



ECON Public Hearing on

The European Deposit Insurance Scheme

Session 1 (16h40 – 17h35): How would the EDIS work in its final, 'steady state' phase?

Elke König, Chair of the Single Resolution Board

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Mr Chairman,

Honourable Members of the Economic and Monetary Affairs Committee,

Ladies and Gentlemen,

Let me start by thanking you for inviting me to take part in this panel. Work on the EDIS is important and will, when completed, establish a third pillar in the Banking Union.

We should start by remembering that the Deposit Guarantee Scheme Directive, which has already been agreed, has been implemented by nearly all Member States. This is a strong foundation for implementation of the European Deposit Insurance Scheme, EDIS, and provides for improvements to national deposit guarantee schemes by reducing pay-out periods to depositors and requiring funds to be built up to a certain target level.

The Commission proposes that the EDIS begins with a re-insurance approach, before moving to a system of co-insurance which would gradually increase the rate of mutualisation until a full insurance scheme is achieved.

But I would remind you that challenges still have to be addressed around the design of the Deposit Guarantee Scheme and also the insolvency regime. The EU has, through the BRRD, built an effective resolution framework, but it is only one part



of a triangle that make bank failure safer and potentially more cost effective. The other corners of this triangle have to-date not made the same level of progress. These two elements are: an effective insolvency regime and a common deposit protection scheme within the Banking Union. Resolution is a special, specific form of insolvency procedure and is built on the insolvency regime. An ineffective insolvency regime will therefore increase challenges bank resolution.

In designing the EDIS, we need to ensure that banks which do not meet the conditions for entering resolution are able to enter insolvency and that Deposit Guarantee Schemes are able to provide continuity for depositors. Further consideration of how the EDIS will enable this is still required, but it is important that, in the event of a failure, a bank can enter insolvency proceedings and deposits be transferred to another bank, with the cost of a transfer of depositors borne by the bank rather than by the public.

The Commission suggests entrusting the SRB with the administration of the Deposit Insurance Fund. In this, we can see the FDIC as a role model for the approach that will be taken in Europe. This makes sense as synergies could be achieved, both in the management of the DIF given the SRB's experience in managing the SRF, and also because of the SRB's growing expertise and understanding of stressed banks. Furthermore, by placing the SRM and the EDIS in one institution, with appropriate safeguards, this would help avoid any lack of co-ordination between the deposit insurer and resolution authority.

However, we should not forget the important role that National Deposit Guarantee Schemes will continue to play. The SRB will work with National Deposit Guarantee Schemes to ensure there is a good outcome for depositors across the Banking Union. Though management of the EDIS will be centralised, this design ensures that the SRB will take account of different factors relevant to Member States.



The issues I have touched on are challenging, and the SRB will work with the Commission to develop an effective approach as the Commission develops its proposal.

I look forward to the discussion.