# Deposit guarantee schemes. Recast

2010/0207(COD) - 04/03/2014 - Commission communication on Council's position

The communication from the Commission concerns the Council’s position at first reading with a view to adopting a Directive of the European Parliament and of the Council on Deposit Guarantee Schemes.

**Even though the political agreement diverges from the Commission proposal** to a considerable extent, it achieves the objectives behind the original Commission proposal. The Commission therefore supports a Council position that reflects the political agreement of 17 December 2013.

The main points of the political agreement with Parliament are as follows :

**Scope of coverage**: the European Parliament aimed at maintaining higher coverage of deposits made before 31 December 2010 and which were held by depositors residing in a Member State which, before 1 January 2008, had a statutory DGS with a coverage level up to EUR 300 000. Parliament and council agreed that Member States with a coverage level up to **EUR 300 000** would apply this higher coverage until **31 December 2018**.

**Repayment deadlines**: Parliament suggested that Member States could maintain the current repayment period of 20 working days until the end of 2016 when it would be shortened to five working days. The political agreement provides that **repayment deadlines would be reduced in three phases:** (i) fifteen working days as from 1 January 2019; (ii) ten working days as from 1 January 2021; and eventually (iii) seven working days as from 1 January 2024.

**Financing:** Parliament had requested a target level of DGS funds of 1.5% of covered deposits to be reached over 15 years (instead of 1.5% of eligible deposits within 10 years as proposed by the Commission). The political agreement **envisages a target level of 0.8% of covered deposits to be reached within 10 years.** The share of payment commitments that may be counted towards the target level is increased from 10% as suggested by Parliament, to 30%.

**Use of funds:** the political agreement maintains the principle, as proposed by the Commission and endorsed by the Parliament, that DGS funds are to be primarily used to repay depositors but may also be used for failure prevention or resolution measures under certain conditions.

**With regard to preventing bank failures**, qualitative conditions similar to those introduced

by Parliament are envisaged, in particular ensuring that the scheme is equipped with appropriate systems and procedures for selecting and implementing alternative measures and monitoring affiliated risks. However, the political agreement introduces **two main elements** which did not feature in Parliament’s legislative resolution in the first reading.

(1) The compromise aligns the DGS Directive with the political agreement on the proposal for a Bank Resolution and Recovery Directive by introducing the possibility of raising contributions to existing DGS for the purpose of covering the costs related to systemic risk, failure and resolution.

(2) The political agreement provides that the Commission could authorise a Member State to have a target level between 0.5 and 0.8% of covered deposits under certain conditions.