

Deposit Guarantee Schemes: report on minimum guarantee levels

1. In accordance with Article 7(5) of the Deposit Guarantee Schemes Directive (94/19/EC), the Commission has been reviewing the €20,000 minimum guarantee threshold with a view to assessing whether any changes to the guarantee level might be necessary.
2. Deposit data – particularly on how deposits are distributed - has been extremely difficult to obtain despite the extensive efforts made. The information available is not sufficient to reach definitive conclusions about whether the minimum guarantee level needs to be adjusted and further work will therefore be necessary in the coming years to improve availability of deposit data.
3. Certain observations can however be made on the basis of the available data:
 - The average level of guarantee on an EU wide basis has increased in nominal terms since 1995 due to the end of transitional regimes and upward adjustments (especially in UK), although inflation has eroded the guarantee levels in real terms.
 - The levels of coverage expressed in real terms have converged over time in the EU 15 area. The enlargement process has somewhat inverted this trend due to the very different economic significance of deposit guarantee in the new Member States compared to EU-15 countries.
 - Set against GDP per capita, there are significant differences in coverage levels in economic terms.
 - The limited data available about insured deposits compared to the total amount of insurable deposits suggests that the proportion of deposits which are guaranteed can be very different in the various Member States (although accurate data is available from only 8/25 MS).
 - Estimates based on household disposable income in the absence of data about the distribution of deposits would suggest confirmation that the proportion of insured deposits compared to insurable deposits has generally fallen over time and differs from country to country.
 - In new Member States, the volume of insurable deposits is comparatively small, although the level of protection is high in per capita GDP terms.
 - Several of these observations are exactly what would be expected given the passage of time.
4. In the report, three scenarios were chosen in order to test the impact of a potential revision of the minimum guarantee level:
 - moving towards a fully harmonised €20,000 guarantee level;
 - adjusting guarantee levels in accordance with national inflation trends;
 - adjusting guarantee levels in accordance with national per capita GDP trends.
5. Tentative conclusions would be that
 - i) the pursuit of *genuinely* "harmonised" conditions for protection of deposits is not achieved by the fixing of a single guarantee level for all MS and
 - ii) an adjustment on the basis of national per capita GDP might deliver more meaningful although not full convergence than for example an adjustment based on inflation.
6. One possibility could also be to cover a given percentage of insurable deposits in each Member State – which might in fact result in different coverage levels in nominal terms. However better data on distributions of deposits would be necessary.
7. It is difficult on the basis of the current evidence to conclude whether or not the Directive's original objectives have been fulfilled. In particular with regard to the Directive's objective "not to leave too great a proportion of deposits without protection", the available data suggests that there are wide disparities

between the proportion of deposits covered across Member States. Quantitative analysis of the type carried out does not easily explain whether qualitative targets have been met. Further clarification about what should be the objectives for the regulation at EU level of guarantee schemes in the future would be useful before any decision can be taken on which methods to use to bring about any necessary further harmonisation.

8. The Commission intends to build on the work carried out in this study and to conduct further analysis focussing on the cost implications of potential changes to the coverage level as well as the manner in which the schemes are financed.