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on deposit-guarantee schemes
(2007/2199(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Christian Ehler

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on deposit-guarantee schemes (2007/2199(INI))

The European Parliament,

- having regard to the Commission communication concerning the review of Directive 94/19/EC on Deposit Guarantee Schemes (COM(2006)0729),
- having regard to Commission Recommendation 87/63/EEC of 22 December 1986 concerning the introduction of deposit-guarantee schemes in the Community¹,
- having regard to the opinion of the Economic and Social Committee on the proposal for a Council Directive on the Co-ordination of Laws, Regulations and Administrative Provisions relating to deposit-guarantee schemes of 22 September 1992²,
- having regard to its positions at first and second reading on the Commission's proposal for a Council directive on deposit-guarantee schemes³,
- having regard to Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on deposit-guarantee schemes⁴,
- having regard to the Commission report on the application of the export prohibition clause, Article 4(1) of the Directive on deposit-guarantee schemes (94/19/EC) (COM(1999)0722),
- having regard to the Commission report on the operation of "topping-up", Article 4, paragraphs 2 to 5 of the Directive on deposit-guarantee schemes (94/19/EC) (COM(2001)0595),
- having regard to the Committee of European Banking Supervisors' technical advice on a review of aspects related to deposit guarantee schemes' of 30 September 2005⁵,
- having regard to the report of the Commission Joint Research Centre (JRC) entitled 'Scenario Analysis: Estimating the effects of changing the funding mechanisms of EU Deposit Guarantee Schemes' of February 2007,
- having regard to the Commission report on the minimum guarantee level of Deposit Guarantee Schemes Directive 94/19/EC,
- having regard to the Commission White Paper on Financial Services Policy 2005-2010 (COM(2005)0629),

¹ OJ L 033, 4.2.1987 p. 16.

² OJ C 332, 16.12.1992, p. 13.

³ OJ C 115, 26.4.1993, p. 96 and OJ C 91, 28.3.1994, p. 85..

⁴ OJ L 135, 31.5.1994, p. 5. Directive, as last amended by Directive 2005/1/EC.

⁵ CEBS/05/81..

- having regard to its resolution of 11 July 2007 on the Commission White Paper on Financial Services Policy (2005 -2010)¹,
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A6-0448/2007),
- A. whereas deposit-guarantee schemes are an important part of the safety net,
 - B. whereas deposit-guarantee schemes serve to protect individuals and functions and guarantee fair conditions of competition,
 - C. whereas the current situation in the banking sector triggered by the subprime crisis in the United States and its repercussions on financial markets has shown how relevant the issue of deposit-guarantee schemes is,
 - D. whereas the differences between the structuring of deposit-guarantee schemes at national level are a consequence of differences between the institutional conditions in individual Member States,
 - E. whereas confidence in safeguarding the stability of financial markets and fair conditions for competition are important foundations for the internal market as a whole,
 - F. whereas the latest research points to the conclusion that an increasing number of EU citizens are turning their attention to purchasing financial products abroad,
 - G. whereas, as a result of the increasing cross-border activity of credit institutions and changes in the structure of European banking supervision, new questions concerning cooperation, coordination and burden-sharing in crisis situations between home and host countries are arising,
 - H. whereas because of the increasingly integrated financial market, the safety net must fulfil its purpose in cross-border crisis situations,
1. Appreciates the importance of deposit-guarantee schemes and the benefits of the directive for users and the stability of the financial market; stresses, at the same time, the importance of eliminating possible market distortions, if these are verified by analysis;
 2. Agrees with the Commission that legislative amendments to Directive 94/19/EC should be undertaken only after the results of further research, particularly in the field of cross-border risk and crisis management, have become available; considers it important to tackle serious distortions of competition if these are verified by analysis;
 3. Considers that the minimum stipulated protection should be harmonised at a higher level, but that any increase should be closely linked to a corresponding economic development, particularly as some countries still remain, as a result of their macroeconomic conditions, below the minimum level of protection provided in the directive; makes it clear in this

¹ Texts adopted, P6_TA(2007)0338.

context, however, that a further decrease in the guarantee protection that is due to inflation should be stopped no later than when the Directive is next amended;

4. Supports the assessment of the Commission that the operation of deposit-guarantee schemes might be improved through self-regulatory, particularly cross-border, measures;
5. Welcomes, in this respect, the cooperation with the European Forum of Deposit Insurers (EFDI) and the JRC which was initiated by the Commission, and the wide-ranging dialogue aimed at drawing up self-regulatory measures which was instigated by the Commission; asks the Commission to inform Parliament of its time table and results in this respect;
6. Is of the opinion that more information needs to be provided to customers to enable them to make informed choices regarding the intermediaries to whom they are to entrust their savings, and that the approach should seek constantly to enhance the ability of intermediaries to operate on a cross-border basis and to promote market integration; believes that self-regulation and in particular the potential contribution of the EFDI could have an important role to play in this connection;
7. Considers that the various existing ways in which the deposit-guarantee schemes are financed should be examined, in the context of possible distortions of competition, including equal treatment of customers and the ensuing costs, and particularly of the effects on operation in the event of a cross-border crisis;
8. Highlights the fact that ex-post deposit-guarantee scheme systems should provide as much safety and security for the consumers as the ex-ante deposit-guarantee scheme systems;
9. Believes that a separation of supervision and deposit-guarantee scheme between countries creates regulatory problems; asks the Commission to analyse possible adverse effects of such a situation;
10. Considers that the waiting period for depositors to be reimbursed in a crisis situation could be substantially reduced, because of the considerable innovations in communications technologies which have taken place since the Directive was adopted; considers that improvements should primarily be aimed at those that do not require legislative provisions: through agreements, best practice, an improvement in data quality, and the clear allocation of responsibilities for data processing and self-commitments on the part of the banks;
11. Considers it necessary where reimbursement emanates from two deposit guarantee schemes that the waiting period for the depositor to be reimbursed must not be longer for the reimbursement from the home country schemes than from the host country schemes;
12. Endorses the approach whereby the decision relating to any refund or transfer of contributions made to the guarantee schemes by a credit institution should, in the event of a member leaving the deposit-guarantee schemes, be made by Member States;
13. Supports the assessment of the Commission that new provisions for the transfer or refund

of contributions to the guarantee schemes must neither weaken the functioning of the fund nor result in an inadmissible accumulation of risk;

14. Is of the opinion that, in the long run, the question of harmonisation of deposit-guarantee schemes as regards their financing and competence and the role of the supervisory authority needs to be addressed if the requested analyses show distortions of competition, unequal treatment of customers or negative consequences on cross-border risk management;
15. Welcomes the establishment of working groups from the Economic and Finance Committee and the Financial Services Committee to review and develop EU arrangements aimed at ensuring the stability of financial markets and to regulate supervision;
16. Clearly states that the trend towards replacing subsidiaries with branch structures in the banking sector is also linked to new requirements for cooperation between the authorities in the Member States concerned in crisis situations;
17. Believes it necessary for the Commission, together with the finance ministers of Member States, the central banks and the EFDI, to analyse the potential advantages and disadvantages of burden sharing before and after potential crisis situations arise, and to inform Parliament of its results;
18. Considers it necessary for the procedures and interaction between all parties concerned in a potential cross-border crisis situation to be determined in advance, and for the Commission, together with representatives of the Member States, the central banks and the EFDI, to plan and determine procedures and cooperation and to inform Parliament accordingly;
19. Calls on the Commission to draw up standards to improve early- risk detection by the deposit-guarantee systems; sees an opportunity to use the early detection system to set risk-based contributions;
20. Considers that it would be advisable to embark on the more exhaustive study necessary in order to determine a common risk assessment method;
21. Clearly states that the principal responsibility for risk limitation lies with the banks;
22. Considers it necessary to develop principles for cross-border risk and crisis management in order to reduce the free rider problem and the risk of moral hazard;
23. Instructs its President to forward this resolution to the Commission.

EXPLANATORY STATEMENT

At the end of 2006, the Commission submitted a communication on the review of the 1994 directive on deposit-guarantee schemes. More than a decade after its transposition into national law, the Commission reviewed the directive in order to ascertain the extent to which the existing rules still served their original purpose in view of the increasing integration of financial markets and cross-border mergers of credit institutions.

The consultation process highlighted, in particular, the differences in how the systems were financed, and the considerable differences between the guarantees given to depositors in terms of level and scope, as posing problems for or obstacles to market integration or cross-border cooperation.

The communication submitted by the Commission was concerned with the following areas:

- Definition of deposits and scope of coverage,
- Co-insurance,
- The de minimis clause,
- Topping-up arrangements,
- Exchange of information,
- Risk-based contributions to the deposit-guarantee schemes,
- Transfer and refund of contributions to the guarantee schemes,
- Consumer information and advertising,
- Deadline for reimbursing/reducing the impact on depositors,
- Pan-European / Regional deposit-guarantee schemes,
- Statistical obligations.

The overall conclusion from the Commission's investigations was that there was no need for legislative intervention at this point in time; that further studies and cost estimates would be required before making the requisite amendments; and that the operation of deposit-guarantee schemes in Europe, and especially in cross-border situations, can best be achieved through an improvement in the application of the existing rules and a change in how the parties involved operate.

The Commission identified the clarification of burden sharing in a cross-border crisis situation as a focus for future work.

The European Parliament intends, by means of this report, to make it clear that deposit-guarantee schemes are considered to be an important part of our financial market system, and that their operation should continuously be improved. The report considers questions concerning the minimum guarantee level and a tightening of procedures by taking advantage of improved communications technology, and focuses on the issue of crisis management. Guarantee schemes are now being faced with more demands, particularly as a result of increasing market integration, and these must be responded to if the stability of financial markets is to be ensured.

Parliament also calls, by means of the report, for integration with cross-border crisis management in the area of deposit guaranteeing and in this context supports the involvement of working groups from the Economic and Finance Committee and the Financial Services Committee with regard to relevant issues.

The European Parliament considers that crisis management should rest on the foundations of improved early risk detection, better defined and planned procedures of interaction between all parties involved, and clarification of the point at which burdens are to be shared. Differences between systems and the variety of parties involved in the public and private sectors must be taken into consideration. In this context it must also be made clear that the principal responsibility for risk limitation must remain with the banks.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	5.11.2007
Result of final vote	+ : 38 - : 0 0 : 0
Members present for the final vote	Mariela Velichkova Baeva, Zsolt László Becsey, Pervenche Berès, Slavi Binev, Sharon Bowles, Udo Bullmann, Ieke van den Burg, Christian Ehler, Jonathan Evans, José Manuel García-Margallo y Marfil, Jean-Paul Gauzès, Donata Gottardi, Benoît Hamon, Karsten Friedrich Hoppenstedt, Othmar Karas, Piiia-Noora Kauppi, Wolf Klinz, Christoph Konrad, Andrea Losco, Gay Mitchell, Cristobal Montoro Romero, John Purvis, Alexander Radwan, Eoin Ryan, Antolín Sánchez Presedo, Manuel António dos Santos, Olle Schmidt, Peter Skinner, Margarita Starkevičiūtė, Sahra Wagenknecht
Substitute(s) present for the final vote	Harald Ettl, Ján Hudacký, Werner Langen, Gianni Pittella, Margaritis Schinas, Charles Tannock
Substitute(s) under Rule 178(2) present for the final vote	Jamila Madeira, Cornelis Visser