About

Main missions

The main purpose of the *Fonds de garantie des dépôts Luxembourg* (FGDL, Luxembourg Deposit Guarantee Fund) which is an *établissement public* (public body), is to ensure the compensation of depositors in case of unavailability of their deposits. The FGDL provides the necessary funds for the repayment of unavailable deposits, in principle within 7 working days, up to EUR 100,000 per person and per institution. Some temporary high balances are more widely covered by the deposit guarantee.

The FGDL constitutes the deposit guarantee scheme officially recognised in Luxembourg. The principles of its operation are based on Directive 2014/49/EU (on deposit guarantee schemes) adopted on 16 April 2014. The new European standards provided for by Directive 2014/49/EU, as well as by Directive 2014/59/EU (on the recovery and resolution of credit institutions and investment firms) were implemented into Luxembourg legislation by the Law of 18 December 2015 on the failure of credit institutions and certain investment firms, as amended (Law of 18 December 2015). Article 154 of the Law of 18 December 2015 establishes the FGDL.

The entry into force of the Law of 18 December 2015 brought about changes in the architecture of the deposit guarantee and investor protection schemes in Luxembourg.

As regards deposit guarantee, the functions exercised in the past by the non-profit association *Association pour la Garantie des Dépôts, Luxembourg* (AGDL, Deposit Guarantee Association, Luxembourg) are taken over by the FGDL. The Law of 18 December 2015 thus transforms the former ex post financed private deposit guarantee scheme into a public scheme which is financed ex-ante by the member institutions.

The FGDL collects the contributions from the participating credit institutions, manages the financial resources and, in the event of the insolvency of a member institution, makes the repayments as instructed by the *Conseil de protection des déposants et des investisseurs* (CPDI, Council for the Protection of Depositors and Investors). The CPDI, an internal executive body of the *Commission de Surveillance du Secteur Financier* (CSSF), is the designated authority which administers the deposit guarantee scheme, as referred to in Article 2(1)(18) of the aforementioned directive. In the performance of its duties, the CPDI is assisted by the department Depositor and Investor Protection, which was created by the CSSF in 2016.

The FGDL does not cover any compensation of investors who hold financial instruments. Pursuant to Article 156 of the Law of 18 December 2015, the AGDL's past functions in the ambit of investor compensation have been taken over by the *Système d'indemnisation des investisseurs Luxembourg* (SIIL, Investor Compensation Scheme Luxembourg). Customers holding financial instruments have a right of restitution in the event of failure of the custodian institution (credit institution or investment firm), if some of these financial instruments are found to have vanished due to e.g. fraud or administrative negligence. All claims resulting directly from investment transactions not yet liquidated fall under the SIIL with a coverage of up to EUR 20,000 per person and per institution. It should be noted that no claim can be covered by both the FGDL guarantee and the SIIL guarantee at the same time.

Other missions

The FGDL is furthermore required to participate in the financing of the resolution of failing banks in order to protect the part of the deposits not exceeding the limit of the guarantee. The FGDL may also finance measures to safeguard the depositors' access to covered deposits, including, under certain conditions, the transfer of assets and liabilities and the transfer of customer deposits

through winding up or reorganisation proceedings.