

Deposit protection, use of deposit guarantee schemes funds, cross-border cooperation, and transparency

2023/0115(COD) - 24/04/2024 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 385 votes to 180, with 156 abstentions, a legislative resolution on the proposal for a directive of the European Parliament and of the Council amending Directive 2014/49/EU as regards the scope of deposit protection, use of deposit guarantee schemes funds, cross-border cooperation, and transparency.

The proposed Directive aims to ensure uniform protection of depositors in the Union.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amends the proposal as follows:

Official recognition, participation and supervision

Member States should ensure that the competent authority, in cooperation with the designated authority, promptly takes all appropriate measures, including, if necessary, the imposition of penalties, to ensure that the credit institution concerned complies with its obligations as a member of a DGS. They should determine the system of penalties applicable in the event of failure by credit institutions to comply with their obligations as members of a DGS. Sanctions must be effective, proportionate and dissuasive.

The designated authorities should have the necessary enforcement powers, including powers to impose penalties or other administrative measures, to remedy infringements of this Directive by a DGS.

Eligibility of deposits

The following should be excluded from any reimbursement by DGSs: (i) deposits arising from transactions for which a criminal conviction has been handed down for a money laundering or terrorist financing offence; (ii) deposits made by natural or legal persons subject to targeted financial sanctions adopted by the Union.

Level of cover

To harmonise depositor protection in the Union and to reduce the administrative complexity and legal uncertainty related to the scope of protection of such deposits, it is necessary to align their protection to a minimum amount of at least **EUR 500 000** and a maximum of **EUR 2 500 000** for a harmonised duration of 6 months, in addition to the coverage level of EUR 100 000. After their transposition by Member States, the Commission should carry out a review of the amounts which are protected, with a view to determining whether the maximum amount should be reduced, taking into account whether the amounts which are protected are proportionate and ensure a level playing field across the Union.

Determining refundable amount

Member States should ensure that credit institutions report to their DGSs, at least annually, the aggregated amount of eligible deposits and ensure that DGSs may at any time request credit institutions to inform them about the aggregated amount of eligible deposits of every depositor.

Where interest rates on certain deposits significantly exceed the prevailing market interest rate, as determined and based on transparent and publicly available data, the DGS should have the power to adjust the reimbursed interest to reflect the prevailing market interest rate at the time of the determination made by the relevant administrative authority or of the ruling made by the judicial authority. That adjustment should be made to prevent moral hazard.

Repayments

DGSs should ensure that the repayable amount is available as soon as possible and in any event within **seven working days**. Where DGSs are not able to make the repayable amount available in less than seven working days, they should ensure that depositors have access to an appropriate amount of their covered deposits to cover the cost of living within five working days of making a request for that amount.

DGS funding

Member States should ensure that DGSs have in place adequate alternative funding arrangements to enable them to obtain short-term funding to meet claims against those DGSs. Member States should ensure that the alternative funding arrangements of DGSs are not financed through public funds. They should ensure that DGSs use the financial resources available primarily to guarantee repayments to depositors.

Target level

Member States are to ensure that by 3 July 2024, the available financial means of a DGS reach a target level of **0.8 %** of the amount of the covered deposits of its members. In consideration of the expansion of scope for DGS use, the adequacy of the 0.8 % target level should be subject to close monitoring and assessment.

Transparency

It is essential that any involvement of the DGS in any scenario be conducted with a focus on cost effectiveness and transparency. That approach is essential to avoid distorting the level playing field and to ensure that no unfair advantages are conferred on specific market participants.

Preventative measures

To ensure that preventive measures achieve their objective, credit institutions should be required to present to the competent authority a note outlining the measures that they commit to undertake. The note should detail the credit institution's initial capital shortfall, the capital-raising measures implemented and the safeguards put in place to prevent the outflow of funds. For the same reason, during the implementation of the measures envisaged in the note, credit institutions should also **strengthen their liquidity positions** and refrain from aggressive commercial practices, and from the distribution of dividends or variable remuneration or repurchasing of own shares or call hybrid capital instruments.

Within a reasonable timeframe, the credit institution should provide the competent authority with a **business reorganisation plan** to secure long-term viability. Preventive measures granted to a credit institution should be **suspended** where the competent authority is not satisfied that the business reorganisation plan is credible and feasible to secure long-term viability.

To mitigate moral hazard, where appropriate, the credit institution receiving support from DGSs in the form of preventive measures, its shareholders, its creditors or the business group to which it belongs should contribute to the restructuring from their own resources and provide adequate remuneration for the preventive measure granted by the DGS.

To give them sufficient time to adapt to the new provisions, in particular the safeguards for the application of preventive measures, a three-year transitional period should be granted to institutional protection systems.