Deposit guarantee schemes

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Christian **EHLER** (EPP-ED, DE) on deposit-guarantee schemes. The committee was responding to a Commission paper reviewing the existing EU directive which was adopted in 1994, and under which Member States had to put in place deposit protection schemes for bank customers.

MEPs recognise the importance of deposit-guarantee schemes and the benefits of the directive

for users and the stability of the financial market. They agree with Commission that legislative amendments to Directive 94/19/EC should be undertaken only after the results of further research, particularly in the field of cross-border risk and crisis management, have become available. The committee is of the opinion that, in the long run, the question of harmonisation of deposit-guarantee schemes as regards their financing and competence and the role of the supervisory authority needs to be addressed if the requested analyses show distortions of competition, unequal treatment of customers or negative consequences on cross-border risk management.

Committee members support the assessment of the Commission that the operation of deposit-guarantee schemes might be improved through self-regulatory, particularly cross-border, measures. They welcome the cooperation with the European Forum of Deposit Insurers (EFDI) and the Joint Research Centre (JRC) which was initiated by the Commission, and the wide-ranging dialogue aimed at drawing up self-regulatory measures which was instigated by the Commission.

They suggest that more information needs to be provided to customers to enable them to make informed choices regarding the intermediaries to whom they are to entrust their savings, and that the approach should seek constantly to enhance the ability of intermediaries to operate on a cross-border basis and to promote market integration. They consider that the waiting period for depositors to be reimbursed in a crisis situation could be substantially reduced. The report also considers it necessary where reimbursement emanates from two deposit guarantee schemes that the waiting period for the depositor to be reimbursed must not be longer for the reimbursement from the home country schemes than from the host country schemes.

The committee believes it necessary for the Commission, together with the finance ministers of Member States, the central banks and the EFDI, to analyse the potential advantages and disadvantages of burden sharing before and after potential crisis situations arise. The Commission is called upon to draw up standards to improve early- risk detection by the deposit-guarantee systems.

Lastly, the committee considers it necessary to develop principles for cross-border risk and crisis management in order to reduce the free rider problem and the risk of moral hazard.