Deposit insurance:
The re-insurance option

DANIEL GROS

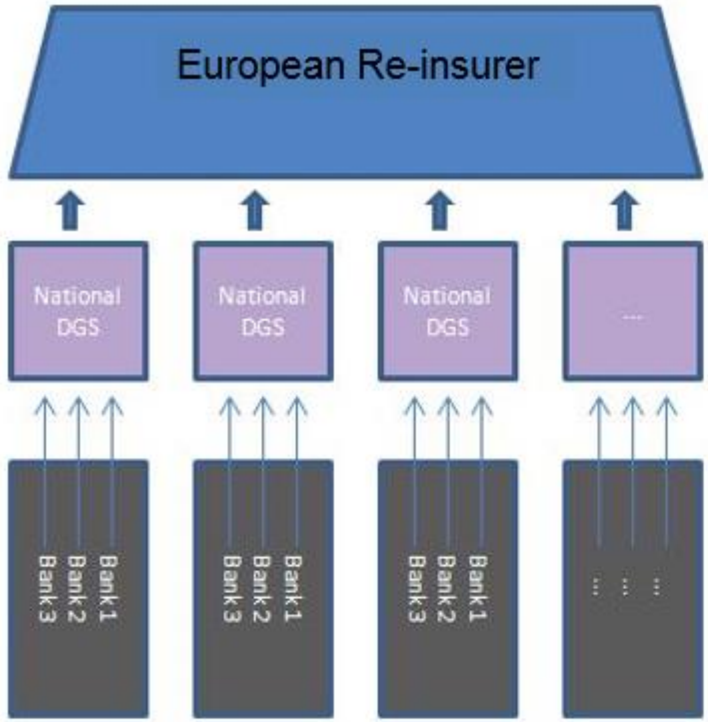
Hearing, European Parliament, May 23, 2016
"The European Deposit Insurance Scheme (EDIS)"

Main points

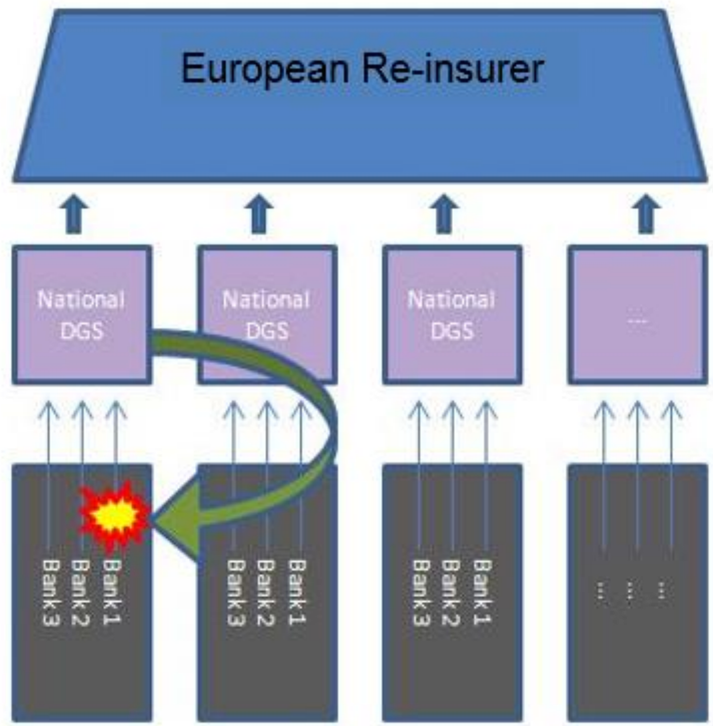
- Commission proposal (EDIS) considers re-insurance only for a (short) transition period, could be maintained for steady state.
- Corresponds to subsidiarity:

1) intervention limited to case when national authorities over-stretched,
2) limits case load (most cases very small banks without cross border significance),
3) origin of shocks still mostly national.

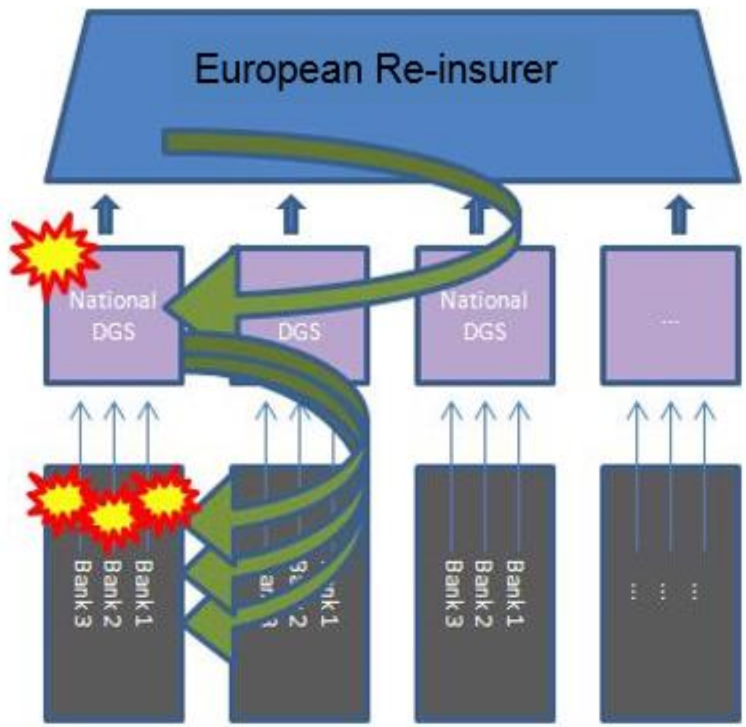
The EReIF in tranquil times: local banks pay premia to the national DGS, which pays part to EDIS



Small shock absorbed by national DGS (no need for reinsurance)



Large shock (systemic at national level) requires pay-out by EDIS



Euro area wide shock requires back-stop by ESM (possibly ECB)