Parliament of Romania
Senate

Bucharest, 15 February 2016

OPINION

OF THE ROMANIAN SENATE

on the Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 806/2014 in order to establish a European Deposit Insurance Scheme COM(2015) 586 final

The Romanian Senate has examined the Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 806/2014 in order to establish a European Deposit Insurance Scheme (COM(2015) 586 final), in accordance with Protocol No 2 appended to the Treaty of Lisbon, amending the Treaty on European Union and the Treaty establishing the European Communities, signed in Lisbon on 13 December 2007.

Having regard to report No 93/XLII of the Committee for European Affairs of 11 February 2016, the Senate, at its plenary sitting of 15 February 2016, noted the following:

1. The goal of establishing a single European market, laid down in Article 114, has not been completely achieved. There are two categories of national banking systems, i.e. those of the Member States in the euro area, for which the mechanisms are mandatory, and the national systems in the non-member countries. Even though it is an option available also to the latter, the current design for the Banking Union envisages a two-speed Union, which is not desirable. Furthermore, it raises again the issue of integration difficulties in the context of a common currency, instead of a single currency, in a single market with large development gaps.

2. We find that the EDIS scheme is a step forward in achieving financial and banking stability, protecting depositors and avoiding the crises that have required the use of public money to save banks in the past.

   In general, the EDIS scheme could contribute to the stability of the European banking system and to strengthening depositors' trust by:

   (i) reducing the vulnerability of national deposit guarantee schemes to large local shocks (occurring most of the time in the context of a banking system that is heterogeneous and asymmetrical in terms of the size of credit institutions);

   (ii) reducing the link between banks and the states they operate in. The EDIS scheme includes protection measures against abusive use (for example, only the national DGS schemes that comply with EU rules would receive protection under the EDIS scheme).

3. We would nevertheless point out the following:

   (a) In Romania, the coverage of the Bank Deposit Guarantee Fund (BDGF) as at 30 September 2015 was approximately 3.78 % of maximum total potential compensation, which was a very good level compared to other Member States (e.g. Spain, Italy, or Greece) or the 0.8 % proposed by the European Commission. For Member States like Romania, with solid guarantee schemes, spreading the risk at the EDIS level is not an advantage;

(b) given the fragmentation of the EU banking markets and the differences within the Economic and Monetary Union in respect of the resilience o national guarantee schemes, we would emphasize the need for an exhaustive review of the methodology involving risk-based contributions;

(c) it is necessary to clarify the method of calculating the contributions to the EDIS scheme under the proposal for a regulation. In the case of a risk-based calculation of the contributions, a credit institution with higher degree of risk in its home Member State could have a much lower degree of risk at the EU level. Therefore, in the coinsurance stage of the EDIS scheme, when risks are largely still with the national DGS scheme, a bank's risk profile should be determined relative to the national banking system.

4. We would make the following suggestions:

(a) expressly laying down, in the proposed EU regulation, a protection mechanism for the development of the EDIS scheme, ensuring that stable national banking systems, with DGS schemes that are funded and functional, would not be affected, given the major differences between the current degrees of risk in the national banking systems and the impossibility of achieving the uniformity thereof within a reasonable time frame (the time frame for making the EDIS scheme operational);

(b) closely examining the implications in respect of the rights and obligations of participating credit institutions, national DGS schemes and designated national authorities. It is necessary to clarify the details of the provisions governing situations where the close cooperation of a Member State outside the euro area is suspended or terminated (Article 4), when the national DGS scheme's entitlement to a recoup of the resources contributed to the EDIS scheme by the participating credit institutions is limited to the amount that the national DGS scheme needs in order to reach two-thirds of the target level laid down by the DGS Directive (thus, in the case of Romania, if the Bank Deposit Guarantee Fund continues to be funded above the minimum level laid down by the DGS Directive and the Regulation being discussed, it is also possible to see a situation where no contribution can be recouped). Moreover, the same provisions also lay down other limitations linked to the resources available under the EDIS scheme. If the resources available under the EDIS scheme are considerably reduced when the close cooperation is terminated, it is possible to see a situation where the due amounts are not recouped, even if the Member State concerned has never received any amounts under the EDIS scheme during its participation;

(c) drawing up a quantitative impact assessment, taking into account certain stress-test scenarios or financial crisis simulations in weaker banking systems, in order to determine the EDIS scheme's capacity to preserve financial stability within the Economic and Monetary Union and the absence of any effects on the other participating banking systems. Due to the complexity o interactions between European banking systems, there is a risk that, in the event of an extreme event or a severe financial crisis in one of the Member States, the mutualisation of risk via the EDIS scheme could result in undesirable effects also on the other banking systems in Europe, through contagion.

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