

Date: Thursday, 13 January 2011, 09:30-13:30

Venue: CEPS Conference Room, 1 Place du Congrès, 1000 Brussels



Recent bank failures have dramatically illustrated the insufficient harmonisation of deposit insurance in the EU. Memories of the run on Northern Rock (2007) or the failing Icelandic banks (2008/09) are fresh in many depositors' minds. Designing an efficient scheme to underpin the single financial market is therefore a key policy priority.

At EU level, deposit insurance is regulated by the 1994 Directive on deposit guarantee schemes (DGS), but the minimum harmonisation approach adopted at that time has proven largely insufficient. The Directive left much room for national differences regarding the coverage level as well as types of insured deposits/depositors. It did not specify any financing requirements for DGS or obligatory reserves of funds. When the financial crisis hit, the colossal failure of some DGS to honour and manage depositors' national and cross-border claims led to major government interventions. To alleviate the pressures, the EU decided in the midst of the crisis to increase the minimum coverage to €50,000 and later €100,000, but left the remainder of deficiencies to be addressed in a more elaborate proposal.

The Commission's proposal, issued last summer on July 12th, addresses some of these challenges. It fixes the coverage level at €100,000, extends insurance to all currencies, lays down financing requirements, some ex ante some ex post, enables cross-border borrowing amongst DGS in case of insufficient funding and establishes report obligations to the newly created European Banking Authority. The proposal goes too far for some, as it entails important adaptation requirements of national systems that had different scopes of coverage or funding mechanisms in place. At the same time, it falls short of expectations for others, as it basically keeps the current structure of national DGS and does not adequately address existing challenges. The text does not touch upon governance issues, legal structures or ultimate liability (public/private) in case of bank failure.

The question thus arises how to design a scheme for the single market. Should deposit insurance be integrated into an EU financial safety net? Should there be another form of a pan-European scheme, possibly a 28th regime or a single fund?

Taking these questions as a point of departure, speakers at this ECRI/CEPS seminar will assess the Commission's proposal and share their insights on remaining problematic issues. *Please register at www.ceps.eu*

Agenda

09:30 Registration & breakfast reception

10:00 Introductory remarks by **Karel Lannoo**, Senior Research Fellow, CEPS

10:10 **Deposit insurance as part of the financial safety net and lessons from the US**

Experts' views:

- **Thorsten Beck**, Professor of Economics, Tilburg University
- **Rosa Lastra**, Professor of International Financial and Monetary Law, Queen Mary University of London

10:50 Questions & answers

11:10 **Recasting the 1994 Directive - European and other challenges**

Policy-makers' and practitioners' views:

-- 10 min presentation per speaker followed by a panel discussion chaired by Karel Lannoo --

- **Mario Nava**, Head of Unit "Banking and financial conglomerates", DG Markt, European Commission
- **Peter Simon**, Member of the European Parliament, Group of the Progressive Alliance of Socialists and Democrats, Rapporteur on the DGS proposal
- **Sven Giegold**, Member of the European Parliament, Group of the Greens/European Free Alliance, Shadow Rapporteur on the DGS proposal
- **Barnabás Dezséri**, Attaché for Financial Services, Permanent Representation of Hungary; appointed expert for the Hungarian Presidency of the Council of the European Union
- **Dirk Cupei**, Vice-Chairman, European Forum of Deposit Insurers; Director, Deposit Protection Fund of the Association of German Banks
- **Alex Kuczynski**, Director of Corporate Affairs, Financial Services Compensation Scheme, UK

13:00 Questions & answers

13:30 End of the seminar