

Brussels, 15 October 2008

Commission sets out proposal to increase minimum protection for bank deposits to €100,000

(see [MEMO/08/622](#))

The European Commission has put forward a revision of EU rules on deposit guarantee schemes that puts into action the commitments made by EU Finance Ministers on 7 October. The new rules are designed to improve depositor protection and to maintain the confidence of depositors in the financial safety net. Under the new rules, the minimum level of coverage for deposits will be increased within one year from €20,000 to €100,000, and initially to €50,000 in the intervening period. Individual Member States can choose to add to these minimum levels. In addition, the payout period in the event of bank failure will be reduced from three months to three days. The proposal now passes to the European Parliament and the Council of Ministers for consideration.

Internal Market and Services Commissioner Charlie McCreevy said: "Increasing the minimum protection will strengthen Europeans' confidence in the safety of their deposits. The new rules go hand in hand with the commitment made by EU Finance Ministers only one week ago, and are another sensible and proportionate response to the financial turmoil we are experiencing."

Proposed amendments to the Directive on Deposit Guarantee Schemes

The purpose of the Directive on Deposit Guarantee Schemes (1994/19/EC) is to protect a portion of depositors' savings and to ensure confidence into the banking sector, in order to avoid bank runs leading to severe economic consequences. It has remained unchanged since 1994 but is now being updated in order to respond to the ongoing financial crisis.

The main changes proposed are as follows:

- **Level of coverage for deposits:** Member States are required to increase the coverage level to at least €50,000 and within a further year to at least €100,000. The current Deposit Guarantee Schemes Directive covers savings up to at least €20,000, although individual Member States can choose to increase this level. According to estimates, about 65% of eligible deposits are covered under the current regime. The new levels would cover an estimated 80% (with coverage of €50,000) and 90% (with coverage of €100,000) of deposits.
- **Co-insurance (i.e. where the depositor bears part of the losses) is abandoned:** Member States must ensure that the deposit is reimbursed up to the coverage level. Under the current Directive, Member States have the option to decide that deposit guarantee only covers 90% of savings.

- **Reduction of the payout period:** The time allowed for the deposit guarantee scheme to pay depositors in the event that a bank fails will be reduced to three days. Currently the period is three months, and can even be extended to nine months.

Background

EU Finance Ministers agreed on 7 October 2008 that it is a priority to restore confidence and proper functioning of the financial sector. All Member States committed to raise the level of deposit guarantees to €50,000, and many of them even to €100 000.

Ministers agreed to take all necessary measures to protect the deposits of individual savers and welcomed the intention of the Commission to bring forward urgently an appropriate proposal to promote convergence of deposit guarantee schemes.

The proposal is available at:

http://ec.europa.eu/internal_market/bank/guarantee/index_en.htm