

Annex VI: List of definitions attached to the JRC Questionnaire

DEPOSIT: Any deposit as defined in Article 1(1) of Directive 94/19/EC¹, **excluding** those deposits left out from any repayment by virtue of Article 2².

ELIGIBLE DEPOSITS (or PROTECTED or INSURED): Deposits repayable by the guarantee scheme under your national law, before the level of coverage is applied.³

COVERED DEPOSITS (or GUARANTEED or REIMBURSABLE or REPAYABLE): Deposits obtained from eligible deposits when applying the level of coverage provided for in your national legislation.

Example 1

Consider a DGS with only one member. The DGS member has 4 deposits, 3 of which are eligible deposits under the national law. Suppose the sizes of the eligible deposits are € 35 000, € 23 000, and € 15 000. Suppose the size of the non eligible deposit is € 10,000. Suppose finally that the level of coverage is € 25,000 and no coinsurance is applied. Then:

Total amount of deposits = € 83 000 (€ 35 000 + € 23 000 + € 15 000 + € 10 000)

Total amount of eligible deposits = € 73 000 (€ 35 000 + € 23 000 + € 15 000)

Total amount of covered deposits = € 63 000 (€ 25 000 + € 23 000 + € 15 000)

COINSURANCE: Percentage of eligible deposits **not covered** as specified in Article 7(4) of the Directive⁴.

¹ "Deposit" shall mean any credit balance which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution must repay under the legal and contractual conditions applicable, and any debt evidenced by a certificate issued by a credit institution.

² The following shall be excluded from any repayment by guarantee schemes:

- a) subject to Article 8 (3), **deposits made by other credit institutions** on their own behalf and for their own account,
- b) all instruments which would fall within the definition of 'own funds' in Article 2 of Council Directive 89/299/EEC of 17 April 1989 on the **own funds of credit institutions**,
- c) deposits arising out of transactions in connection with which there has been a criminal conviction for money laundering as defined in Article 1 of Council Directive 91/308/EEC of 10 June 1991 on prevention of the use of the financial system for the purpose of money laundering.

³ According to Article 7(2) of the Directive "Member States may provide that certain depositors or deposits shall be excluded from guarantee or shall be granted a lower level of guarantee. Those exclusions are listed in Annex I of the Directive."

LEVEL OF COVERAGE: Level of protection granted in the event of deposits being unavailable under your national law, **not applying coinsurance**.

PAYOUT LIMIT: Level of protection granted in the event of deposits being unavailable under your national law, **once coinsurance is applied**. If no coinsurance is applied, the payout limit equals the level of coverage.

Example 2

Consider a country with level of coverage of € 22 222 and coinsurance of 10%.

The payout limit is € 20 000 (this is obtained applying 10% coinsurance to € 22 222).

In formula $€ 20\,000 = € 22\,222 \times (1-10\%) = € 22\,222 \times 90\%$.

Consider a DGS with two eligible deposits with size € 30 000 (Deposit 1) and € 15 000 (Deposit 2).

The amount of covered deposits is obtained as the minimum of the payout limit and the part of eligible deposits covered:

Deposit 1: $\min(€ 20\,000, (1-10\%) \times € 30\,000) = \min(€ 20\,000, € 27\,000)$
= € 20 000

Deposit 2: $\min(€ 20\,000, (1-10\%) \times € 15\,000) = \min(€ 20\,000, € 13\,500)$
= € 13 500

Total amount of eligible deposits = € 45 000 (€ 30 000 + € 15 000)

Total amount of covered deposits = € 33 500 (€ 20 000 + € 13 500)

⁴ According to Article 7(4) of the Directive “Member States may limit the guarantee provided for in paragraph 1 (i.e. € 20 000) or that referred to in paragraph 3 (i.e. coverage level defined in your national law, higher than € 20 000) to a specified percentage of deposits. The percentage guaranteed must, however, be equal to or exceed 90 % of aggregate deposits until the amount to be paid under the guarantee reaches the amount referred to in paragraph 1”.

Example 3

Consider a country with level of coverage of € 50 000 and coinsurance of 0% up to € 10 000 and 10% above.

The payout limit is € 46 000 (this is obtained considering the € 10 000 and applying 10% coinsurance to the remaining € 40 000. In formula $€ 10\,000 + € 40\,000 \times (1-10\%)$).

Consider a DGS with two eligible deposits with size € 30 000 (Deposit 1) and € 60 000 (Deposit 2).

The amount of covered deposits is obtained as the minimum of the payout limit and the part of eligible deposits covered

Deposit 1: $\min(€ 46\,000, € 10\,000 + (1-10\%) \times € 20\,000) = € 28\,000$

Deposit 2: $\min(€ 46\,000, € 10\,000 + (1-10\%) \times € 50\,000) = € 46\,000$

Total amount of eligible deposits is € 90 000 (€ 30 000 + € 60 000)

Total amount of covered deposits is € 74 000 (€ 28 000 + € 46 000)

SET-OFF: Situation where the claim of a depositor against an insolvent DGS member is to be deducted from a claim of that DGS member against the depositor.

TOPPING-UP: Principle on the basis of which a branch⁵ from a foreign EU country (home country) joins a DGS within the territory of the host country if the level and/or scope of coverage granted by the host country exceeds that of the home country (Article 4(1,2) of Directive 94/19/EC)⁶.

⁵ According to Article 1(5) of the Directive “branch shall mean a place of business which forms a legally dependent part of a credit institution and which conducts directly all or some of the operations inherent in the business of credit institutions; any number of branches set up in the same Member State by a credit institution which has its head office in another Member State shall be regarded as a single branch”.

⁶ Article 4(1,2) of the Directive states that “deposit-guarantee schemes introduced and officially recognized in a Member State in accordance with Article 3(1) shall cover the depositors at branches set up by credit institutions in other Member States. Where the level and/or scope, including the percentage, of cover offered by the host Member State guarantee scheme exceeds the level and/or scope of cover provided in the Member State in which a credit institution is authorized, the host Member State shall ensure that there is an officially recognized deposit-guarantee scheme within its territory which a branch may join voluntarily in order to supplement the guarantee which its depositors already enjoy by virtue of its membership of its home Member State scheme”.

BILATERAL AGREEMENT: Agreement subscribed by the host and home countries to regulate their relationship, generally in case of topping-up.⁷

PREMIUM: Amount of money collected by the DGS among its members, in advance or in case of intervention, to cover its administrative expenses and its interventions.

EX-ANTE FUNDING MECHANISM: Type of funding mechanism where money to cover interventions is collected among the DGS members in advance on a regular basis.

EX-POST FUNDING MECHANISM: Type of funding mechanism where money to cover interventions is not collected among the DGS members in advance on a regular basis.

Note that money collected to cover administrative expenses is not counted in the distinction between ex-ante and ex-post mechanism. This means that a DGS collecting regularly money for administrative expenses but not for potential interventions has to be classified as ex-post.

ADVANCE PAYMENT: A payment made to uninsured depositors or creditors after a bank failure to meet their liquidity needs.

DEPOSITOR PRIORITY: The granting of preferential treatment to depositors such that their claims must be paid in full before remaining creditors can collect on their claims (same as depositor preference).

BRANCH: Place of business which forms a legally dependent part of a credit institution and which carries out directly all or some of the transactions inherent in the business of credit institutions under home country prudential supervision⁸.

SUBSIDIARY: Separately licensed entity that is controlled by the parent bank (usually by majority ownership) and subject to the host country prudential supervision.

⁷ According to Annex II of the Directive “where a branch applies to join a host Member State scheme for supplementary cover, the host Member State scheme will bilaterally establish with the home Member State scheme appropriate rules and procedures for paying compensation to depositors at that branch”.

⁸ Directive 2006/48 (CRD).

STATUTE OF LIMITATION: A concrete date set by the law upon which expiry the claimant loses all his rights to claim against the debtor.

FORMAT OF NUMBERS:

Please provide all the numbers in units:

- use "space" to separate thousands
- use "." to separate units from decimals.

Example: 1 million Euros and 50 cents is € 1 000 000.50