



FONDS DE GARANTIE
DES DÉPÔTS ET
DE RÉOLUTION

A Deposit Insurer in a Changing World: Convergence and Challenges

Presentation for EIFR

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Disclaimer

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- EFDI
- FGDR



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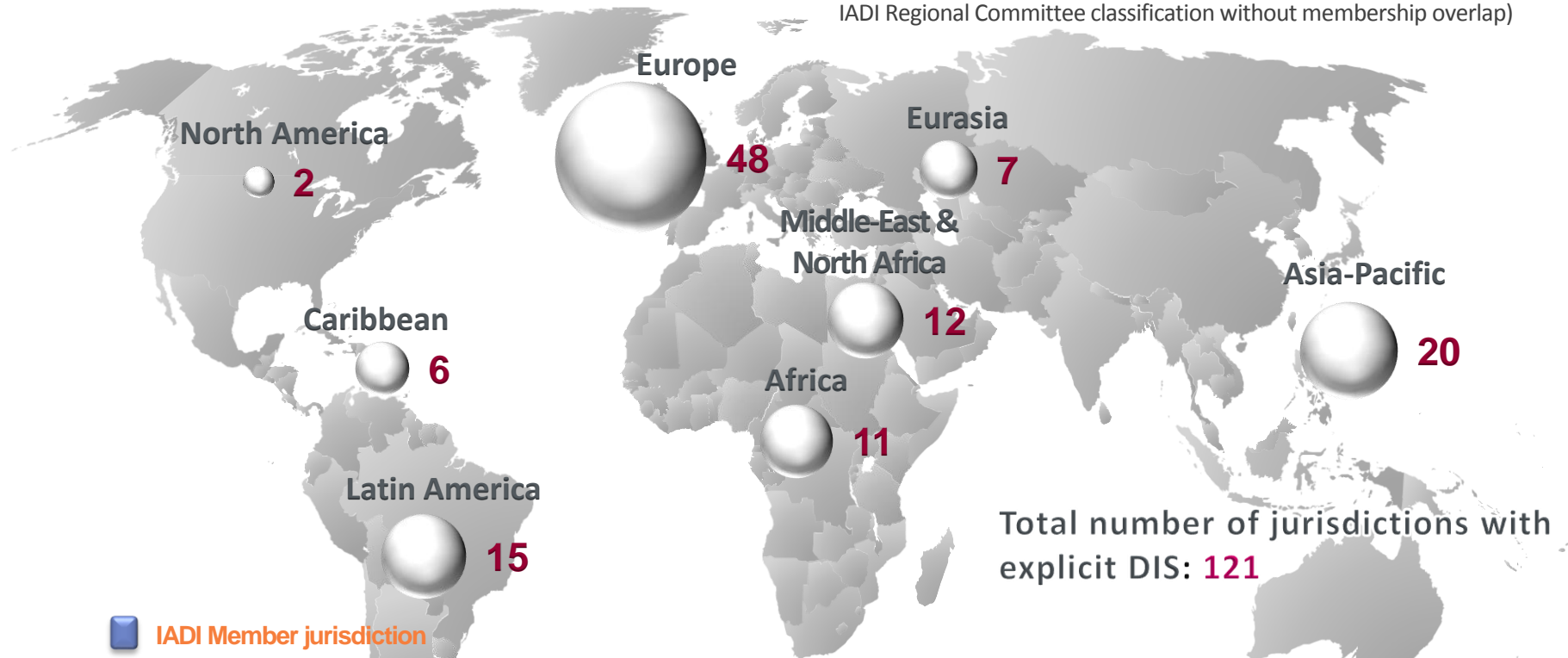
Foreword

The world...

Deposit insurance schemes (DIS) worldwide

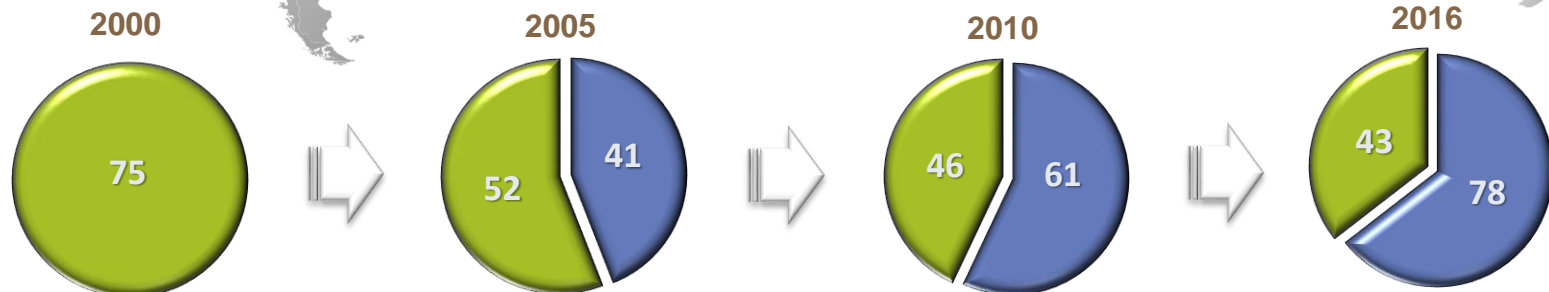
(Number of jurisdictions,

IADI Regional Committee classification without membership overlap)



- IADI Member jurisdiction
- Non IADI Member jurisdiction

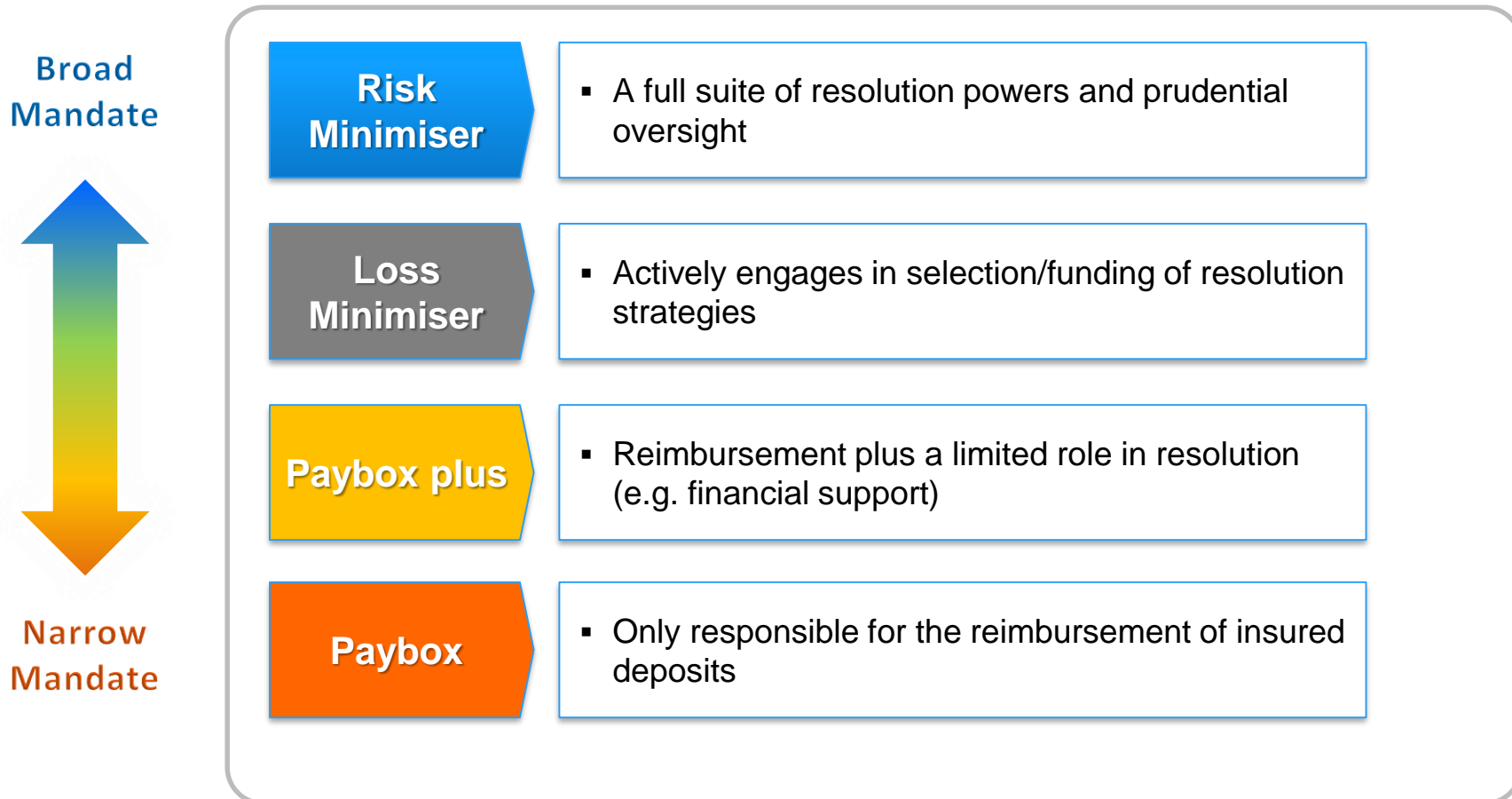
IADI Membership Changes



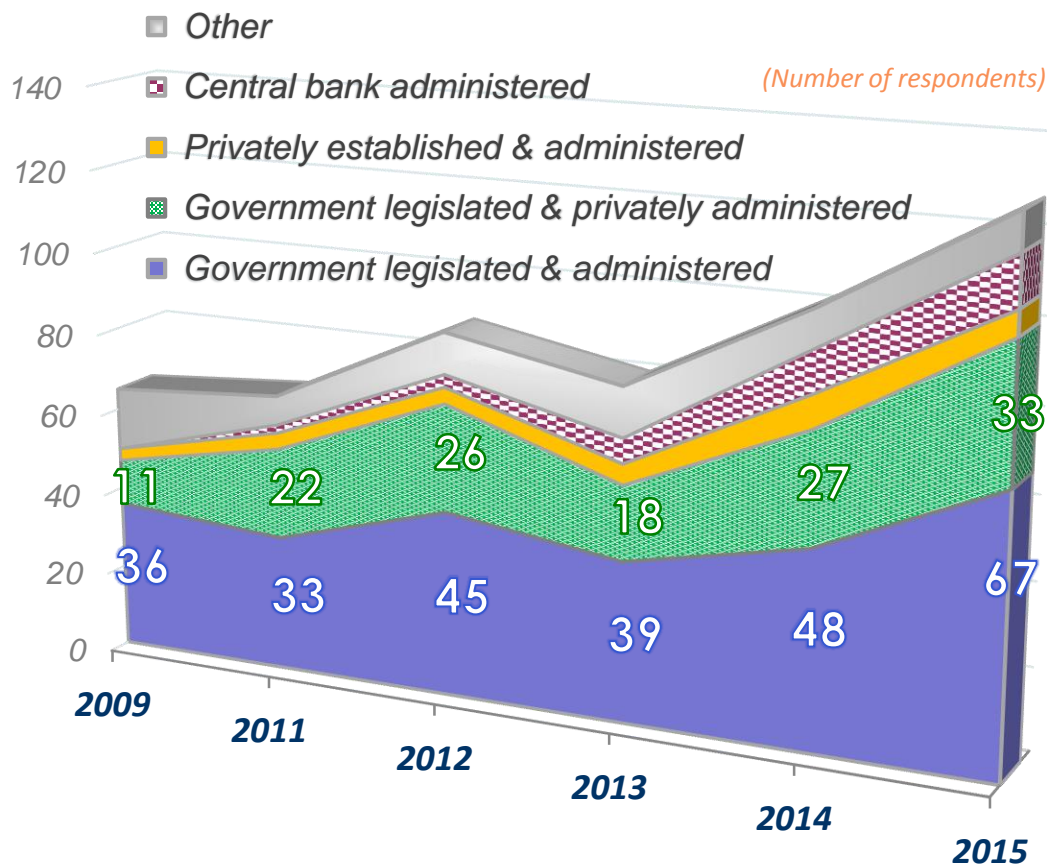
Functions of Deposit Insurers worldwide

Institutional Framework varies widely

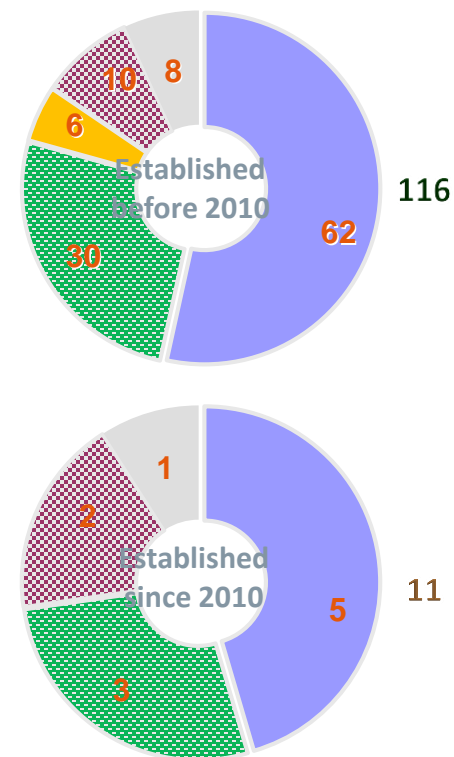
- ✓ Authorities design safety net given local conditions
- ✓ Role of deposit varies widely across jurisdictions



Type of Deposit Insurance Schemes (DIS)



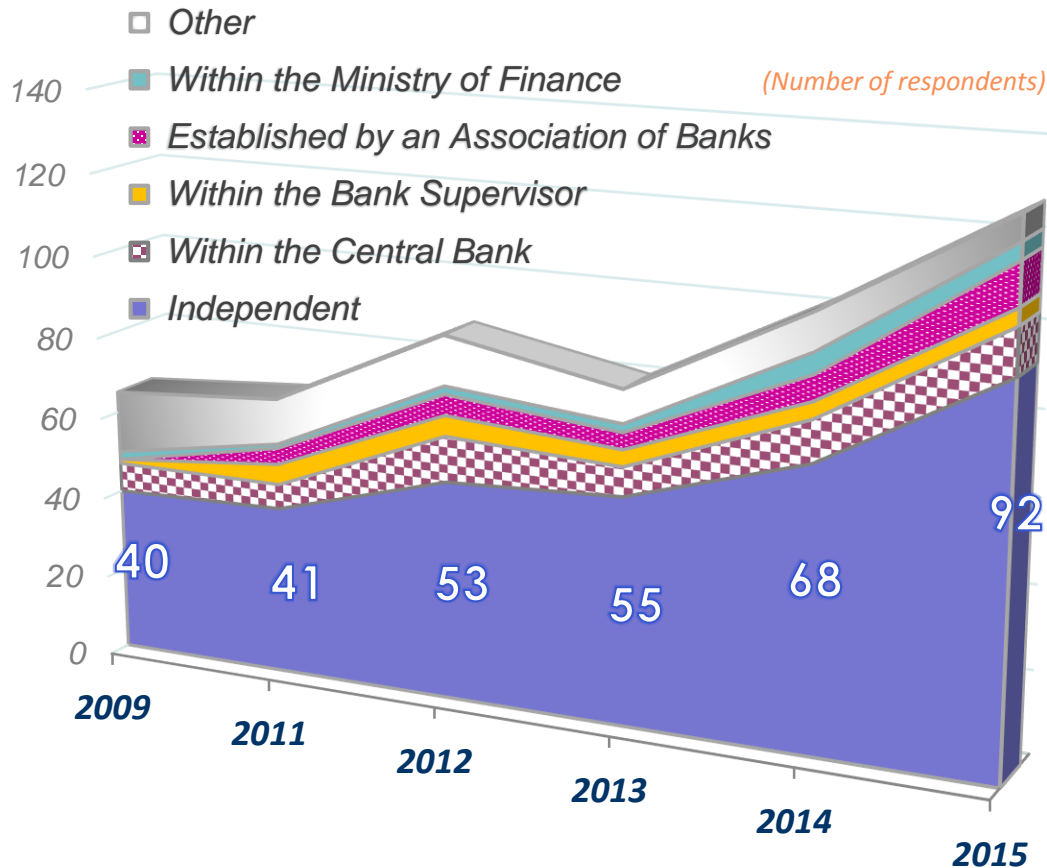
Mature DIS vs. New DIS



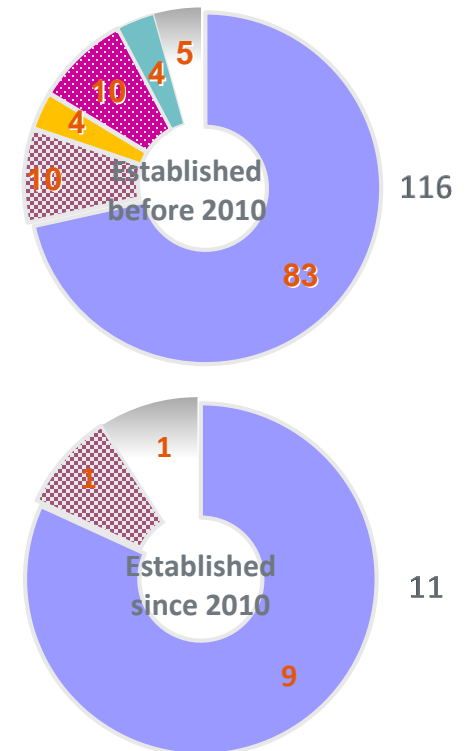
- Worldwide, Government Legislated & Administered DIS (52.8%) is the most prevalent form
- Government Legislated & Privately Administered DIS (27.5%) is also common in European Region

(Source: IADI Annual Survey 2009~2015)

Legal structure



Mature DIS vs. New DIS



- Independent DI is the most prominent form (Worldwide 72.4%, Europe 66.7%), particularly in those DI newly established since 2010 (81.8%)
- **Bank Associations (15.7%) still play an active role in Europe, whereas no DI was established within Bank Supervisor, Finance Ministry or Bank Association since 2010**

(Source: IADI Annual Survey 2009~2015)

Mandate

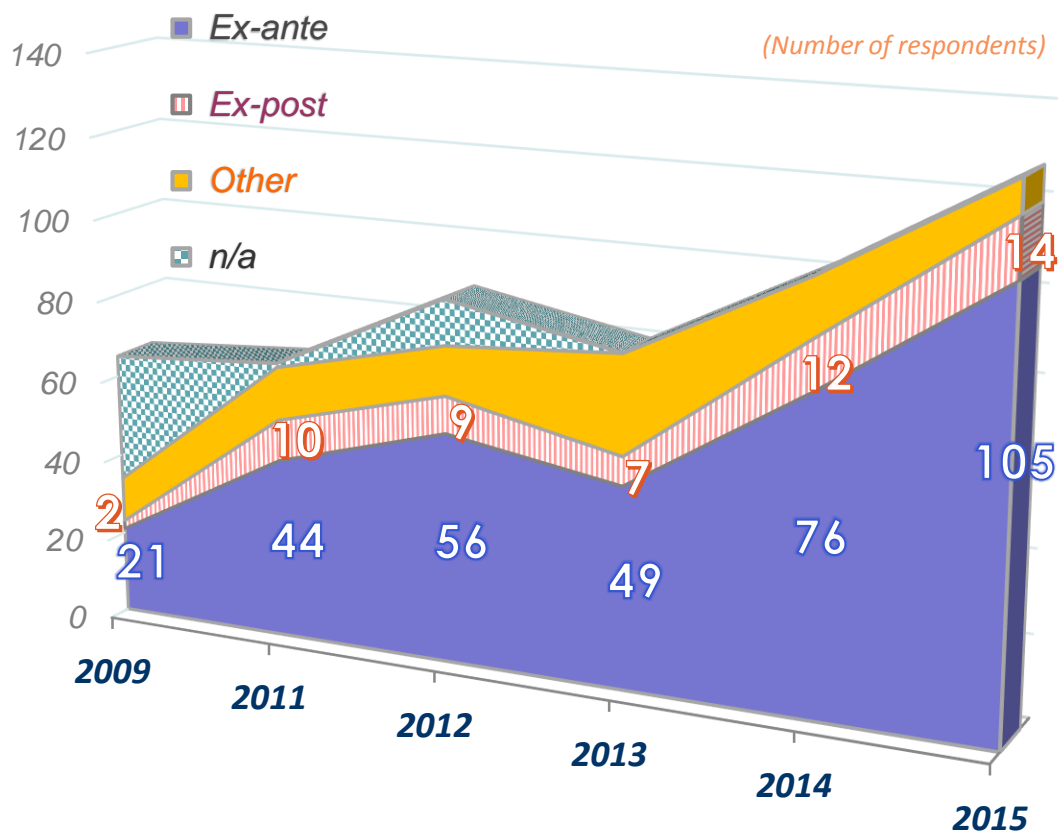
(Number of respondents)



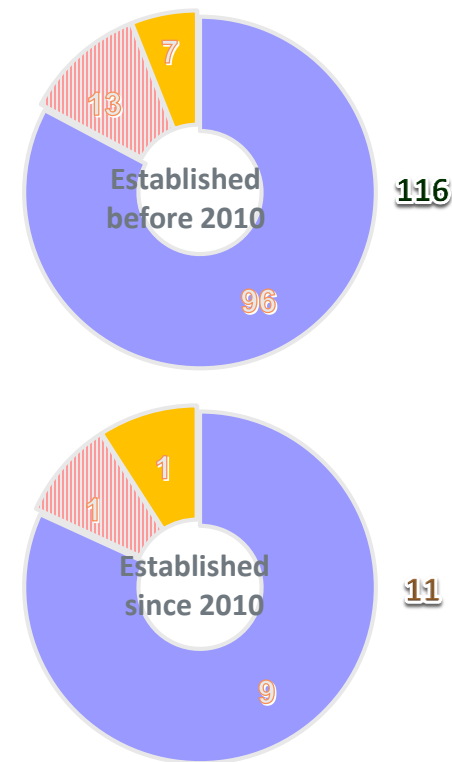
- Whilst the number of Loss Minimisers is on a gradual increase, Pay-box & Pay-box Plus schemes still have global dominance
- The number of Pay-box Plus exceeded the number of Pay-box in 2015
- Pay-box DIA (43.1%) is still dominant in European Region while Risk Minimiser (3.9%) are few

(Source: IADI Annual Survey 2011~2015)

Type of funding



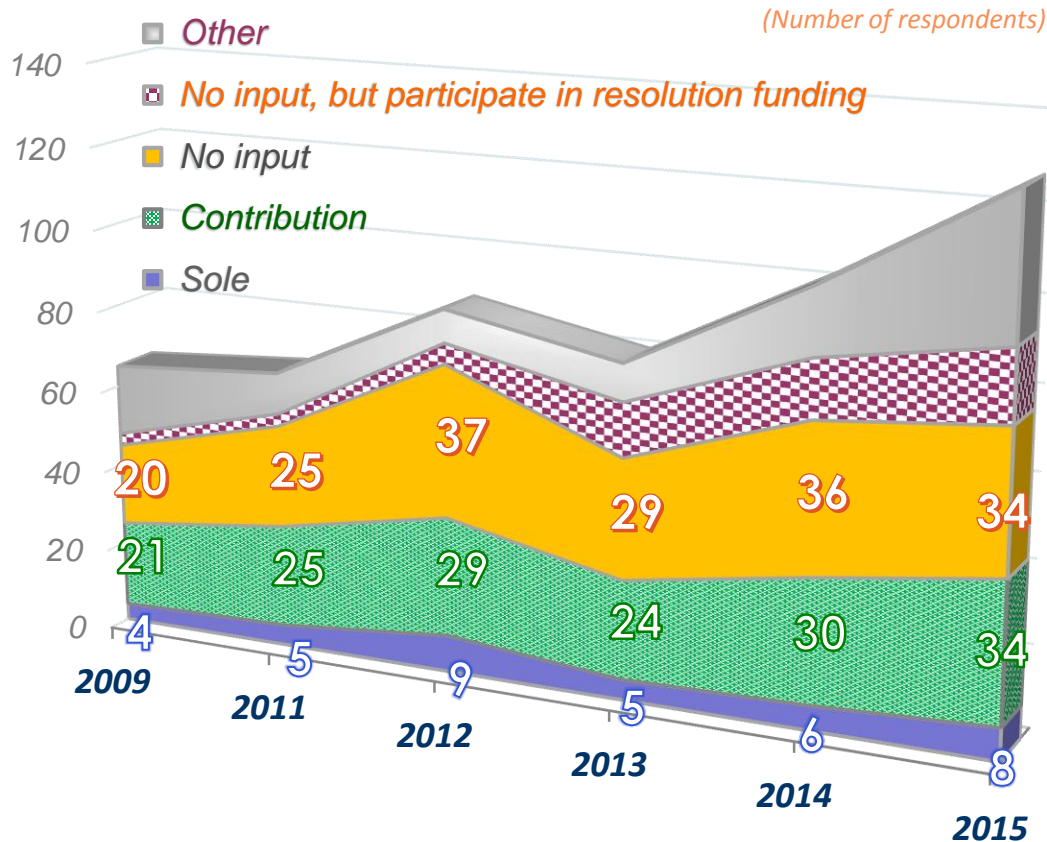
Mature DIS vs. New DIS



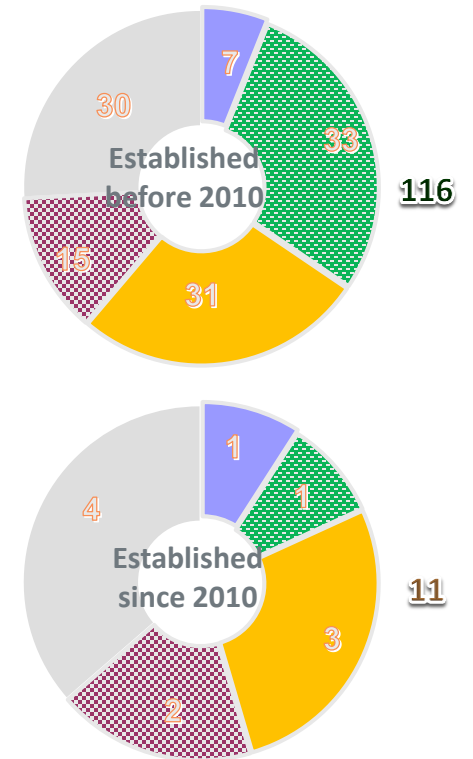
- Ex-ante funding is now evident in the majority of DIS, which is in line with the IADI Core Principles requirement
- 8 DIs use a combination of both Ex-ante and Ex-post funding
- EU DGSD requires its members to reach the target level for ex-ante funds by 2024

(Source: IADI Annual Survey 2009~2015)

Deposit Insurers' role in resolution



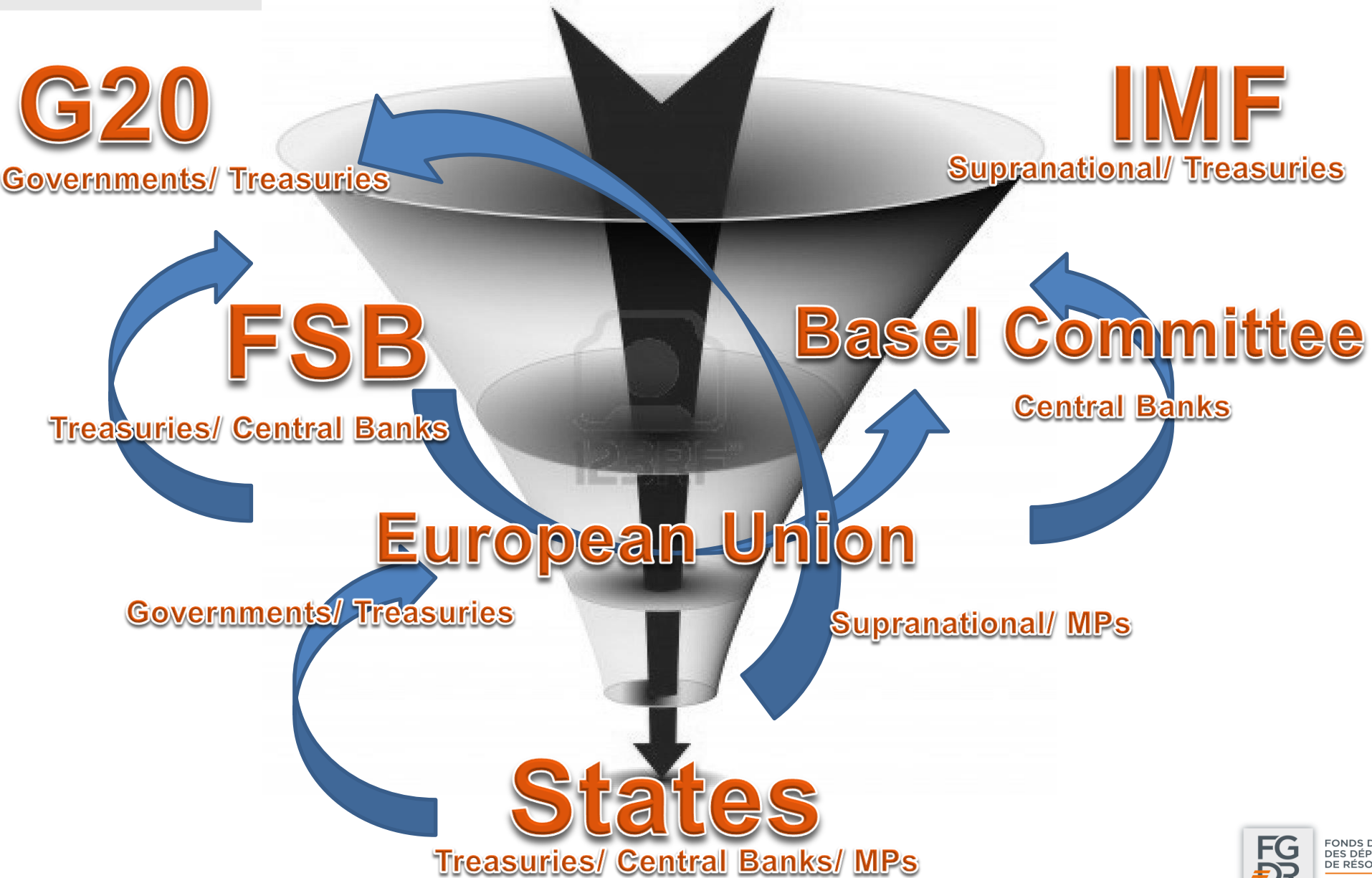
Mature DIS vs. New DIS



- Deposit Insurers (DIs) worldwide are actively engaged in making decisions for the resolution of failing member banks/institutions
- 8 DIs are the sole decision makers, 34 DIs contribute to the decision
- Further 34 DIs do not have any input or responsibility in the decision making process

(Source: IADI Annual Survey 2009~2015)

Deposit insurers' regulatory landscape



Deposit insurers' institutional landscape



Central Bank

Last resort lender

Treasury

Ultimate guarantor

Supervisor

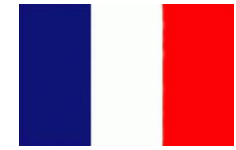
Controller

**Deposit Insurance
/ Resolution**

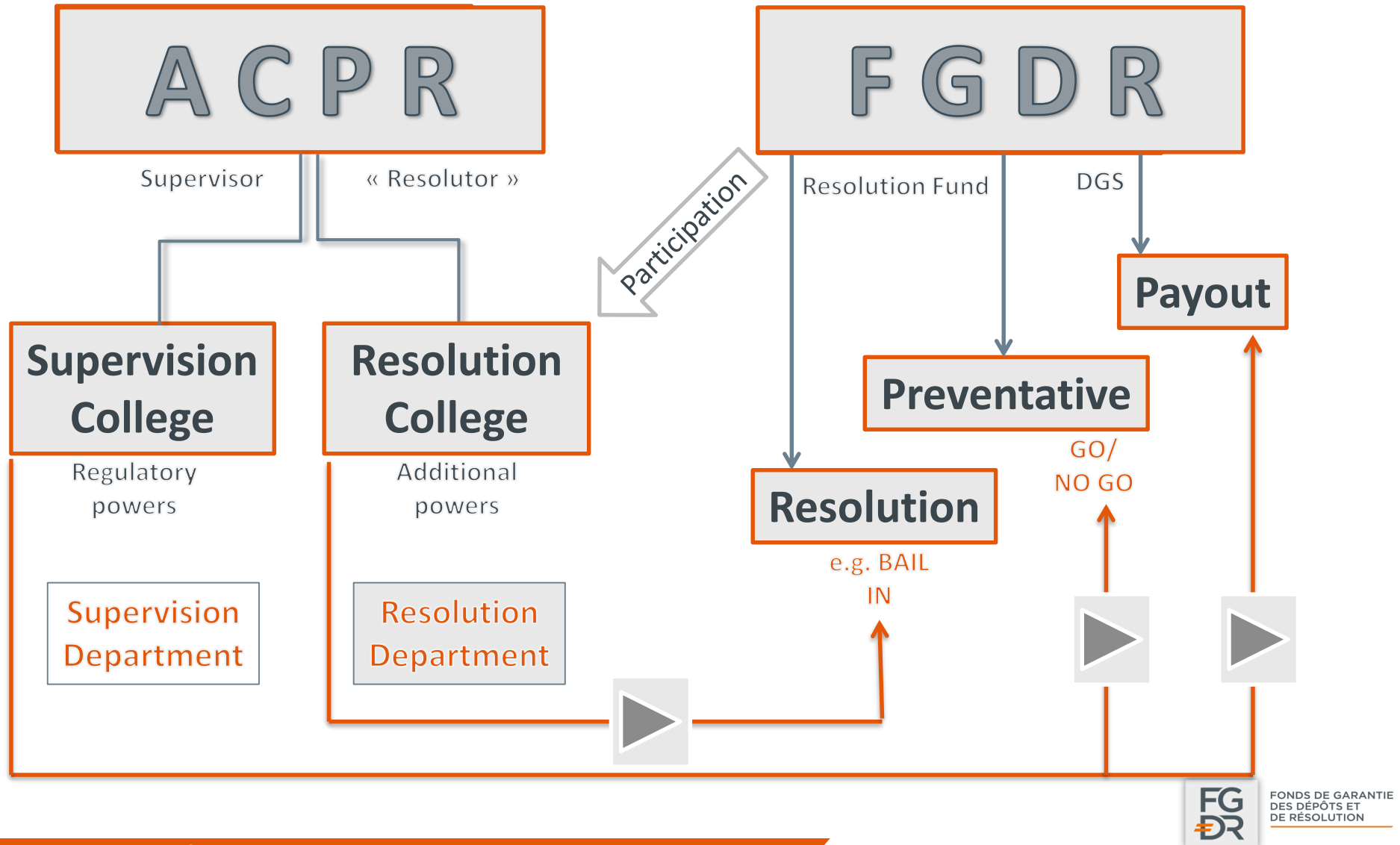
Last resort payer and 'resolutor'

French landscape - before the Banking Union -

France: crisis instruments & institutional landscape



“SRAB” law (Separation & Resolution of Banking Activities) - 2013



European landscape - since the Banking Union - (2014)

Three pillars

- A single supervision

Single Supervision Mechanism (SSM)

- A single resolution framework

Single Resolution Mechanism (SRM)

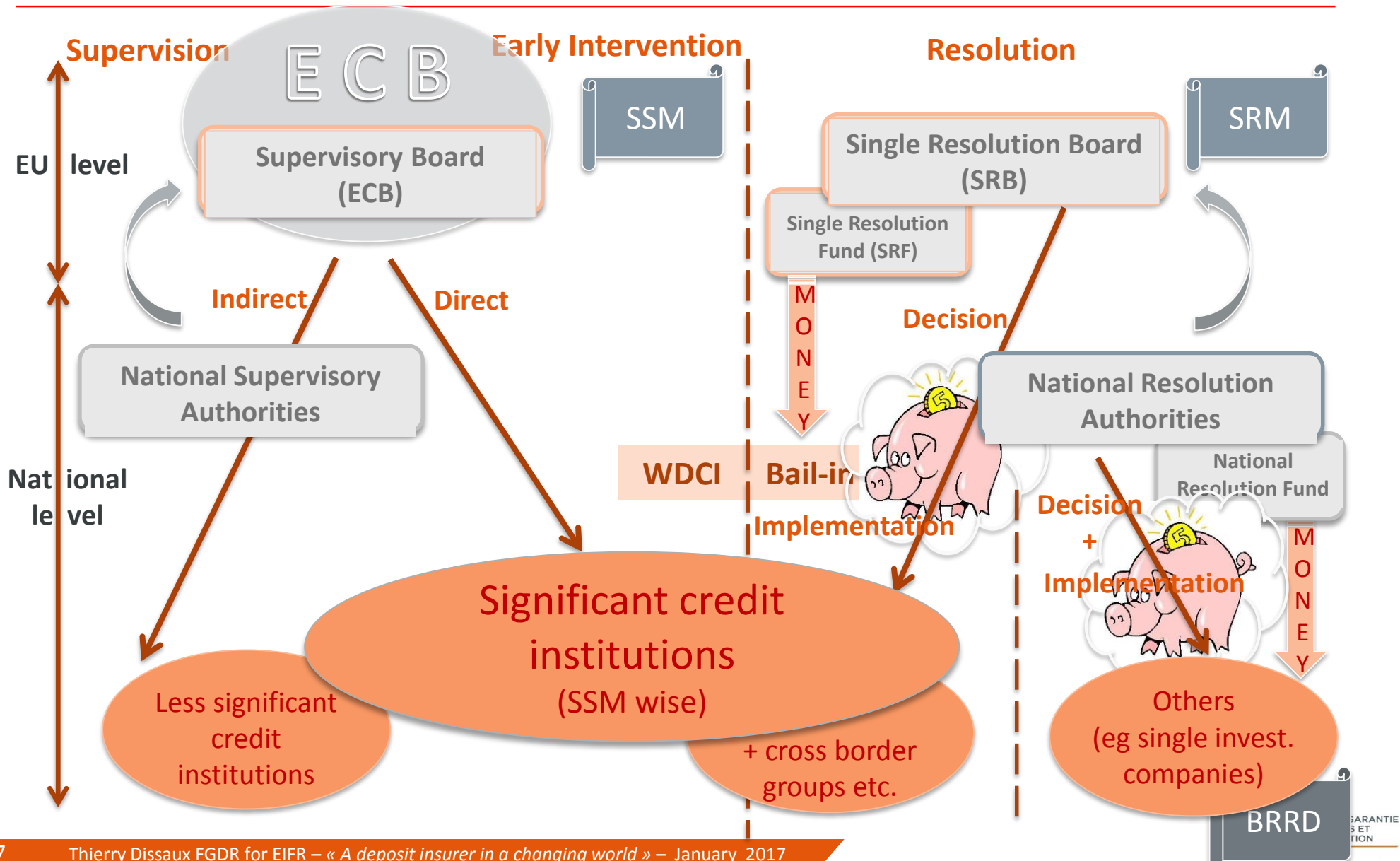
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Banking Recovery and Resolution Directive (BRRD)

- An integrated (single?) deposit guarantee scheme

Deposit Guarantee Scheme Directive (DGSD 2) – (EDIS?)

Who does what?



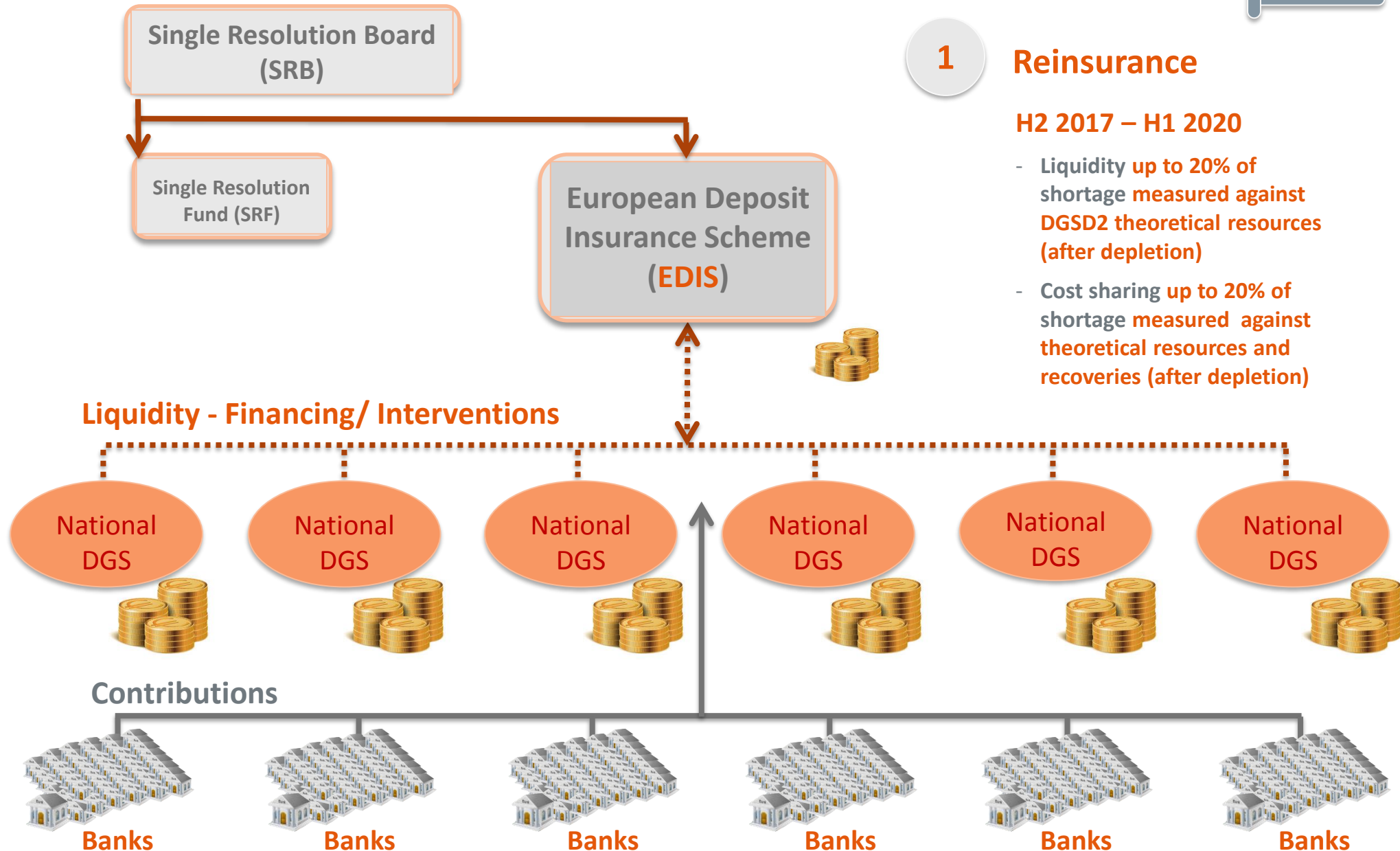
Deposit insurers' role in the Eurozone:

Dealing with Banking Crises & Implementing Resolutions

The EDIS project

EDIS: the Commission's proposal (Nov 2015)

Scope:
SRM



EDIS: the Commission's proposal (Nov 2015)

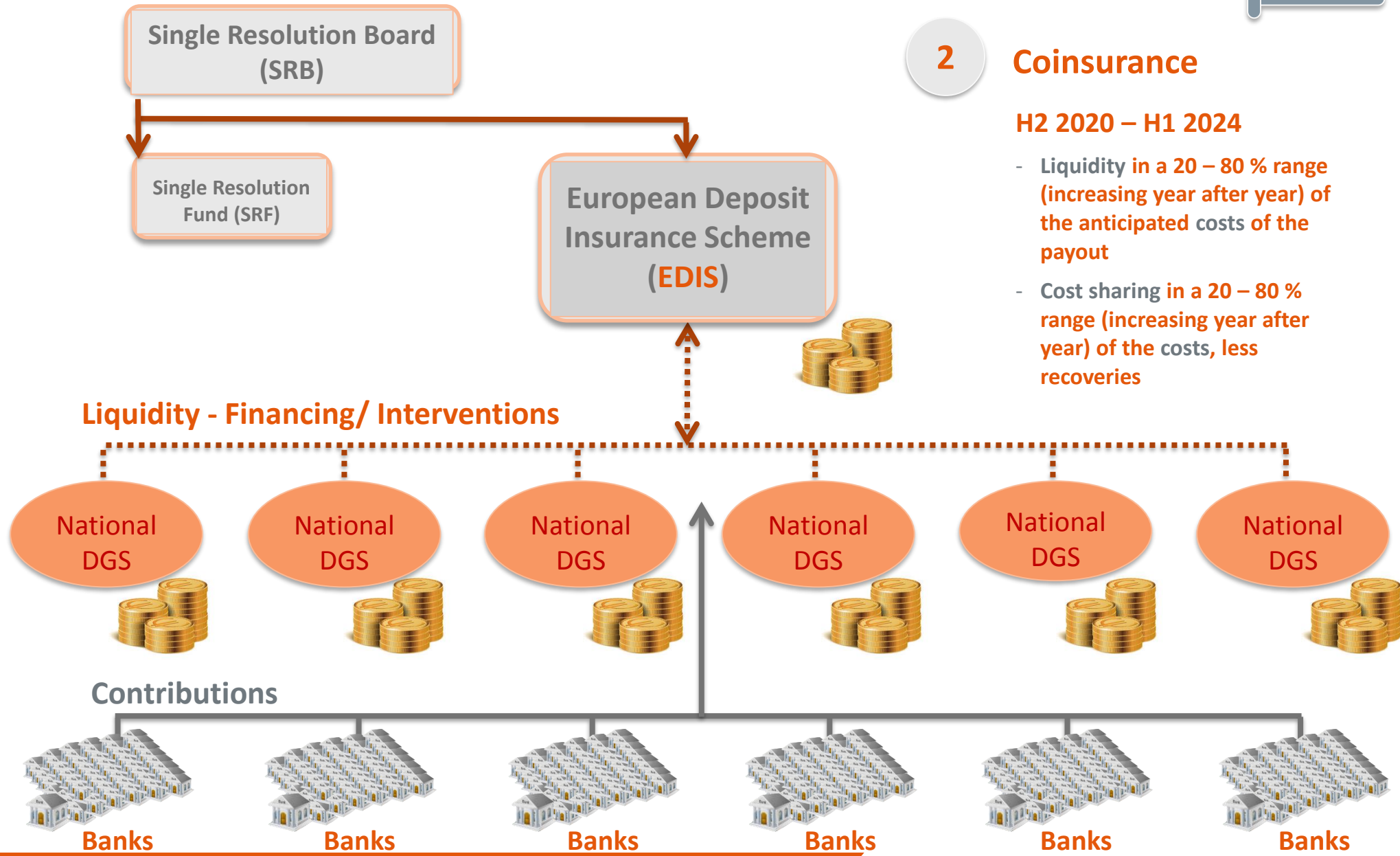
Scope:
SRM

2

Coinsurance

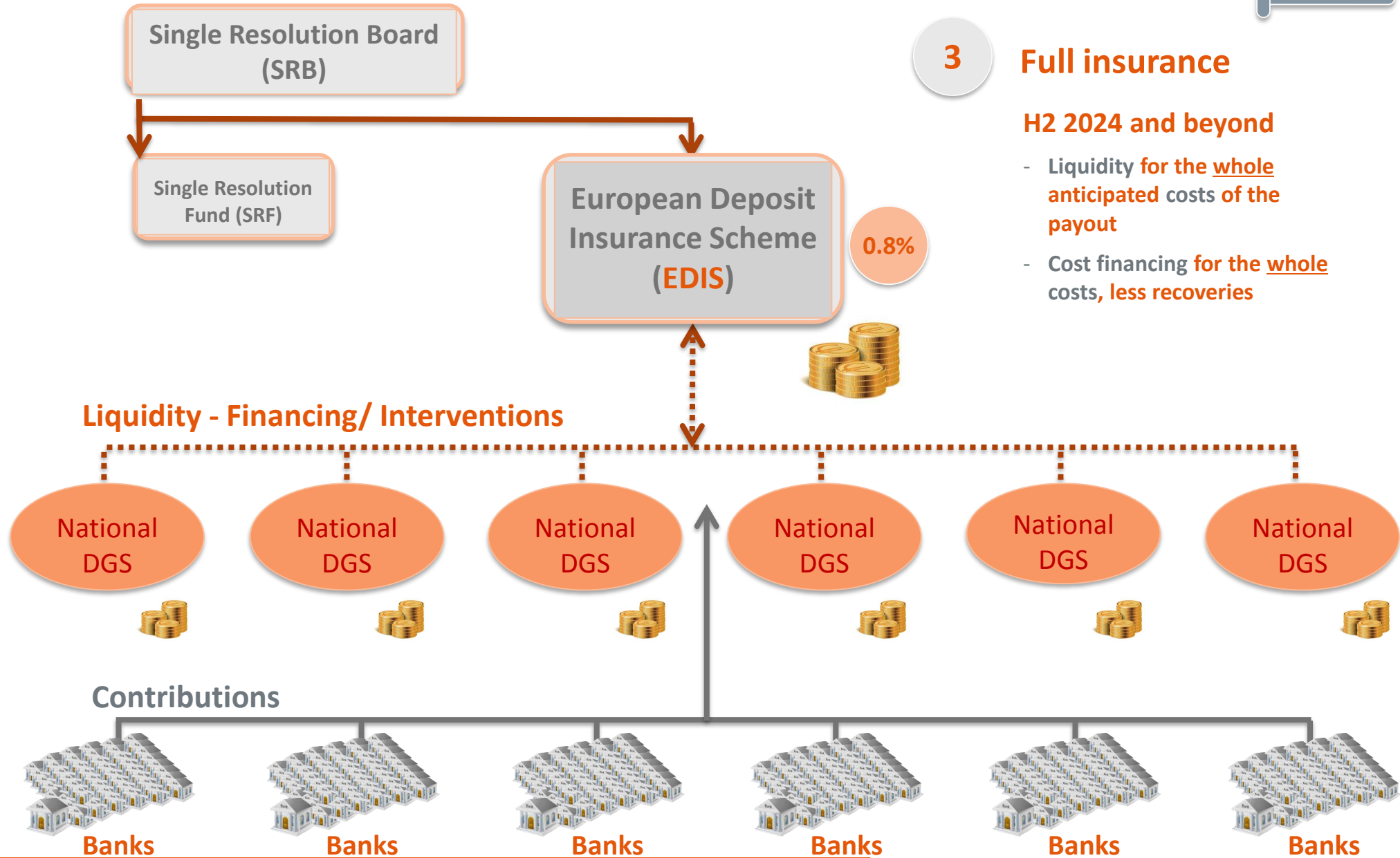
H2 2020 – H1 2024

- Liquidity in a 20 – 80 % range (increasing year after year) of the anticipated costs of the payout
- Cost sharing in a 20 – 80 % range (increasing year after year) of the costs, less recoveries



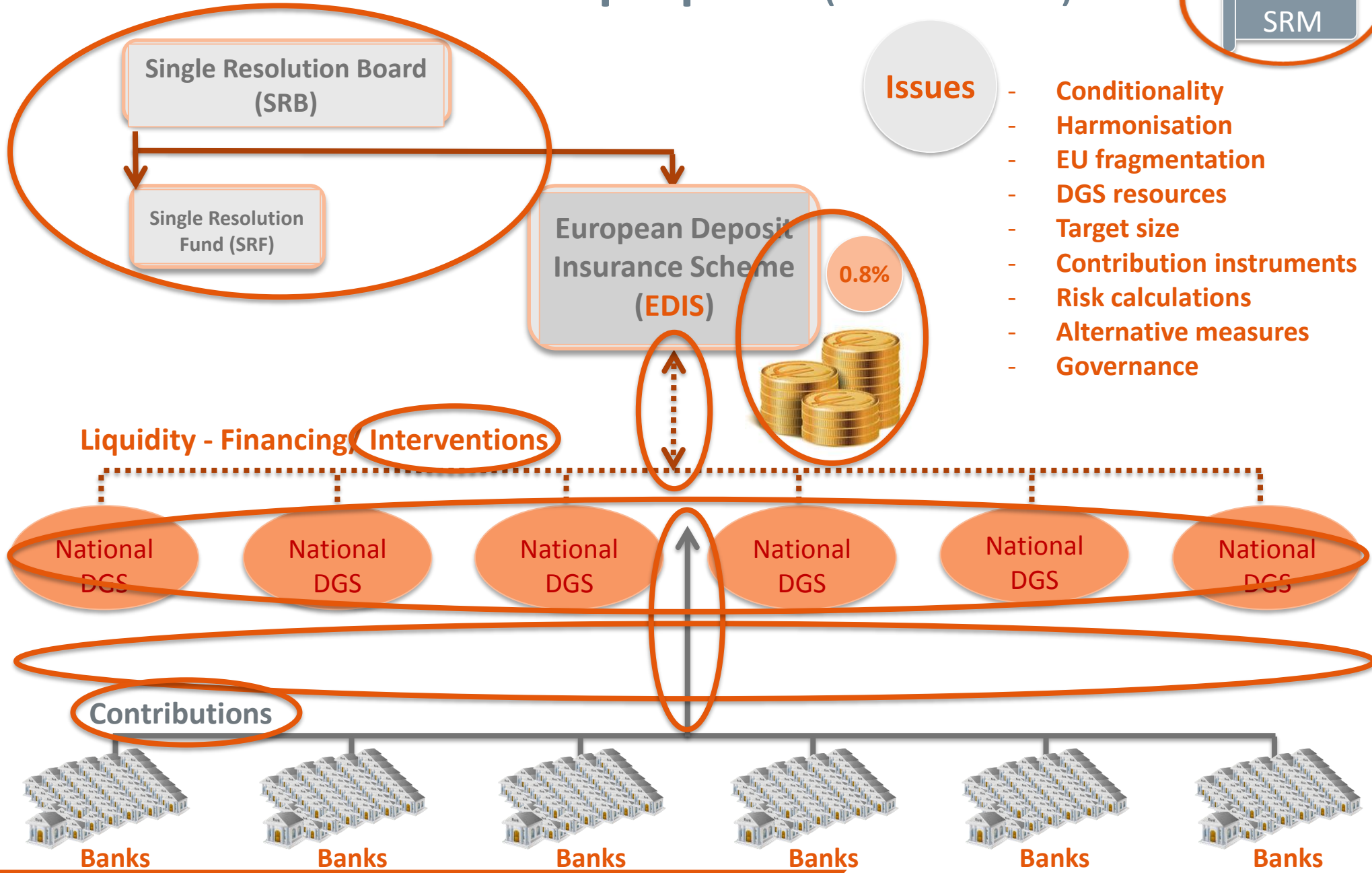
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EDIS: the Commission's proposal (Nov 2015)

Scope: SRM



Issues raised by EDIS project for EU DGSs (1/2)

❑ **Conditionality: risk reduction**

Before mutualising risks across Eurozone DGSs, banking risks should be properly assessed and minimised

❑ **Harmonisation**

If this about risk sharing, then depositors protection should be fully harmonized (coverage, THB, beneficiary accounts etc.)

❑ **Fragmentation/ Level playing field**

To reduce EU market fragmentation, DGSs funding should be also harmonised all over the **EU** (not only the Eurozone)

❑ **DGS resources: depositors confidence/ subsidiarity**

To ensure confidence, depositor protection should remain as close as possible to depositors. For that reason, the bulk of the resources should be left locally

Issues raised by EDIS project for EU DGSs (2/2)

❑ Target size

If EDIS aims at being more efficient than existing systems, let's make it more attractive, not costlier: EDIS target size should be lower than 0.8%.

❑ Contribution instruments

All the same, why payment commitments, authorised by DGSD2 up to 30%, should be banned by EDIS?

❑ Risk calculations

Open question on the way risk factors, within a larger environment, will impact individual contributions.

❑ Alternative measures

Mutualisation limited to payouts would eliminate any possibility for less costly and more efficient preventative measures.

❑ Governance

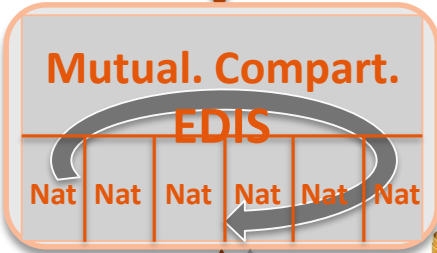
SRB is designed for resolving systemic institutions, while DGSs addresses local idiosyncratic, non systemic failures.

EDIS: rapporteure de Lange's proposal (Oct 2016)

Scope:
SRM

Single Resolution Board (SRB)

Single Resolution Fund (SRF)



1

'Reinsurance' – till at least 2024

- Liquidity in a 20 – 100 % increasing range of the anticipated shortage measured against DGSD2 theoretical resources

2

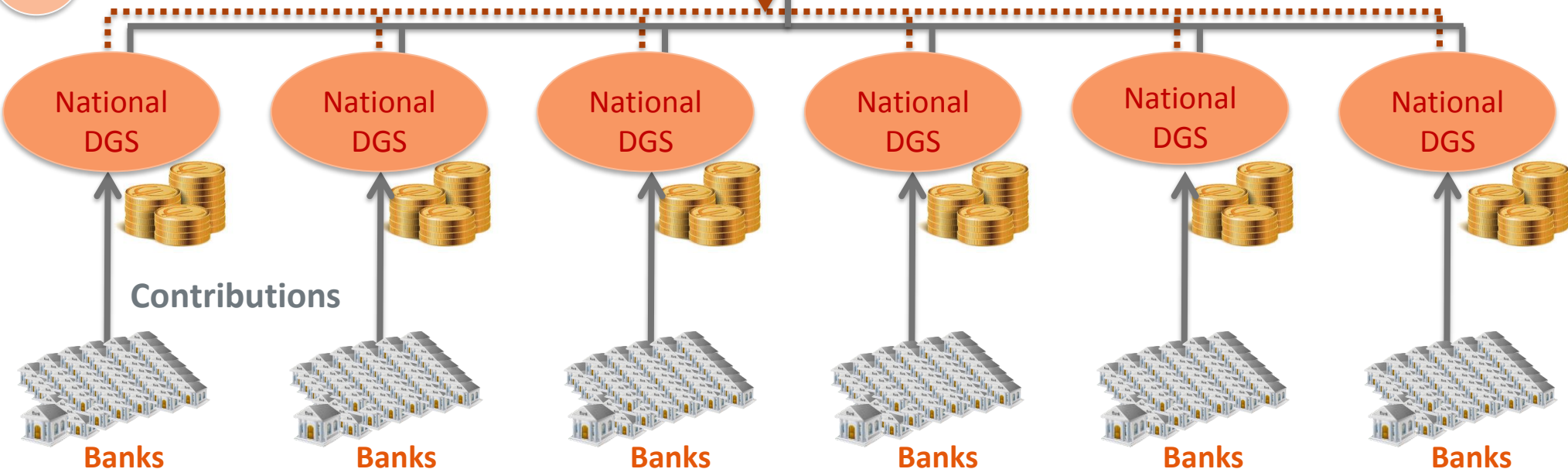
'Insurance' – after risk reduction

- Cost sharing in a 20–100% increasing range of shortage, measured against theoretical resources and recoveries (i.e. excess loss reinsurance)

0.4%*

* Including payment commitments up to 30%

0.4%* Liquidity - Financing/ Interventions



Issues raised by EDIS project for EU DGSs – de Lange (1/2)

Better

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Before mutualising risks across Eurozone DGSs, banking risks should be properly assessed and minimised

EQual

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EQual

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 **Governance**
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A French song

EDIS **Ideal** Design

E U LOCAL

Subsidiarity and Decentralisation

- ❑ close to depositors
- ❑ speaking their language
- ❑ knowing local products and regulations
- ❑ quick to answer, quick to act, fully responsible

- ❑ with **local** financial resources
- ❑ able to attract and deserve **confidence**

EDIS **Ideal** Design



LIQUID

- leaving** all liquidity at the local level...
- ... offering **additional** liquidity at the EU level
(≠ from mandatory mutual lending)
- after an adequate impact assessment and
extended AQR

Cost sharing only as a possible additional option...

- through reinsurance

EDIS **Ideal** Design

LESS COSTLY

SRM for systemic cases + additional EU liquidity

=

- ❑ no need for higher contributions +
- ❑ more time to raise ex post contributions +
- ❑ payment commitments up to national authorities +
- ❑ no need for extra DGSD2 harmonisation +
- ❑ alternative measures up to local DGSs



LOCAL

LIQUID



LESS COSTLY



Meanwhile...



FONDS DE GARANTIE
DES DÉPÔTS ET
DE RÉOLUTION

*French deposit insurance
and resolution fund*

Challenges for European DGSs

IMPLEMENT

the Banking Union, including, but not limited to:

- 7 day payout period
- Temporary High Balances (THB)
- SCV and IT adjustments
- communications
- cross-border payout (H2C initiative)

Challenges for European DGSs

STRENGTHEN

Depositors' confidence in respect with:

- new information channels
- bail in
- EDIS

Challenges for European DGSs

EXPLAIN

our business, including:

- ❑ FDIC, models
- ❑ State aid, Eurostat
- ❑ Liquidity
- ❑ What local means

Challenges for European DGSs

SHARE

our concerns in respect with EDIS:

- Level playing field
- Risks and Costs
- Harmonization
- Resources
- Subsidiarity

Main strategic priorities for FGDR

- **DGSD2 and EBA Guidelines implementation**
finalization of regulatory changes, process adjustments, IT developments (7 day, THB, beneficiary accounts, H2C...)
- **Depositor and Media communications**
supporting banks' efforts, coping with depositor flows, media management
- **Corporate responsibility**
contingency planning, stress-tests, assessment against Core Principles
- **Strategic adaptation**
positioning in the Banking Union framework, state aid issue, additional skills
- **European regulation and EDIS project**
regulatory watch, coordination with EU insurers, harmonization of coverage, resources
- **Coordination within the financial safety-net (incl. Supervisory and Resolution Authority-ACPR)**
written cooperation agreement with ACPR, coordinated crisis management
- **Contributions and accountings**
new contribution system and database, statistical classification, accounting framework
- **Risks, costs and resources**
risk management, cost efficiency, investment performances, credit line

Thanks for your attention

For any question...

... happy to answer