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EACB concerned about the Proposal on a European Deposit Insurance System (EDIS)

Dear Mrs. de Lange,

The members of the European Association of Cooperative Banks (EACB) closely follow the discussions within the ECON Committee on the European Deposit Insurance Scheme (EDIS). We appreciate the European Parliament commitment to this topic and value the efforts of the rapporteur and of all involved MEPs to find a balanced perspective.

We reiterate our support for initiatives that efficiently strengthen the Banking Union and reinforce public confidence in deposit insurance. However, there are serious concerns that a common deposit insurance scheme, as currently proposed by the Commission, would hardly be such a truly efficient mechanism. In this regard we share a number of concerns as expressed in the recently published working document on EDIS.

EACB is of the view that without sound risk control measures in place full mutualisation may only create disincentives for the building up of stringent national DGSs and boost moral hazard. Therefore, the move towards a common deposit guarantee scheme on EU level, should only be done in consideration of a number of prerequisites and in a strict order of priorities.

Firstly, we firmly believe that there must be a steady and sufficient progress on the risk reduction agenda before further measures on risk sharing are taken. In this respect, the EACB members share the views of the rapporteur that the already adopted measures should at first be fully implemented in all Member States and the harmonization should be further strengthened. All participating banks in all countries must step up and adequately fund the respective national schemes to which they belong. As the rapporteur rightly notes in this regard "trust only comes with funded systems".

Additionally, more convergence in insolvency law and restructuring proceedings across Member States is necessary to allow uniformity in management of credit risk and resolution action and ensure equality of access to EDIS.

Secondly, the EACB members appreciate that the rapporteur takes into consideration the various concerns regarding the legal basis. Indeed, it is not self-evident that Art. 114 TFEU may



be used as a legal basis. Thus the possible options for a reliable legal basis, including an intergovernmental agreement, have to be studied carefully.

Furthermore, as the working document suggests, a proper impact assessment is crucial to decide if at all and how such a measure should be designed. It must evaluate the functioning of the DGSs in practice and take into account the already improved framework. It should also carefully explore the effects on competition and the impact on the various business models. Given the huge importance of deposit insurance in Europe, a broad public consultation should take place after a broad impact assessment to allow all relevant stakeholders, including European citizens, to express their opinion on proposals and options which are being discussed in the legislative process.

If such an assessment should come to the conclusion that a common deposit insurance on EU level is necessary, we strongly believe that the design of EDIS as a pure re-insurance mechanism without transition to any other phases should be further explored. A properly defined re-insurance approach might balance the need to further develop the Banking Union and must address concerns of moral hazard and of moving too far regarding mutualisation. In fact, a re-insurance model should allow to maintain responsibility on the national level and preserve established and trusted structures on the national level like IPS/DGS, which have proven their efficiency and credibility in the past.

By all means, cost-neutrality for the banking sector and a level-playing field within the entire EU must be ensured. Therefore, we also believe that a target level of 0,5% of deposits should be envisaged.

The EACB believes that the above stated considerations will make a useful contribution to your work and we remain available for further discussions with you or with the members of your team on this matter.

Yours sincerely,

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