



**COUNCIL OF  
THE EUROPEAN UNION**

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**STATEMENT OF THE COUNCIL'S REASONS**

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Subject: Position of the Council at first reading with a view to the adoption of a  
DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE  
COUNCIL on Deposit Guarantee Schemes (recast)

- Statement of the Council's reasons
- Adopted by the Council on 3 March 2014

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## I. INTRODUCTION

The Commission transmitted its proposal on 12 July 2010.

The European Parliament adopted its position at first reading at its plenary session on 16 February 2012.

The Working Party on Financial Services examined the proposed Directive on twenty-five occasions under various Presidencies. In order to ensure consistency among changes brought about by the Bank Recovery and Resolution Directive (BRRD) and the present Directive (DGSD), it was agreed to await the outcome of the BRRD negotiations.

In December 2013, final compromises with the European Parliament were found both on the BRRD and the DGSD, which permitted the conclusion of the negotiations concerning the two dossiers. At the 17 December 2013 trilogue, a provisional agreement, with a view to an early second-reading agreement was reached between the co-legislators.

On 9 January 2014, the Committee on Economic and Monetary Affairs (ECON) of the European Parliament approved the outcome of the trilogue negotiations. On 10 January 2014, the Chair of that Committee addressed a letter to the Presidency indicating that, should the Council transmit formally to the Parliament its position in the form that it was presented in the Annex to that letter, the Chair would recommend to the Plenary to accept the Council's position without amendment.

On 18 February 2014 the Council reached a political agreement on the revised text.

Taking into account the above agreement and after legal and linguistic revision, the Council adopted its position at first reading on 3 March 2014, in accordance with the ordinary legislative procedure laid down in Article 294 of the Treaty on the Functioning of the European Union (TFEU).

## **II. OBJECTIVE**

The DGSD proposal was presented by the Commission with the aim of restoring depositors' confidence and helping to maintain financial stability, by promoting convergence of Deposit Guarantee Schemes (DGSs) in the Union.

The Directive recasts legislation currently in place and further improves the protection of depositors' savings. The main elements are:

- Simplification and harmonisation, in particular relating to coverage and pay-out arrangements.
- Further reduction of the time limit for paying out depositors from the current 20 working days to 7 working days by 2024.
- Introduction of *ex-ante* financing arrangements with a minimum target level for *ex ante* funds set, in general, at 0.8% of covered deposits, to be built within a 10-year period.
- Better access to information for depositors about the protection of their deposits and for DGS about their members (i.e. banks).
- Borrowing between DGSs on a voluntary basis.

### **III. ANALYSIS OF THE COUNCIL'S POSITION AT FIRST READING**

The amendments of the Council reflect the need to find the right balance for the level of harmonisation regarding the rules on deposit-guarantee schemes (DGSs), in order to better protect depositors across the Union, in the case a bank's deposits would become unavailable.

Deposit protection must be limited to the extent necessary, in order to avoid transferring investment risks to the DGSs. Therefore, financial instruments must be excluded from the scope of coverage, except for existing savings products evidenced by a certificate of deposit made out to a named person. Moreover, Member States should also be able to decide that the deposits of local authorities with an annual budget of up to EUR 500 000 are covered.

As a result of this Directive, as amended by the Council, depositors will be provided with a more uniform level of protection throughout the Union. Depositors will also benefit from a broadened and clarified scope of coverage, faster repayment periods, improved information and more robust funding requirements. In addition, DGSs will be allowed to participate in the financing of the resolution of credit institutions in accordance with the BRRD.

Member States may also allow, in compliance with State Aid rules, for protection of deposits, serving certain social purposes, which is higher than EUR 100 000, for a limited period of time, taking into account in particular the living conditions in the respective Member State.

The methods of financing of DGSs will now be more harmonised. The financing of DGSs must be borne by the credit institutions themselves and the funding capacity of DGSs must be more proportionate to their liabilities. DGSs must be subject to a more uniform ex-ante funding target level based on the amount of covered deposits, with funds invested in low risk assets.

As a result of this Directive, the repayment period must be reduced to 7 working days by 2024. During a transitional period, Member States will be allowed to reduce the repayment period gradually to the maximum of 7 working days. In addition, depositors must be able, on request, to access an appropriate amount of their covered deposits to cover for their cost of living. Such an amount should be determined by the respective Member State, in view of the different costs of living in the Member States.

The Directive also ensures that depositors are informed about their coverage, and the responsible DGS, on their statement of account. Intending depositors must be provided with comparable information by way of standardised information sheets. References to DGSs in advertisements must be limited to brief factual statements.

In Member States with credit institutions' established branches, DGSs must inform and repay depositors on behalf of the DGS in the Member State where the credit institution has been authorised. Safeguards must be in place to ensure that a DGS repaying depositors receives, from the home DGS, the necessary financial means and instructions prior to repayment. DGSs concerned should enter into agreements with other DGSs, in order to facilitate cross-border cooperation.

The European Parliament could accept these changes.

#### **IV. CONCLUSION**

The Council's Position at first reading reflects the compromise reached in negotiations between the Council and the European Parliament, with the support of the Commission.

This compromise was confirmed by a letter from the Chair of the European Parliament ECON Committee addressed to the Presidency and dated 10 January 2014. It was subsequently endorsed by the ECOFIN Council on 18 February 2014 through the adoption of the political agreement.

The Council believes that its position at first reading represents a balanced package and that, once adopted, the new Directive will make a significant contribution to protecting depositors' savings in the Union.