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COVER NOTE

From: Mr Valdis Dombrovskis, Vice-President of the European Commission and
Mr Jonathan Hill, Member of the European Commission

date of receipt: 20 July 2016

To: Mr Roberto Gualtieri, ECON Chair and
Mr Peter Kazmir, Minister of Finance of Slovakia and President of the
ECOFIN Council

Subject: Strengthening of the Banking Union

Delegations will find attached a letter from Vice President Dombrovskis and Commissioner Hill on the European Deposit Insurance Scheme.

Encl.:

VALDIS DOMBROVSKIS
Vice-President of the European Commission

JONATHAN HILL
Member of the European Commission

Brussels, 14 July 2016
Ares(2016)

Dear Mr Gualtieri, dear Mr Kazimir,

Last year the Commission adopted a proposal for a European Deposit Insurance Scheme (EDIS) along with a Communication on the need to complete the Banking Union, including risk reduction measures. In that context, the EDIS proposal should be seen as the logical follow-up to the establishment of the Single Supervisory Mechanism and the Single Resolution Mechanism) – given that supervision and resolution of banks has now shifted to the European level, the circumstances under which a national DGS has to pay out to insured depositors or contribute to resolution are to a large extent no longer under national control.

EDIS is meant to increase the resilience of the Banking Union against future financial crises by reducing the vulnerability of national deposit guarantee schemes to large local shocks and weakening the link between banks and their respective sovereigns. EDIS will help reassure depositors across the Banking Union and reduce the risk of bank runs, thereby enhancing financial stability. It will help improve cooperation between national DGSS if there are cross-border bank failures. Finally, it will increase depositor confidence irrespective of the location of a bank, thus levelling the playing field and furthering financial integration.

The Conclusions of the ECOFIN Council of 17 June 2016 confirmed that the Council will continue constructive work at technical level on EDIS under the current Presidency. In the same vein, the ECON rapporteur in her working document of 16 June 2016 stressed the importance of taking forward the work to "find a broad majority position in both the Council and Parliament on concrete timing of the phasing in of EDIS, conditionality of the risk reduction, content and design for EDIS." In the same document, the rapporteur invited the Commission to provide an assessment of the impact of the EDIS proposal, thereby echoing comments previously made by some Member States in the Ad Hoc Working Party on Strengthening the Banking Union (AHWP).

Roberto Gualtieri,
ECON Chair

Peter Kazimir,
Minister of Finance of Slovakia and President of the ECOFIN Council

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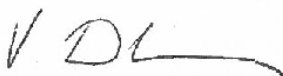
In this context it's worth mentioning that the EDIS proposal builds on the Directive on Deposit Guarantee Schemes (DGSD) adopted in 2014. That Directive was based on a comprehensive Impact Assessment including a detailed exploration of the possible design and impact of a pan-European DGS. This is our starting point for EDIS. In addition, the Commission services have also already prepared a number of technical background papers for the AHWP which are attached for reference.

Nevertheless, we recognise that many in both the Parliament and the Council would like to see additional quantitative analysis of some of the elements in the EDIS proposal. In order to facilitate the work that we all want to take forward rapidly, the Commission is ready to prepare a supplementary analytical report on the effects of the proposal, addressing both quantitative and qualitative impacts. We will share our thoughts on this work during the next AHWP meetings with a view to completing the report by October.

In the meantime, we have asked our officials to press on constructively with the work on other aspects of the EDIS proposal which do not require this additional analysis and our understanding is that this is indeed the intention of the Slovak Presidency, which we welcome.

Completing the Banking Union is one of our top priorities, and we would like to reiterate that the Commission stands ready to support discussions in ECON and in the AHWP with a view to making swift progress on this important dossier.

Yours Sincerely,



Valdis DOMBROVSKIS



Jonathan HILL