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German Banking Industry Committee rejects current EU Commission proposals to create a uniform European Deposit Insurance Scheme (EDIS)

The European Commission's discussion paper published today on the completion of the Banking Union with a European Deposit Insurance Scheme (EDIS) represents only marginal progress, according to the German Banking Industry Committee. In the opinion of the German banks and savings banks, the approach to the design of EDIS in the form of the two phases of so-named reinsurance and co-insurance, which is only slightly modified compared with the original proposals in November 2015, is not convincing.

In a position paper on the EU Commission's current ideas, the German Banking Industry Committee emphasises that in the first stage, i.e. reinsurance, the Commission admittedly now recognises that any common European deposit insurance scheme limited solely to liquidity assistance in case of need would be sufficient for depositor protection. However: according to the concept paper presented, in an unspecified 'final' stage all losses of the deposit guarantee schemes will nevertheless be borne by EDIS. The Commission is therefore continuing to pursue its objective of fully communitising deposit protection, which the German Banking Industry Committee believes is still the wrong approach. Furthermore, the Commission admittedly now attaches greater importance to prior risk reduction in the banking sector. However, any steps in this direction would need to be implemented before the start

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Press-release

of the first stage of EDIS and not left until before transition to a possible second stage.

In the light of this, the German Banking Industry Committee continues to believe the risk remains that there will be no incentive in Europe to set up national deposit guarantee schemes under national responsibility. In view of the still very varied risks within the individual banking systems, EDIS would de facto create a new transfer mechanism between the national guarantee schemes in the euro area, whereby the liability of each credit institution in the entire euro area would in principle be unlimited. The German banks and savings banks also reaffirm their criticism that there is still a lack of a comprehensive impact assessment. The necessity for the Banking Union of a comprehensive communitarisation of deposit insurance at the European level has thus not been proven.

Furthermore, the discussion paper presented by the Commission today is too vague in many areas and leaves unchanged the considerable shortcomings of the draft regulation. It also remains to be seen to what extent the Commission plans to adapt the European Directive on Deposit Guarantee Schemes (DGSD), which has been in force since 2014. After all, the DGSD already ensures a high and uniform level of deposit protection in the European member states.

The German Banking Industry Committee associations are moreover particularly critical of the fact that the EU Commission's current suggestions do not take into account the decades of successful work of existing national deposit guarantee schemes, including the institutional protection schemes. This means that the interests of depositors in Germany and many other countries with well-functioning guarantee systems are not sufficiently taken into account in the discussion about EDIS.

The German Banking Industry Committee's position paper on the EU Commission's latest proposals for the creation of an EDIS can be retrieved [here](#).