

European deposit insurance scheme (EDIS)

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The Committee on Economic and Monetary Affairs adopted the report by Othmar KARAS (EPP, AT) on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 806/2014 in order to establish a European Deposit Insurance Scheme.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

Subject matter

According to Members, the creation of a European Deposit Insurance Scheme would not only increase confidence among Union depositors in the financial markets, but would also reduce risks for consumers while facilitating access to a wider choice of financial products and promoting the stability and integration of the banking system.

This amending Regulation establishes the **first stage** of a European Deposit Insurance Scheme (EDIS I), which operates as a liquidity scheme that provides loans to participating deposit guarantee schemes, with the aim of making progress towards the establishment of a full insurance scheme with loss coverage at a later stage. The establishment of an EDIS I, with decision-making, monitoring and enforcement powers centralised and entrusted to the Single Resolution and Deposit Insurance Board, will be essential in achieving the objective of a harmonised deposit guarantee framework.

Modalities for the use of the Deposit Insurance Fund

This amending Regulation establishes the modalities for the use of the Deposit Insurance Fund and the general criteria to determine the fixing and calculation of contributions and lays down the powers of the Board for using and managing the Deposit Insurance Fund. The Deposit Insurance Fund could provide liquidity support where the available financial means of a DGS are used for payout, in the context of resolution in accordance with Regulation (EU) 806/2014, or for the measures referred to in Directive 2014/49/EU.

Liquidity support from the Deposit Insurance Fund (DIF) should be available only after funds from participating DGSs have been used. However, spending the necessary administrative expenses of the participating DGS should not be considered as a condition to access funds from the DIF. Additionally, the procedure of preliminary information and the duty to notify the Board should ensure that the necessary liquidity support is provided at an appropriate time before the complete depletion of the funds of a participating DGS.

Mandatory lending

In cases where the DIF funds are insufficient to provide the amount of liquidity support to a participating DGS, all other participating DGSs should be obliged to **lend to the DIF** upon the request of the Board. That mandatory lending should be kept to **30% of the target level** of each lending DGS. The Board should always take into consideration the effect on financial stability when making a decision on mandatory lending. Before the DIF is fully funded, the cap on mandatory lending should decrease evenly from 60% to 30% of the target level of each DGS.

If a DGS has received liquidity support from the DIF or via mandatory lending from other participating DGSs, that liquidity support should be repaid with a clear repayment plan and as a matter of priority for the DGS that received the liquidity support.

Target level of the participating Deposit Insurance Fund (DIF)

After three years, **50% of the target level of the participating DGS** should be transferred to the DIF. The Board should ensure that the contributions are transferred and spread out evenly. In the event that the participating DGS does not have sufficient financial means, the Board should draw up a plan to ensure that the amounts due from that participating DGS are transferred to the DIF within six years. It is the legal responsibility of the participating DGS to meet and maintain both the target level of the DGS and of the DIF.

The Deposit Insurance Fund should be able to contract borrowings or other forms of support from credit institutions, financial institutions or other third parties along with recourse to mandatory lending in the event that the funds available in the Deposit Insurance Fund are not sufficient for the requested liquidity support.

Extending EDIS I

The Commission should continuously review the appropriateness of extending EDIS I from the provision of liquidity support to the establishment of a **full insurance scheme with loss coverage**. It should consider the treatment of institutional protection schemes, changes to the general DGS target level, convergence of contributions to the DIF and the need for a publicly funded backstop mechanism.

The Commission should also examine the possibility of modifying the capital and liquidity waivers and the level of application of the output floor in Regulation (EU) No 575/2013 of the European Parliament and of the Council, as well as progress on legislation and reviews on risk reduction and the diversification of banks' sovereign bond holdings and progress on international level on the regulatory treatment of sovereign exposures.