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Revision of EU rules on Deposit Guarantee Schemes - Frequently Asked Questions

MEMO/08/622

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(see [IP/08/1508](#))

Why has the Commission not raised the minimum coverage level immediately to € 100 000?

EU Finance Ministers agreed, for an initial period of at least one year, to provide deposit guarantee for individuals of at least € 50 000, acknowledging that many Member States want to raise this to at least € 100 000. A proposal to immediately increase coverage to € 100 000

would have endangered the support of Member States, a qualified majority of which must agree to the proposal. However, the interim increase to € 50 000 is already an important improvement: It would ensure full coverage of 23% more deposits than currently, i.e. an estimated 80% of deposits. A coverage of EUR 100 000 would then cover 90%.

Why a change of the Directive? Many Member States have already acted anyway.

The Commission appreciates that many Member States have already taken action even beyond the limit of € 50 000. But the increase of coverage is only one element of the proposal. Depositors will not be dissuaded from removing their funds from a bank if they know they will bear a percentage of up to 10% of losses or will have to wait a long time before they regain access to their money (between 3 and 9 months). Coordination at EU level is also required in order to avoid depositors facing different levels of protection. This way, competitive distortions between banks can also be avoided.

Do all depositors enjoy better protection? What about SMEs?

In line with the statement by EU Finance Ministers on 7th October, private individuals who hold deposits should benefit from this protection. Some Member States have already announced more comprehensive guarantees – although such measures are beyond the scope of this proposal.

Why have you deleted the option to cover certain types of deposits in full due to social considerations?

Member States are not prevented from extending protection to certain groups of depositors: full coverage due to social considerations may continue to apply.

Will depositors be protected to the same extent regardless of where in the EU they place their money?

Already under the current regime, all depositors of domestic and foreign branches benefit from a minimum level of protection. This proposal will increase the minimum threshold and reduce but not immediately eliminate the differences in guarantee levels between schemes. There are plans to further converge schemes after a period of one year by raising the minimum level to €100 000.

How will payout delays be reduced?

Schemes will be required to reimburse depositors within three days. In practical terms, there could still be some delays between the moment at which customers' deposits are no longer available and the moment at which they receive funds through the deposit guarantee scheme. In order to reduce to a maximum the overall delay, the Commission is proposing that competent authorities decide within three days at the latest whether or not the scheme needs to be triggered. Member States will also need to ensure that accurate data is made available to the scheme, and schemes will need to be in a position to ensure that the verification process for claims does not result in additional delays (in particular by clarifying the scope of depositors covered by the guarantee).

Do Deposit Guarantee Schemes in the EU have enough money to pay out if needed?

While Member States have committed to "*take all necessary measures to enhance the soundness and stability of our banking system and to protect the deposits of individual savers*", recent research undertaken by the Commission's Joint Research Centre suggests that almost all schemes are robust enough to face a medium-sized bank failure. In addition to funds already available in the schemes, other funding options include credit facilities or additional contributions from member banks. The Commission will follow up this proposal with a review of funding mechanisms by the end of 2009.

What will be the costs for banks? Why has no impact assessment been made?

On 7th October, the EU Finance Ministers requested that the Commission urgently proceed with the adoption of a proposal. In view of the limited time available, neither an impact assessment nor a public consultation could be carried out. However, the Commission has drawn upon extensive research on Deposit Guarantee Schemes which has been undertaken in collaboration with its Joint Research Centre, and supported by the European Forum of Deposit Insurers. The reports are available on the following web site:

http://ec.europa.eu/internal_market/bank/guarantee/index_en.htm

Will customers of Icelandic banks in the EU lose money?

Iceland is a member of the European Economic Area (EEA) and therefore must apply the current Directive. Once incorporated into EU law, i.e. after publication in the EU Official Journal, the extension of the new rules to EEA countries will be decided. As to current difficulties encountered by EU customers of Icelandic Banks, we understand that bilateral talks are under way between the countries involved.

Would a single European Deposit Guarantee Scheme solve anything?

It would seem too early to take a stance on this. However, the idea clearly merits further discussion. This is why the Commission will present a report and, if appropriate, a proposal by the end of 2009.

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