Andrea Enria, Chairperson of the European Banking Authority

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Written statement from the Chairperson of the European Banking Authority (EBA) to the Financial Committee of the German Bundestag on the implementation of the Deposit Guarantee Schemes Directive (DGSD)

Dear Members of Parliament,

I would like to thank you on behalf of the EBA for your invitation to take part in the Bundestag hearing on the important topic of implementing the new Deposit Guarantee Schemes Directive ("DGSD").

The new DGSD is an ambitious and much needed reform. It builds on previous agreements to further enhance depositor protection, ensuring wider scope of coverage, faster repayment periods, improved information and robust funding requirements. The DGSD is also an important step towards achieving a Single Market in the EU, by ensuring uniform level of basic protection and improving stability of deposit guarantee schemes (DGSs). Thus, in line with the EBA's aims, the DGSD strengthens the framework for national schemes to work closer as a European system of DGSs.

The EBA, in line with its tasks, is fully committed to promoting sound and consistent implementation of the Directive and is working closely with the European Commission to help Member States in this process.

The DGSD must be implemented by 3 July 2015 and, given its ambition, it is no small feat to achieve. I welcome German efforts to meet this deadline and, in particular, to introduce the seven day payout as of 1 June 2016, more than seven years ahead of schedule. I am looking forward to the European Commission's evaluation of each Member State's transposition of the Directive.

The law which you are currently examining will lay down the legislative foundation on which the German competent authorities and schemes will turn the DGSD reform into practice. We welcome the fact that the EBA is acknowledged in the law as the DGSD entrusts the EBA with a number of tasks. These tasks include conducting peer reviews to examine the resilience of national schemes, settling disputes between national authorities or deposit guarantee schemes (DGSs), and producing non-binding Guidelines to complement the Directive.

The EBA, with vital input from colleagues from across Member States, is continuing to work on proposed Guidelines further specifying rules on methods for calculating contributions to DGSs and treatment of payment commitments. I would like to take this opportunity to inform you on the state of play in the development of these two Guidelines.

Firstly, the Guidelines on methods for calculating contributions to DGSs put forward methods for calculating ex-ante contributions, and particularly the methods for adjusting contributions to banks' risk profiles in order to incentivise sound risk behaviour. The proposed methods will ensure that DGSs are properly financed by the banking industry and meet the target funding level foreseen by the DGSD, so as to protect taxpayers from underfinanced DGSs. These Guidelines offer a comparable basis for assessing progress in convergence when reviewing the framework in 2017 and complement the Guidelines on payment commitments.

Secondly, the Guidelines on payment commitments build on the DGSD provisions which allow institutions to honour up to 30% of their ex-ante contributions to the DGS fund through payment commitments, provided the latter are fully collateralised by low-risk assets unencumbered by third party rights and at the disposal of the DGS. In these Guidelines, the EBA aims to ensure that payment commitments are technically sound and implemented in a consistent way across the Single Market. In this regard, the proposed Guidelines lay down the requirements that will secure reliable funding for the DGSs, notably a marking-to-market of the value of the collateral and the obligation for the institution to provide additional funding in case of deterioration.

In both documents, the EBA has paid careful attention to take into account the principle of proportionality and the diversity of the models. For example, the EBA Guidelines on DGS contributions recognise the positive role of institutional protection schemes in the solvency and liquidity of their members and attempt to strike the right balance between the harmonised protection of covered deposits and the specificities of those schemes. The Guidelines also give Member States a degree of flexibility in choosing which indicators to use and what weights to assign to each indicator.

Both consultations closed earlier this year and we are now in the process of examining the responses and reviewing the draft to take on board suggested improvements. The EBA is working hard to publish the Guidelines as soon as possible to provide Member States with a coherent set of guidance on these two important issues. We expect publication by the DGSD implementation deadline.

I would like to thank you again for the opportunity to share with you the EBA's views on the topic of implementing the DGSD.