

Swedish Bankers' Association

Svenska Bankföreningen

POSITION PAPER

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European Commission
B-1049 Brussels
BELGIUM

e-mail:
markt-deposit-guarantees@cec.eu.int

"Report on the minimum guarantee level of Deposit Guarantee Schemes Directive 94/19/EC"

Swedish Bankers' Association welcomes the opportunity to comment on the Commission's Report on the minimum guarantee level of Deposit Guarantee Schemes Directive.

Summary of Swedish Bankers' Association's main comments

- The level and scope of protection should be harmonised in the Deposit Guarantee Schemes Directive.

General views on the Deposit Guarantee Schemes Directive

In our position paper 7 October 2005 as regards the Commission Services' consultation paper "Review of the Deposit Guarantee Schemes Directive" we forwarded our opinion that the implementation of the Deposit Guarantee Schemes Directive has led to schemes in the Member States that differ considerably – e.g. as regards the funding of the schemes and as regards the level of protection for the depositors. This situation is not consistent with the single market and, consequently, necessitates further harmonisation in the Directive.

Specific views on the guarantee level

As regards the issue about "minimum guarantee level of deposit guarantee schemes", Swedish Bankers' Association is of the opinion that the level of protection for the depositors should be harmonised. We understand "Scenario 1" to be the solution to this, as it is described as "if the guarantee level were set exactly at 20,000 EUR (not to a minimum of EUR 20,000) for all Member States".

The present lack of harmonisation means that the level of protection for the depositors differs between the Member States. The differences also have the effect that the depositors may have many different protection levels within the same MS if there are foreign branches there from other Member States. The depositors get confused when there are different rules in the domestic scheme compared to the schemes for foreign branches active in the same market.

As long as the level of protection is different in different Member States - as it is today - it will be very difficult, or sometimes even impossible, for a bank from a MS with low protection to compete for deposits in a MS with high protection. So in this situation, topping-up possibilities are important in order to facilitate cross-border competition. But if the level (and scope) of protection is harmonised, there would be no need for rules about topping-up.

Another example of non level playing field problems is when a bank from a Member State with high protection competes through foreign branches with banks in a MS with low protection. In this situation, no topping-up possibilities exist to "take care" of the competitive problems. In Directive 94/19/EC there is (in Article 4, p.1) an "export prohibition clause" until 31 December 1999 with the aim to handle this situation. The Directive also includes a possibility to continue this arrangement after that date. However, as far as we know, this clause has not been prolonged – as a consequence of the conclusion in the Commission's Report (22.12.1999) to the Council and the European Parliament – COM(1999) 722 final.

As we understand "Scenario 3" – i.e. levels in relation to per capita GDP – it would mean many different levels of protection in different Member States. We are, of course, not in favour of such a solution.

If it turns out that it would be difficult for the new Member States to introduce very rapidly the same level of protection as the EU 15, a solution could be a transitional period of some years for the new Member States.

SWEDISH BANKERS' ASSOCIATION SVENSKA BANKFÖRENINGEN

Ulla Lundquist
(Managing Director)

Bengt G. Löwenthal
(Senior Advisor)