup>
If you have more deposits at the same credit institution:	All your deposits at the same credit institution are "aggregated" and the total is subject to the limit of € 100 000 <sup>2</sup>
If you have a joint account with other person(s):	The limit of € 100 000 applies to each depositor separately <sup>3</sup>
Reimbursement period in case of credit institution's failure:	7 working days <sup>4</sup> [replace by another deadline if applicable]
Currency of reimbursement:	Euro [replace by another currency where applicable]
Contact:	[insert the contact data of the relevant DGS (address, telephone, e-mail etc)]
More information:	[insert the website of the relevant DGS]
Acknowledgement of the depositor:	
Additional information (all or some of the below)	
<sup>1</sup> Scheme responsible for the protection of your deposit	

# Outlook and related issues

- ❑ The Commission, supported by EBA, is currently working on a report informing on the progress towards the implementation of the DGSD (ongoing **DGSD-review**)
- ❑ Ongoing work on a study on **national options and discretions** under the DGSD and their treatment in the context of a „European Deposit Insurance Scheme“ (EDIS)
- ❑ **More information available at**  
*[https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/managing-risks-banks-and-financial-institutions/deposit-guarantee-schemes\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/managing-risks-banks-and-financial-institutions/deposit-guarantee-schemes_en)*