Investor-compensation schemes

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OPINION OF THE EUROPEAN CENTRAL BANK on a proposal for a directive of the European Parliament and of the Council on deposit guarantee schemes (recast) and on a proposal for a directive amending Directive 97/9/EC of the European Parliament and of the Council on investor-compensation schemes.

The ECB welcomes the aim of the proposed recast directive to provide a comprehensive, more harmonised framework for deposit guarantee schemes (DGSs). It appreciates the incorporation in the proposed recast directive of its recommendations to: (a) further harmonise the eligibility criteria and coverage levels for deposit guarantees; (b) strengthen the information requirements imposed on credit institutions concerning the scope of deposit protection granted through relevant DGSs; and (c) introduce partial *ex ante* funding arrangements for all DGSs. The ECB considers those elements of the DGS regulatory framework as crucial from a financial stability perspective.

The ECB acknowledges that the proposed amending directive introducing the update of Directive 97/9/EC will enhance harmonisation of investor-compensation schemes in the Union. While the ECB does not provide detailed comments on this legislative instrument, it considers it important that the Union regulatory framework continues to be based on the assumption of different risk profiles of depositors and investors.

The ECB makes the following specific observations on the DGS:

Scope: the ECB recommends that the exclusion of deposits held by public authorities from the regime of the proposed recast directive should use the more precise original language of Directive 94/19/EC, and hence should refer to ‘government and central administrative authorities’ and ‘provincial, regional, local and municipal authorities’.

Repayment period: achieving the proposed reduction to 7 days may prove difficult since it is to be introduced shortly after the original reduction to 20 working days, which was to be implemented by the Member States until the end of 2010. The ECB recommends that the proposed recast directive is amended to the effect that the Commission will (i) prepare a review: on the implementation of the original reduction to 20 working days; and (ii) based on the results of the review, formulate proposals as regards a possible additional reduction or reductions of the repayment period.

Financing: the ECB recommends that such ex ante financing level be defined by reference to ‘covered deposits’, i.e. eligible deposits not exceeding the coverage level, considering that covered deposits reflect the level of DGS liabilities more adequately than eligible deposits.

The proposed calculation method for risk-weighted contributions to DGS is the subject of a debate. The ECB recommends that the proposed recast directive provides for detailed elements of the calculation methodology to be further specified through technical standards and guidelines developed by the European Banking Authority (EBA), based on verified empirical data and promoting equal treatment.

Lastly, the ECB supports from a financial integration perspective the provision of the proposed recast directive under which credit institutions ceasing to be a member of a scheme and joining another scheme will have their contributions for the last six months reimbursed or transferred to the new scheme. In order

to avoid any potential abuse, the arrangement should be limited to the transfer of the paid contributions to the new scheme (excluding the possibility of reimbursement) and should not include extraordinary contributions paid to cover the original DGS's insufficient resources.