

Press-release

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Association of German Banks plans to reform the voluntary Deposit Protection Fund

Protection will focus on retail customers

The Association of German Banks is working on a reform of its voluntary deposit protection. The objective is to focus primarily on protecting retail customers. "We had to tackle the issue. The environment surrounding voluntary deposit protection has changed radically in recent decades. Be it the bank levy, higher capital requirements or statutory deposit protection – the costs for banks have risen dramatically as a result of regulation. Low interest rates are increasing the cost pressure further. We now want to consolidate our strength and bolster the financial power of the Deposit Protection Fund for those customers who really need protection," explains Hans-Walter Peters, President of the Association of German Banks and Spokesman for the Managing Partners of private bank Berenberg.

"For retail customers and foundations, nothing will change, they will continue to have full protection without any restrictions," stresses Peters. Generally speaking, at least one million euros of deposits per customer per bank will remain protected. At many banks, the protection ceiling is even significantly higher.

The association is planning three measures to strengthen the Deposit Protection Fund.

1. From 1 October 2017, "bank-like" clients (certain investment firms and financial institutions), the federal government and regional and local governments will no longer be covered by the voluntary Deposit Protection Fund. As professional investors, they normally have the knowledge needed to be able to assess risks. Should these risks materialise in

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future, they will no longer be absorbed by the Deposit Protection Fund. "As a result, the banks will be able to focus their resources on protecting retail customers and limiting damage to them," says Peters.

Protection will remain in place for businesses, insurance companies and semi-governmental agencies, such as pension schemes for certain professions, though it will be adjusted as follows.

2. From 1 October 2017, promissory notes and registered bonds will no longer be covered by the voluntary Deposit Protection Fund. Grandfathering arrangements will protect notes and bonds purchased before 1 October 2017. This new rule does not apply to private individuals and foundations. Registered savings bonds held by retail customers will therefore continue to be protected.
3. From 1 January 2020, deposits with a term of over 18 months will be excluded from the scope of protection unless they belong to private individuals or foundations. Once again, deposits made before this date will be covered by grandfathering arrangements.

"It's the responsibility of the Deposit Protection Fund to protect customer deposits, not deposits by investors in the form of promissory notes or long-term fixed investments," says Peters, explaining the reasons for these measures.

The Board of Directors' proposal of 15 February 2017 will now be put before the Delegates' Assembly of the association on 5 April in Berlin.