EUROPEAN PARLIAMENT 2009 - 2014

*Committee on Economic and Monetary Affairs*

**2010/0207(COD)**

4.6.2014

# ***II
# DRAFT RECOMMENDATION FOR SECOND READING

on the Council position 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) (05199/1/2014– C7-0094/2014 – 2010/0207(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Peter Simon

(Recast – Rule 87 of the Rules of Procedure)

## *Symbols for procedures*

| | |
|---|---|
| * | Consultation procedure |
| *** | Consent procedure |
| ***I | Ordinary legislative procedure (first reading) |
| ***II | Ordinary legislative procedure (second reading) |
| ***III | Ordinary legislative procedure (third reading) |

(The type of procedure depends on the legal basis proposed by the draft act.)

## *Amendments to a draft act*

**Amendments by Parliament set out in two columns**

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

**Amendments by Parliament in the form of a consolidated text**

New text is highlighted in ***bold italics***. Deletions are indicated using either the ▌ symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.
By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

## CONTENTS

**Page**

## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the Council position 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) (05199/1/2014– C7-0094/2014 – 2010/0207(COD))**

**(Ordinary legislative procedure: second reading)**

*The European Parliament*,

– having regard to the Council position at first reading (05199/1/2014– C7-0094/2014),

– having regard to the reasoned opinions submitted, within the framework of Protocol No 2 on the application of the principles of subsidiarity and proportionality, by the Danish Parliament, the German Bundestag, the German Bundesrat and the Swedish Parliament, asserting that the draft legislative act does not comply with the principle of subsidiarity,

– having regard to the opinion of the European Central Bank of 16 February 2011[1],

– having regard to its position at first reading[2] on the Commission proposal to Parliament and the Council (COM(2010)0368),

– having regard to Article 294(7) of the Treaty on the Functioning of the European Union,

– having regard to the opinion of the Committee on Legal Affairs on the proposed legal basis,

– having regard to Rule 72 of its Rules of Procedure,

– having regard to the recommendation for second reading of the Committee on Economic and Monetary Affairs (A7-0000/2014),

1. Approves the Council position at first reading;

2. Notes that the act is adopted in accordance with the Council position;

3. Instructs its President to sign the act with the President of the Council, in accordance with Article 297(1) of the Treaty on the Functioning of the European Union;

4. Instructs its Secretary-General to sign the act, once it has been verified that all the procedures have been duly completed, and, in agreement with the Secretary-General of the Council, to arrange for its publication in the *Official Journal of the European Union*;

5. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

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[1] OJ C 99, 31.3.2011, p.1.
[2] Texts adopted of 16.2.2012, P7_TA(2012)0049.

# EXPLANATORY STATEMENT

Parliament adopted its position at first reading at its sitting of 16 February 2012, and following a long period during which the Council was unwilling to negotiate, informal negotiations were opened with the Lithuanian Presidency with a view to reaching an early agreement at second reading. After three rounds of trilogue negotiations, the negotiating teams of Parliament and the Council reached an agreement on the dossier on 17 December 2013. The text of the agreement was submitted to the ECON Committee on 9 January 2014, and the committee approved it by an overwhelming majority. In her ensuing letter of 10 January 2014 to the Chair of Coreper, the Chair of the committee agreed to recommend that plenary approve the Council's position at first reading without amendments, provided that it corresponded to the agreement reached on 17 December 2013. After legal and linguistic revision, the Council adopted its position at first reading on 3 March 2014 and thereby confirmed the agreement of 17 December 2013.

As the Council’s first reading position tallies with the agreement reached in the trilogues, your rapporteur recommends that the committee approve it without further amendments.

Alongside their direct function of protecting depositors, deposit guarantee schemes are also crucial to the stability of the financial system, particularly in times of crisis. If bank customers lose confidence in their credit institution and attempt to withdraw their deposits simultaneously, this run on the bank can lead not only to the collapse of the already unstable institution itself but also spread to other credit institutions and other countries, as a result of a growing and general loss of confidence. The level of liquid assets required to secure deposits is so high that no credit institution can keep such a sum available. The Commission therefore submitted a proposal for a revision of the Directive on deposit guarantee schemes on 12 July 2010. In particular, the Commission took the view that, in the context of the internal market, improvements needed to be made with regard to the excessively long deadlines for payments to reimburse depositors in the event of insolvency and the wide disparities in the financing of guarantee schemes in the Member States.

## First reading

The European Parliament adopted its position at first reading on 16 February 2012 by an overwhelming majority. The main elements of Parliament's position at first reading were:

- **Credible and solid financing of the crisis fund:** Parliament considers a high level of ex ante financing for deposit guarantee schemes to be essential in order to win depositors' confidence. Ex ante financing also offers an advantage in that it does not have a procyclical effect, in contrast to ex post contributions that are collected precisely when there is a crisis and may therefore cause other credit institutions to run into difficulties as well. Disparities in the financing of deposit guarantee schemes in the EU should therefore be ironed out, and deposit guarantee funds in the EU should be financed in advance at a rate of at least 1.5% of covered deposits within a maximum of 15 years.

- **Short payment deadlines in the event of insolvency:** Short payment deadlines in the event of insolvency are vital in order to counteract a possible run on the bank. The current time limit of 20 working days is clearly too long and should be reduced to seven days. Since not all schemes in the EU are in a position to comply with a short time limit for payment, and a failure to meet the promised deadlines would lead to a loss of confidence, Parliament has proposed transitional time limits. Where the deadline is longer than seven days, Parliament considers that customers should have access to their funds after a week to cover their living expenses, at least on request.

- **Equal requirements for all guarantee schemes regardless of the way in which they operate:** the different ways in which deposit guarantee schemes operate are recognised in so far as they meet the requirements of the directive in relation to the level of financing, payment deadlines, the level of protection, the calculation of contributions and the use of resources. This flexible solution takes adequate account of differing national guarantee schemes and banking markets whilst at the same time harmonising the rules.

- **Risk-dependent contributions to guarantee schemes**: For the first time, the revised directive provides guidelines for calculating credit institutions' contributions to deposit guarantee schemes. Parliament considers that credit institutions which run greater risks should be required to pay higher contributions.

**Second reading**

The rapporteur wishes to draw particular attention to the following elements of the compromise, on the basis of which he is recommending that the agreement reached be approved without further amendments.

- **For the first time, EU-wide rules on the financing of deposit guarantee schemes** are being laid down. The Member States must ensure that credit institutions affiliated to deposit guarantee schemes build up a deposit guarantee fund amounting to at least 0.8% of the deposits covered by the scheme within 10 years.

- **Payment deadlines in the event of insolvency are being cut from the current 20 working days to seven working days.** It will be possible for Member States to introduce a transitional period up to the end of 2023. However, the time limit must be no more than 15 working days by the end of 2018 and no longer than 10 working days by 2021. If the Member States allow a transitional period and the deposit guarantee scheme is not able to repay deposits within seven working days, depositors will be entitled to an 'emergency payment' within five working days to cover their living expenses.

- **The principle of risk-based contributions has been established**: contributions to the deposit guarantee scheme will be based on the level of the covered deposits and the level of risk of the member institution concerned. EBA is to draw up guidelines.

- **Protection for temporary high deposits**: in future, Member States must protect temporary high deposits over the normally protected amount of EUR 100 000 in the case of sums resulting, for example, from the sale of privately owned property, insurance payments, divorce etc.  Member States must decide on the corresponding period, which may range from at least three months to a maximum of 12 months, and must also decide on the exact coverage level for such deposits over EUR 100 000, taking account of living conditions in the Member States.

- **Clear, readily understandable information on deposit guarantees**: in future, depositors will receive clear, readily understandable information when they open an account and once a year thereafter on the amount covered, the corresponding guarantee scheme and how to contact it, the way in which it operates, and all relevant information in the event of insolvency.

- The **resources available in the deposit guarantee fund** are primarily intended for making payments in the event of insolvency and protecting covered deposits during winding-up proceedings. Member States may also allow deposit guarantee schemes to use funds for preventive action under strict conditions. Quantitative criteria regarding the obligation to top up the fund will ensure that funds are still available in the event that payments are made.

- **Deposit guarantee schemes may lend to each other on a voluntary basis** where, inter alia, the financial resources available to the scheme are not sufficient to fulfil the obligations and extraordinary contributions from the Member States have already been collected. In addition, the borrowing deposit guarantee scheme may not have any outstanding obligations to repay loans to other deposit guarantee schemes.