



EUROPEAN CENTRAL BANK

EUROSYSTEM

COURTESY TRANSLATION

Christine LAGARDE
President

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

Frankfurt am Main, 28 May 2021

L/CL/21/115

Re: Your letter (QZ-015)

Honourable Member of the European Parliament, dear Mr Papadimoulis,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 31 March 2021.

On your first question on whether the ECB will take specific initiatives towards the establishment of the European Deposit Insurance Scheme (EDIS), let me first emphasise that the ECB fully supports the completion of the banking union, a key component of which is the establishment of a fully-fledged EDIS.¹ EDIS would ensure that depositors across participating Member States enjoy the same level of protection for their savings. This will support the confidence of savers and safeguard financial stability. In addition, EDIS will help to further address the bank-sovereign nexus, which is currently maintained by keeping depositor protection at the national level, and aid the seamless deployment of capital and liquidity within banking groups across jurisdictions.

However, the decision on completing the banking union needs to be taken at the political level. The ECB actively contributes to the debate by providing expert technical analyses, which we have discussed with the European Parliament on several occasions. Furthermore, ECB staff analysis has shown that EDIS would not lead to unwarranted systematic cross-subsidisation in the sense of some banking systems systematically

¹ The ECB already voiced its support for a fully-fledged EDIS in 2016, when it published its opinion (CON/2016/26) on the original legislative proposal on EDIS by the European Commission, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52016AB0026&from=EN>.

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contributing less than they would benefit from the common Deposit Insurance Fund.² We stand ready to provide further technical analyses where this would facilitate a political consensus and to continue our dialogue with the co-legislators on completing the banking union.

Regarding your second question on a cost assessment study, I would like to refer you to the effects analysis by the European Commission services of the original EDIS proposal, which assesses a number of arrangements for EDIS.³ The analysis shows that all the arrangements deliver a significantly stronger deposit insurance scheme than the current system of national schemes with voluntary lending. Moreover, a more recent analysis is provided in the inception impact assessment carried out by the European Commission in the context of its review of the bank crisis management and deposit insurance framework.⁴ This assessment shows the positive effects of both completing and strengthening the banking union. The ECB will of course support the Commission in completing the aforementioned review by providing technical contributions on all relevant issues.

On your third question on whether an incomplete EDIS would be a viable long-term solution, let me reiterate that a fully-fledged EDIS should remain a key priority for the banking union. Establishing a common safety net for depositors across the banking union is essential to ensure the uniform protection of depositors regardless of a bank's location. Member States are discussing a "hybrid model", which would only offer liquidity support to national deposit guarantee schemes.⁵ If EU legislators were to support such a model, it should be designed in a way that would ultimately ensure a smooth transition to a fully-fledged EDIS.

Yours sincerely,

[signed]

Christine Lagarde

² See Carmassi, J., Dobkowitz, S., Evrard, J., Parisi, L., Silva, A. and Wedow, M., "Completing the Banking Union with a European Deposit Insurance Scheme: who is afraid of cross-subsidisation?", *Occasional Paper Series*, No 208, ECB, April 2018, available at: <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op208.en.pdf>.

³ See "Effects analysis (EA) on the European Deposit Insurance Scheme (EDIS)", European Commission, available at: https://ec.europa.eu/info/sites/info/files/161011-edis-effect-analysis_en.pdf.

⁴ For more information, see "Banking Union – review of the bank crisis management & deposit insurance framework (DGSD review)", European Commission, available at: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12737-Banking-Union-Review-of-the-bank-crisis-management-and-deposit-insurance-framework-DGSD-review->.

⁵ For more information, see letter from the President of the Eurogroup to President Charles Michel, 4 December 2020, available at: <https://www.consilium.europa.eu/media/47177/20201204-letter-to-president-charles-michel.pdf>.

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