



EUROPEAN CENTRAL BANK
EUROSYSTEM

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COURTESY TRANSLATION

Mario DRAGHI
President

Mr Dimitrios Papadimoulis
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 6 June 2017

L/MD/17/222

Re: Your letter (QZ-033)

Honourable Member of the European Parliament, dear Mr Papadimoulis,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 25 April 2017.

As outlined in the ECB opinion¹ on the Commission proposal for a European Deposit Insurance Scheme (EDIS), the ECB considers the EDIS to be the necessary third pillar of the banking union. A European system for deposit insurance is crucial to ensure a uniform protection of deposits, regardless of where they are located in the banking union, thus enhancing depositors' confidence and preserving financial stability. Only the same level of confidence in the safety of deposits across the banking union will lead to a truly single banking system, which is the necessary mirror image of the single currency. Furthermore, establishing an EDIS is the logical complement to the elevation to the European level of the responsibilities for bank supervision and resolution – the other two pillars of the banking union.

In the opinion, the ECB also emphasised the need for a fiscally neutral common public backstop for the EDIS at the latest as of the full insurance stage, in order to ensure a uniformly high level of confidence in deposit protection under all circumstances and to effectively weaken the bank-sovereign nexus at the national level.

¹ Opinion of the European Central Bank of 20 April 2016 on a proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 806/2014 in order to establish a European Deposit Insurance Scheme (CON/2016/26), available at: https://www.ecb.europa.eu/ecb/legal/pdf/en_con_2016_26_f_sign.pdf

Address
European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal Address
European Central Bank
60640 Frankfurt am Main
Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

The ECB welcomed and fully supported all risk-reduction measures set out in the Commission Communication², emphasising that risk sharing and risk reduction should progress in parallel.

It should be recalled that the ECB supported the proposal to launch the EDIS as the third pillar of a fully-fledged banking union already in June 2015, in the Five Presidents' Report³. The April 2016 issue of the ECB publication "Financial integration in Europe"⁴ included a chapter dedicated to the EDIS, providing additional analysis of its benefits.

Moreover, the ECB participates as an observer in the Ad Hoc Working Party on the Strengthening of the Banking Union, contributing to the ongoing discussions on the EDIS.

For the reasons I have recalled above, the ECB is of the view that the third pillar of the banking union should be put in place as soon as possible. However, it should be noted that the final decision remains in the hands of the legislator. The ECB supports the Commission's proposal also with regard to the timeline, which envisages a gradual phase-in of the EDIS, starting with reinsurance, moving on to coinsurance and leading towards a fully-fledged EDIS by 2024.

Yours sincerely,

[signed]

Mario Draghi

² "Towards the completion of the Banking Union", Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions, COM(2015) 587 final, 24 November 2015, available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015DC0587&from=LV>.

³ Juncker, J.-C., Tusk, D., Dijsselbloem, J., Draghi, M. and Schulz, M., "Completing Europe's Economic and Monetary Union", June 2015, available at: https://ec.europa.eu/commission/sites/beta-political/files/5-presidents-report_en.pdf.

⁴ See "Chapter 2: European institutional reform – establishing a European Deposit Insurance Scheme" of *Financial integration in Europe*, ECB, April 2016, available at: <https://www.ecb.europa.eu/pub/pdf/other/financialintegrationineurope201604.en.pdf>.

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