Deposit guarantee schemes: coverage level and the payout delay

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The Committee on Committee on Economic and Monetary Affairs adopted a report drafted by Christian EHLER (EPP-ED, DE), and amended the proposal for a 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.

The main amendments – made in 1st reading of the codecision procedure – were as follows:

Scope: the Commission proposal had limited the scope of the Directive to private investors. However, Members felt that small and medium sized enterprises should continue to be protection and come within the scope, given the importance for the economic situation in Member States and the state of the labour market in Europe.

Impact assessment for increased coverage: Members felt that, given the urgency of the situation, there had been no time for an impact assessment. However, they stipulated that, by 31 December 2009, coverage of the aggregate deposits of each depositor will be increased to EUR 100 000, or equivalent, **unless** a Commission impact assessment, submitted to the European Parliament and the Council by 30 April 2009, concludes that such an increase is not appropriate and is not financially viable for all Member States in order to ensure consumer protection and financial market stability. The maintenance of institutional guarantee, the possibility of full coverage of certain deposits including temporarily increased account balances and exchange rates arrangements for non Euro-zone currencies shall be ensured.

Comitology: Members deleted the Commission's powers to make changes through comitology and stated that further changes should be carried out in normal procedure. The annual review by the Commission will ensure that action can be taken in time.

Information: Member States shall ensure that credit institutions make available to actual and intending depositors the information necessary for the identification of the deposit-guarantee scheme of which the institution and its branches are members within the Community or any alternative arrangement provided for in the text. The depositors shall be informed of the provisions of the deposit-guarantee scheme or any alternative arrangement applicable, including the amount and scope of the cover offered by the guarantee scheme. When a deposit is not guaranteed by a deposit-guarantee scheme, the credit institution shall inform its depositors accordingly. All information shall be made available in a readily comprehensible manner.

Time limits on default: Members felt that the Commission proposal was unrealistic and stated that, in the event that the continuity of banking services and access to monies is not deliverable, deposit-guarantee schemes shall be in a position to pay duly verified claims by depositors in respect of unavailable deposits within **14 days** (rather than 3 as the Commission had proposed.) Two years after the coming into force of the Directive, the Commission shall assess whether a further reduction to 10 days, without limitation of the scope of coverage, can be proposed.

Emergency payment: a new clause states that in the event that the continuity of banking services and access to monies is not deliverable, Member States in cooperation with deposit-guarantee schemes shall make arrangements for ensuring emergency payouts of appropriate amounts upon application of the affected depositor of up to **at least EUR 1 000 within three days or less** after the application.

Report: Members considerably expanded the issues which should be the subject of the Commission's report, and provided that the Commission shall submit to the European Parliament and to the Council by 31st December 2009, a report on: the harmonisation of the funding mechanisms of deposit-guarantee schemes addressing, in particular, the effects of such harmonisation **in the event of a cross-border crisis**, in regard to the availability of the compensation payouts of the deposit and in regard to fair competition, and the costs of such harmonisation; standards for better early-risk warning ; possible models for introducing risk-based contributions; the benefits of a possible introduction of a community deposit guarantee scheme . This shall cover the impact of diverging legislations as regards set-off, where a depositor's credit is balanced against its debts, on the efficiency of the system and possible distortions, taking into account cross-border winding-up; the specific needs of SMEs and local authorities as regards deposit guarantee coverage levels.