

COMPLETING THE BANKING UNION

Reform of the crisis management and deposit insurance framework (CMDI)

April 2023

OBJECTIVES OF THE REFORM



Preserving financial
stability and protecting
taxpayers' money



Better protection for
depositors



Shielding the real
economy from the
impact of bank failure

WHAT ARE WE DOING?

MAKING THE SYSTEM OF HANDLING BANKS FAILURE AND SHIELDING DEPOSITORS
MORE EFFECTIVE ESPECIALLY FOR SMALLER AND MID-SIZED BANKS



Mid-size and smaller banks

Business model with high share of deposits in the balance sheet

BEFORE THE REFORM

IF BANK FAILS:
LOSSES NEED TO BE
ABSORBED BY...



SHAREHOLDERS & CREDITORS



DEPOSITORS



NATIONAL RESOLUTION FUND / SINGLE
RESOLUTION FUND (IN THE BANKING UNION)

AFTER THE REFORM

IF BANK FAILS:
LOSSES CAN BE
ABSORBED BY...



SHAREHOLDERS & CREDITORS
REMAIN FIRST LINE OF DEFENCE



DEPOSIT GUARANTEE SCHEME
(INSTEAD OF DEPOSITORS)



NATIONAL RESOLUTION FUND / SINGLE
RESOLUTION FUND (IN THE BANKING UNION)

TAPPING THE POTENTIAL OF SAFETY NETS FUNDED BY THE INDUSTRY

Privately funded safety nets (e.g. Deposit Guarantee Schemes and resolution funds) should be put to good use to reinforce our crisis management toolbox, as a complement to banks' internal loss absorption capacity.



Levels of safety nets financed by the banking sector in the Banking Union by 2024

Single Resolution Fund	Deposit Guarantee Schemes
80 billion* €	55 billion* €

** Amounts expected by the end of the build-up phase*



Safety nets barely used in resolution



By relying on safety nets, we limit the use of taxpayers' money

APPLYING RESOLUTION CAN IMPROVE COST-EFFICIENCY, SUPPORTING THE REAL ECONOMY AND ITS COMPETITIVENESS



LOCAL PUBLIC ENTITY (e.g. municipalities)

For instance EUR 300 000 in bank account, offering services to the local community



SMALL COMPANY active on local markets

For instance EUR 220 000 in bank account, catering for working capital (pay salaries/invoices, supply chain)



SAVERS

For instance EUR 130 000 in bank account, as a result of lifetime saving



FAILURE of the mid-size/smaller bank

BEFORE THE REFORM	AFTER THE REFORM
Low incentive to choose resolution for smaller/mid-size banks	Higher incentive to choose resolution for smaller/mid-size banks, e.g. facilitate transfer of deposits to another bank
100 000 €: protected* Rest of deposits: low chance to recover	100 000 €: protected Rest of deposits: uninterrupted access, e.g. through a transfer to another bank
 PRESSURE ON PUBLIC FUNDS	 BETTER PROTECTION FOR PUBLIC FUNDS

*National option to protect deposits from public entities

THE LEVEL OF COVERAGE OF EUR 100 000 PER DEPOSITOR AND BANK REMAINS FOR ALL EU ELIGIBLE DEPOSITORS

THE REFORM WILL IMPROVE DEPOSITOR PROTECTION ACROSS THE CRISIS MANAGEMENT FRAMEWORK

Temporary high balances on bank accounts	Deposits from public entities	Protection of client funds' deposits
Harmonisation of the protection of the amounts in excess of EUR 100 000 linked to life events such as:  Real estate transactions  Insurance indemnities  Inheritance	Harmonisation of the protection of deposits from public entities to reduce losses on public funds such as:  Schools, universities  Hospitals  Municipalities	Client funds held by non-bank financial institutions will now be protected:  E-money institutions  Payment institutions  Investment firms