Brussels, 23rd July 2021

EACB comments EBA Guidelines on the delineation and reporting of available financial means (AFM) of Deposit Guarantee Schemes (DGS) (EBA/CP/2021/16)

General comments

The EACB welcomes the opportunity to comment on the draft EBA Guidelines on the delineation and reporting of available financial means (AFM) of Deposit Guarantee Schemes (DGS).

First of all, by this statement, we wish to express our support for the EBA initiative in this area. The EBA proposal seems to be comprehensive and understandable, and our members have no major concerns about the draft GL on the delineation and reporting of AFMs of DGSs which would require further explanation from the EBA.

At a general level, we appreciate the EBA's efforts to provide a clarification in relation to the interpretation of the concept of AFM ahead of adopting relevant amendments in the Deposit Guarantee Schemes Directive (DGSD). We note that the EBA recommended - *as per* its Opinion on deposit guarantee scheme funding and uses of deposit guarantee scheme funds ("the Opinion") of 23 January 2020 - to eventually amend the DGSD in such a way that it will state that borrowed funds or funds stemming from borrowed funds should not be included in a DGS's calculation of its AFM and so do not count towards reaching the minimum target level for DGS funds. The Opinion also recommended further clarification in relation to the treatment of recoveries, administrative fees, income from investment activities and unclaimed repayments, and whether these funds qualify for counting towards reaching the target level or not.

We appreciate the fact that the EBA took a proactive role to provide guidance on these issues before such a clarification may eventually be introduced into the DGSD.

More specifically, the EACB members agree with the EBA proposals for the criteria that Qualified AFM (QAFM), should fulfil, i.e. on the exclusion of borrowed resources, the exclusion of contributions from QAFM that contain an obligation to be repaid upon receiving recoveries and keeping track of the origin of funds. Overall, we also endorse the proposed approach to allocate recoveries to QAFM and other AFM. The proposal that the treatment of administrative fees relative to QAFM does not need to be specified seems also reasonable to us. Likewise, we observe no issues in relation to the proposed treatment of investment income relative to QAFM and the treatment of unclaimed payments. The related EBA expectancies addressed to the DGSs regarding reporting and transparency appear to be rational and should not create unjustified burdens.

In view of the substantial differences across the EU, in understanding the AFM in the meaning of DGSD, which could lead to the situation in which some Member States would count borrowed funds to those funds that count towards reaching the target level, in our view it is indeed important to clarify that AFM are comprised of two subsets: QAFM and Other AFM.

As such the proposed delineation does not raise our concerns and we see the advantages of having in place such specification. This delineation would be particularly beneficial from the perspective of avoiding the following risks: raising little or no contributions from the industry, raising the contributions from the industry on an unequal basis, lack of clarity and comparability of DGSs.

We believe that the current draft is overall fit for purpose and could be finalized in its form for an application as of 2022.

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