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Contents Page

I. Overview of Existing Deposit Insurance Arrangements in the EU..3

II. Harmonization...4

III. Principles and Best Practices for DGS...6

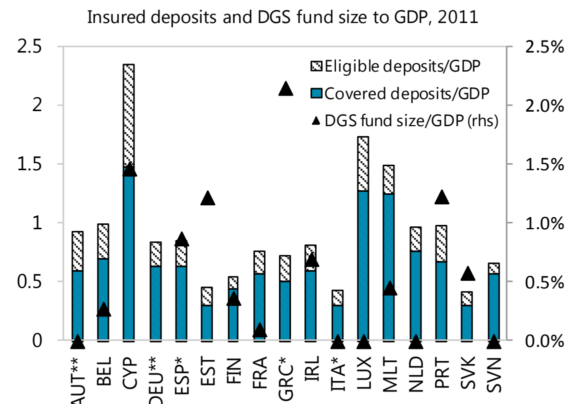
IV. Recommendations..10

Tables
1. Characteristics of EU Deposit Guarantee Schemes, 2012..13
2. Changes in EU Deposit Guarantee Schemes in Response to the Recent Crisis..................14
3. Evolution of Coverage and Fund Size under EU Deposit Guarantee Schemes..................15

I. Overview of Existing Deposit Insurance Arrangements in the EU[1]

1. **Deposit insurance in the EU is provided by a variety of national deposit guarantee schemes (DGS).** These schemes vary greatly in their coverage, contributions, fund sizes, and organizational setup (see Table 1 for a broad overview of existing statutory deposit insurance arrangements in the EU[2]). Some countries, such as Austria and Germany, have more than one scheme.[3]

2. **Most schemes have access to limited prepaid funds in relation to the total amount of deposits covered, reflecting the current lack of common EU funding standards (chart).** Many national DGS have limited prefunding or rely on ex-post funding mechanisms (see also para 6). Some countries such as Austria, Italy, and the United Kingdom rely exclusively on ex post funding.[4]



Sources: ECB, European Commission (2010); staff computations
Notes: Eligible deposits is the sum of MFI household and corporate deposits. Covered deposits applies the EC coverage ratio to eligible deposits. * DGS or IMF staff info at end-2011, ** Banking associations top up the mandatory scheme, hence coverage ratio is lower bound.

3. **In some cases, mandatory schemes are supplemented by voluntary schemes, and some schemes provide more than deposit protection.** For example, the complex voluntary DGS for commercial banks in Germany provides insurance of up to 30 percent of bank capital per depositor, essentially offering unlimited coverage for most depositors.[5] The system linking German savings banks (and similarly that for cooperative banks) provides an "institutional guarantee," which implies mutualization of liabilities among participating banks. Under current arrangements, resources from the private DGSs and mutual protection schemes of various categories of banks could be committed to finance the restructuring of banks on a going-concern basis.

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[1] Prepared by Luc Laeven (RES). Research assistance from Lindsay Mollineaux is greatly acknowledged.

[2] The table only reflects statutory schemes, not voluntary or contractual schemes.

[3] The German private scheme for commercial banks, with coverage of 30 percent of bank capital per depositor, offers essentially unlimited coverage for most depositors.

[4] In 2011, the Netherlands adopted a regulation to transform its ex-post DGS into an ex-ante funded scheme with risk-based contributions. The new regulatory framework will come into effect on July 1, 2013.

[5] This is to be gradually reduced to 8.75 percent over a span of 10 years, starting in 2015.

II. Harmonization

4. **A process of harmonization of DGSs started in 1994 with the EU Directive on Deposit Guarantee Schemes.** The Directive was significantly amended following the failure of Lehman Brothers, and in 2010, the Commission proposed a comprehensive reform of DGS in the EU. The ongoing harmonization process is guided by the principle of creating a level playing field, with a focus on coverage limits and preference for ex ante funding. Harmonization of the coverage levels is limited to statutory DGS. However, other protection schemes in member states (e.g., on a voluntary or contractual basis) are allowed to offer additional deposit protection—this is outside the scope of the Directive (except for some requirements on the information that needs to be given to depositors about the actual protection offered to them under the alternative scheme).

5. **The recent financial crisis has led to a substantial increase in coverage and harmonization along some dimensions.** After the 2008 financial crisis, and in particular the failure of Lehman Brothers, several EU member states announced in rapid succession increases in deposit insurance limits or blanket guarantees to forestall the possibility of a run (Tables 2 and 3).[6] The EU then moved quickly to harmonize minimum levels of deposit insurance coverage and maximum payout periods, as embodied in the 2009/14/EC Directive. This increased the level of coverage to €50,000 by mid–2009 and to €100,000 per depositor per bank by end–2010, and the maximum payout period was shortened to 20 working days by end–2010.

6. **Since then, EU draft legislation has proposed further steps to harmonize national DGS, including their funding and mutual borrowing.** Directive 2009/14/EC imposed the obligation to explore further elements of harmonization of DGS but set no timeline as regards its implementation. In 2010, EU draft legislation proposed to harmonize coverage and funding arrangements of national DGS and clarify responsibilities. Specifically, the draft legislation proposes a harmonization of the scope of coverage (type of deposits), the introduction of common standards on financing (where the lack of common standards has allowed for diverging models of ex ante and ex post funding schemes), a target fund size of 1.5 percent of eligible deposits (eventually to be set in terms of covered deposits, i.e., eligible deposits not exceeding the coverage level), the introduction of risk-based contributions, shorter payout periods (limited to seven working days), a clarification of responsibilities to improve insurance payments for cross-border banks, and limited cross-border borrowing arrangements between various national DGS.[7] Moreover, in order to facilitate the payout process in cross-border situations, the EC has proposed that the host country DGS acts as a 'single point of contact' for depositors at branches in another member state (including paying

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[6] Again, these tables are indicative of the range of approaches taken and cannot capture all aspects.

[7] Such mutual borrowing arrangements would mean that if the financial capacity of one DGS became depleted, it could borrow money from other schemes.

out those depositors on behalf of the home country DGS, which would subsequently reimburse the host DGS).

7. **Further harmonization of EU deposit guarantee schemes has been suspended pending the adoption of EU bank resolution arrangements through a new Directive**. The draft DGS Directive of July 2010 has been under discussion by the co-legislators (Council and Parliament) since 2010, but a decision has not been made. In 2011, co-legislators failed to reach a compromise agreement, as requested by the European Council, mainly over disagreements between member states over the potential use of DGS funds for resolution purposes in the context of the proposed Directive on Bank Recovery and Resolution. In the absence of progress, the European Parliament voted in a plenary sitting on February 16, 2012 and endorsed the report adopted in May 2011. Since this plenary vote, there were no further discussions in the Council until the adoption of the Commission's legislative proposal on the Bank Recovery and Resolution (BRR) in June 2012. The proposed BRR framework establishes "financing arrangements" for bank resolution, requiring a target pre-funding of 1 percent of guaranteed deposits within 10 years. It characterizes the possibility of borrowing arrangements between resolution funds across countries, while also allowing for the use of DGS funds for resolution purposes in case this provides for an optimal protection of depositors. In July 2012, member states expressed their willingness to pursue the DGS negotiations in parallel with those on the BRR. The latter is currently under discussion in the Council.

8. **A key element of the Commission's proposal on DGS is the harmonization of DGS funding to ensure that DGS are credible and able to fulfill their obligations in terms of protecting depositors.** There has, however, been disagreement about the proposed size of funding (1.5 percent of eligible deposits, according to the Commission's original proposal) and the proposed timeframe under which such funds need to be built up (10 years, according to the Commission's original proposal), especially given that existing schemes in many member states are currently underfunded. Additionally, impact assessments conducted by the Commission[8] indicate that building up these funds over the proposed timeframe will significantly reduce the profitability of an already weakened banking sector in several member states, especially when combined with the increased amount of deposit coverage.[9] Moreover, one member state has indicated no desire to move to an ex ante scheme with prefunding from the industry. There has also been disagreement about dealing with payouts

[8] Details on the Commission's impact assessments can be found in: http://ec.europa.eu/internal_market/bank/docs/guarantee/20100712_ia_en.pdf.

[9] One possibility would be for the EU to provide upfront funding to national DGS, for example through the ESM, and then levy the charges on banks to be paid back over a period of time. This would serve to increase the credibility of a funded scheme without the additional burden on an already weakened banking system. This is akin to the U.S. FDIC's credit lines from the Treasury that can be drawn upon in case funds are depleted and that eventually would be repaid by industry.

in cross-border bank failures, including the possibility of mutual borrowing arrangements across national DGS.

9. **These developments should be seen in light of the recent discussion on the banking union.** Proposed regulation establishing the Single Supervision Mechanism (SSM) is currently under consideration with the view to enter into force in 2013.[10] Although a pan-EU DGS was originally proposed as one of the banking union elements, presently the SSM and the establishment of the pan-EU bank resolution fund are given a clear priority, with DGS harmonization considered as an objective to be pursued at a later stage.

III. Principles and Best Practices for DGS[11]

10. **The main purposes of deposit insurance are to provide a safety net for smaller depositors and to enhance financial stability.** As an element of a country's overall "financial safety net"—which in addition to deposit insurance includes bank supervision, provision of emergency liquidity, and a bank resolution and insolvency framework—deposit insurance protects depositors from loss of deposit values up to a pre-specified level in the event of bank failure. It also strengthens overall financial sector stability by removing incentives for bank runs by retail depositors out of fear or uncertainties about the condition of their bank, and thus should limit financial contagion. There is an important distinction between the function of guaranteeing (small) depositors and financing bank resolution.[12] In many countries, including the U.S., the functions are combined in one agency, but the mandates and constraints differ. This note focuses on DGS narrowly-defined.

11. **The role of the deposit insurance agency varies widely, both within the EU and worldwide.** In some countries, the deposit insurer has broad responsibility to monitor the banking system and participate in the insolvency proceedings. In others, the insurer is limited to depositor payout and asset resolution or, in some others, merely depositor payout (see

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[10] For details on the December 14, 2012 agreement by the European Council on the establishment of the SSM, see http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/134265.pdf and http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/134353.pdf.

[11] For more detailed treatments on best practices and principles of deposit insurance, see Basel Committee on Banking Supervision (BCBS) and International Association of Deposit Insurers (IADI) (2009), "Core Principles for Effective Deposit Insurance Systems," available at: https://www.bis.org/publ/bcbs156.pdf, Asli Demirguc-Kunt, Edward Kane, and Luc Laeven (Eds.), (2008), Deposit Insurance around the World: Issues of Design and Implementation, Cambridge, MA: MIT Press; Alan S. Blinder and Robert F. Wescott (2001), "Reform of Deposit Insurance: A Report to the FDIC," mimeo, FDIC and Princeton University. http://www.fdic.gov/deposit/insurance/initiative/reform.html; and Gillian G.H. Garcia (2000), "Deposit Insurance: Actual and Good Practices," IMF Occasional Paper No. 197, Washington, DC: International Monetary Fund.

[12] For example, a DGS typically has a primary legal mandate to protect depositors, and secondly to minimize its own costs. Fulfilling those mandates may be inconsistent with minimizing overall costs, maintaining financial services and the credit supply, and promoting systemic stability.

Table 1). The variation in their role reflects differences in public policy objectives, institutional strengths, the legal framework, and resource availability. This variation need not be a weakness, so long as the safety net is well designed and agencies are well coordinated. Yet, within the EU single market, a level playing field and the possibility of cross-border contagion require that safety nets be harmonized and safety net agencies coordinated not only within but also across member states. Under the proposed recast of the DGS Directive, the core deposit payout activities of the DGS would be further harmonized, while its possible involvement in the financing or administrating bank resolution would be harmonized through the proposed BRR.

12. **For deposit insurance to be credible, it should offer appropriate coverage, ensure timely payouts, and be supported by adequate funding.**

- *Appropriate coverage.* In determining coverage, authorities can review the banking system's distribution of deposits and determine an appropriate threshold for coverage (for example, a coverage level that fully protects 80 percent of depositors and 20 percent of deposits). In practice, coverage levels per depositor average about twice per capita GDP but there is a wide range around that average. From this perspective, the coverage limit of €100,000 can be seen as high for a number of EU member states with relatively low levels of economic and financial development.[13] However, from the perspective of ensuring a level playing field within the single market, it is critically important that coverage levels and conditions are aligned, to limit incentives for depositors to place savings in the system with the most generous DGS.[14] Coverage levels can thus be viewed as being broadly appropriate.

- *Timely payouts.* Payouts need to be timely to reduce the possibility of disruptions to the payments system and prevent panics and bank runs. This means that the deposit insurer must have adequate information to be able to respond immediately in the event of a failure. In some jurisdictions, payouts occur within 48 hours of the failure. In jurisdictions where banks are subject to corporate bankruptcy law (as opposed to special bank insolvency regimes), shareholder appeals and strong creditors' rights can impose significant delays on depositor reimbursement. The principle of depositor preference, i.e., giving insured depositors and the DGS priority rights over the estate of a failed bank is currently missing in a number of national bank resolution regimes in the EU. Depositor preference could increase recovery by the deposit insurer and

[13] See also Nenovsky, Nikolai and Kalina Dimitrova, 2008, "Deposit Overinsurance in EU Accession Countries," in: A. Demirguc-Kunt, E. Kane, and L. Laeven (Eds.), Deposit Insurance Around the World: Issue of Design and Implementation, Cambridge, MA: MIT Press.

[14] There is always healthy competition between insured and non-insured savings vehicles. What is not desirable in this context is regulatory competition. Moreover, while imposing the same coverage limit across member states levels the playing field for competition purposes, it may differentially affect market discipline at the member state level.

might facilitate quick depositor payout, thus reducing the eventual costs of providing deposit insurance, and could enhance resolution by facilitating the transfer of the deposits to another institution. However, depositor preference, by increasing the potential loss exposure of unsecured creditors other than depositors, may increase the funding costs of banks and could cause large shifts in unsecured funding when a bank faces distress that would need to be carefully managed.[15] More generally, convergence across EU member states in the treatment and ranking of depositor and other creditor claims in case of bank insolvency could promote cross-border cooperation and improve the predictability of outcomes of cross-border resolutions.

- *Adequate funding.* Systems can be funded by ex post or ex ante funds. Ex ante funds are built up over time with bank contributions and ex post funds rely on extraordinary charges on all banks in the event of a failure. Ex ante funding may strengthen private sector confidence and enhance financial stability, provided that risk is being correctly priced. Ex post funding may induce banks to monitor each others' activities, increasing market discipline, but may have pro-cyclical effects—i.e., charges are increased when other banks' balance sheets may be under pressure. Moreover, ex post funds will levy on surviving banks, not the failed institutions, and can therefore be regarded as unfair. The Commission's proposal therefore calls for pre-funding of deposit insurance. Government back-up funding is a prerequisite to any credible deposit insurance system. The role of such government funding is to allow for the intertemporal smoothing of the fund in the case of a shortfall of funds while money is being recovered from surviving banks.

13. **The deposit insurance agency should operate with a clear mandate and within an appropriate legal framework to be effective.** The mandate must be unambiguous, preferably spelled out in the law. The role of the deposit insurer must be well established so that its role in the larger problem bank resolution framework is clearly understood. Also, the relationship with other agencies in the problem bank resolution framework must be explicit, with means of communication and information sharing laid out in regulation or law.[16] The deposit insurance system must be informed immediately when a potential insolvency is identified so it can prepare for deposit payouts. Awareness of the deposit insurance system's

[15] See, for instance, Marino, J. A. and Rosalind L. Bennett, 1999, "The Consequences of National Depositor Preference," *FDIC Banking Review*, Vol. 12, pp. 19-38.

[16] A recent French legislative draft proposes a comprehensive resolution regime with a Resolution Authority and the DGS fund in charge of both deposit insurance and resolution.

existence as well as the terms and scope of its coverage is critical to effectively stabilize depositor fears. Public outreach activities must be extensive and frequent.[17]

14. **To limit moral hazard, the scope and coverage of deposit insurance needs to be limited, premiums need to properly reflect risk as far as practicable, and deposit insurance needs to be complemented with strong supervision and capital regulation:**

- *Limited scope and coverage.* Deposit insurance risks displacing market discipline.[18] Coverage levels must be sufficient to prevent destabilizing deposit runs but not so extensive to eliminate all market discipline. Specifically, deposit insurance should relieve only small depositors of the burden of monitoring their banks. The scope should also exclude interbank deposits and "insider" deposits (i.e., those of bank managers, owners, and connected persons) to further limit moral hazard. More generally, shareholders and uninsured creditors of failed banks must not be protected.

- *Risk-adjusted insurance premiums.* Banks should pay a fee commensurate to their relative risk of failure—i.e., higher premium for higher insurance risk. With correct risk pricing, the benefits of increased risk-taking can be taxed away which helps to restore an element of market discipline. While appropriately assigning bank risk is not straightforward, efforts should be made to adjust premiums for risk, for example, by assigning banks to risk buckets and charging different premiums for banks in each bucket. Currently, most EU DGS do not adjust premiums for risk across banks[19] and most levy premiums that do not adequately reflect the average risk in the system (that is, they are not actuarially fairly priced) and the burden therefore may fall disproportionately on smaller and other deposit-rich banks. The proposed recast of the DGS Directive would alter this situation by introducing contributions that consist of both non-risk and risk-based elements.[20]

- *Strong supervision.* Deposit insurance therefore should be supported by strong supervision and least-cost resolution to contain the cost of deposit insurance. Strong supervision, particularly when combined with adequate capital requirements, limits

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[17] For further details on governance arrangements and mandates in some member states, including general principles, see the Financial Stability Board's "Thematic Review on Deposit Insurance Systems "available from www.financialstabilityboard.org/publications/r_120208.pdf.

[18] Demirguc-Kunt, Asli, and Harry Huizinga (2004), "Market discipline and deposit insurance," Journal of Monetary Economics, vol. 51(2), 375-399.

[19] Exceptions include Finland, France, Greece, Hungary, Italy, Portugal, Romania, and Sweden.

[20] Risk-adjusted premiums are also consistent with the Basel Committee on Banking Supervision (BCBS) and International Association of Deposit Insurers (IADI)'s "Core Principles for Effective Deposit Insurance Systems."

unsafe and unsound banking practices. This reduces the probability of failure, thereby protecting the deposit insurance funds and enhancing stability.

15. **Financial safety nets need to be backstopped with fiscal resources to lend credibility to the system and deal with systemic crisis events.** The current system of national DGS within the EU lacks a fully credible backstop for systemic risks given the absence of mutual borrowing arrangements should individual DGS run out of funds, and concerns about the ability of individual member states to backstop their national DGS in the event of a systemic crisis, reinforcing sovereign-bank linkages.

16. **National deposit guarantee schemes should be mandatory, not voluntary.** This is not only to provide a level playing field, but also to avoid adverse selection and reduce the average cost of deposit insurance by expanding the insurance pool. The bigger the insurance pool, the more likely it is that actuarial calculations hold, so the pool is better able to handle risks. This also calls for the merger of existing funds that operate in the same jurisdiction.[21] By expanding the insurance pool and reducing the concentration of insured deposits, a combined fund would have a lower probability of insolvency than either fund separately. Of course, separate funds, such as those in place for savings banks in Germany, can have specific benefits, such as the value of peer monitoring, but these benefits need to be weighted carefully against the opportunity cost of not merging these funds with national funds. In most cases, this would suggest that funds will need to be merged with national funds. Indeed, the U.S. experience with merging the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) into a new fund, the Deposit Insurance Fund (DIF), under the Federal Deposit Insurance Reform Act of 2005 has broadly been seen as having reduced the average cost of deposit insurance by expanding the insurance pool.[22]

IV. RECOMMENDATIONS

17. **Harmonization of deposit guarantee schemes across the EU is important to support financial integration and the functioning of the internal market.** The current system with substantial differences in coverage, pricing, and funding arrangements across national DGS implies that there is no level playing field (sometimes even within countries)

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[21] The proposed DGS Directive would permit but does not require such mergers of funds.

[22] See Attachment A of the FDIC Options Paper of August 2000, available at: http://www.fdic.gov/deposit/insurance/initiative/OptionPaper.html. There can also be important adverse selection problems when banks are allowed to choose which fund they belong to, particularly if the choice of fund is associated with a different set of regulations or different regulators. This seems particularly important when the banks in different funds are very similar, so that there is an opportunity for regulatory arbitrage. U.S. experience during the savings and loans (S&L) crisis, where weaker S&Ls stayed in the FSLIC while stronger banks joined the FDIC, supports this view.

and encourages regulatory arbitrage.[23] A specific example is the differential treatment within the EU of deposits in foreign bank branches and subsidiaries, with deposits in foreign branches being covered by the home-country deposit protection scheme of the bank (with the option to join the host-country deposit protection scheme if its coverage is higher or broader in scope) and deposits in foreign subsidiaries being covered by the host-country deposit protection scheme. To ensure a level playing field for cross-border retail banking, national deposit insurance schemes should be aligned not only in terms of quantities (through coverage limits), but also in terms of prices, with fairly priced premiums that are adjusted for risk as far as possible. A number of schemes currently are not only severely underfunded but also underpriced. This means that, over time, premiums will have to be raised and be brought more in line with the risk of individual banks. Moreover, the scope of deposit insurance should be aligned, being limited mainly to household and SME deposits. The coverage level of €100,000 is broadly appropriate for most member states, given their level of economic and financial development. Differential coverage would be undesirable given the objective to harmonize deposit guarantee schemes. Voluntary and contractual schemes outside of national schemes, such as those existing for savings banks in Germany, will at a minimum need to be harmonized over time in terms of coverage and pricing, but eventually would benefit from pooling risks with national or cross-border schemes.[24] Resolution frameworks also need to be enhanced and harmonized by giving insured depositors and the DGS priority rights over the estate of a failed bank.

18. **In the context of the banking union, steps should be taken toward a common funding of deposit insurance.**[25] A common safety net is a critical element of a banking union, as it ensures that funds are readily available to resolve individual bank failures[26] and cover payouts to depositors in the event of bank failures, without endangering sovereigns or monetary stability. To this end, common funding, not the operational centralization of deposit insurance, is what matters. Within the context of a common safety net, common or linked deposit insurance could, for instance, be designed as a re-insurance scheme, created from national deposit guarantee schemes and funded at the banking union level through industry levies and contributions from member states. It would pool risk and weaken

[23] See Huizinga, Harry (2008), "The EU Deposit Insurance Directive: Does One Size Fit All?," in: Asli Demirguc-Kunt, Edward Kane, and Luc Laeven (Eds.), Deposit Insurance around the World: Issues of Design and Implementation, Cambridge, MA: MIT Press; and Harry Huizinga and Gaetan Nicodeme (2003), "Deposit Insurance and International Bank Deposits," CEPR Discussion Papers No. 3244, London, U.K.: CEPR.

[24] Such harmonization of voluntary schemes is currently not envisioned under existing EC proposals.

[25] As also reflected in the December 14, 2012 agreement by the European Council, the SSM and the establishment of the pan-EU bank resolution fund are currently given a clear priority, with the common funding of DGS considered as an objective to be pursued at a later stage.

[26] Potentially including funds for deposit transfers and purchase and assumption transactions.

sovereign-bank links. Over time, the fund would build administrative capacity, and could be a step toward a permanent banking union scheme and resolution fund.

19. **Until the common safety nets are established, funding arrangements should ensure that bank failures can be resolved in an orderly and credible fashion, including rapid deposit payouts.** To restore depositor confidence and complete the banking union, prefunding will be necessary, combined with loss-sharing agreements for dealing with cross-border deposit payouts and a common, credible backstop should national deposit guarantee schemes run out of funds. The size of the DGS fund should be sufficiently large to cover depositor payouts and associated costs in case of bank failures in most cases.[27] However, government backstops are needed in case of systemic crises.[28] As such, pre-funded schemes (in the steady state) could operate with funds that are fairly small in size, though substantially bigger than currently in most member states. In such cases, funds should be raised over time from the financial sector to reach the target size, and contributions should be risk based. Together with a least-cost resolution mechanism and common backstops for systemic banking crises, the available funds should be sufficient to ensure that bank failures are dealt with in an orderly fashion, while containing associated fiscal burdens and welfare costs.

[27] A large fund would result in an excessive buildup of sterile funds that are not available to support bank lending, and therefore could negatively affect credit supply and the economy at large.

[28] Taxpayer costs associated with such backstops can be recouped over time from the financial sector. Any positive externalities for the real economy associated with the existence of deposit insurance could justify a government subsidy.

Table 1. EU: Characteristics of EU Deposit Guarantee Schemes, 2012

	Austria	Belgium	Cyprus	Estonia	Finland	France	Germany	Greece	Ireland	Italy	Luxembourg	Malta	Netherlands	Portugal	Slovakia	Slovenia	Spain	Bulgaria	Czech Republic	Denmark	Hungary	Latvia	Lithuania	Poland	Romania	Sweden	UK
Type of Deposit Insurance Scheme																											
explicit	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
legally separate	x	x	x	x	x	x	x	x		x	x	x		x	x		x	x	x	x	x		x	x	x		x
within central bank									x				x			x											
within banking supervision agency																						x					
within Ministry of Finance																										x[1/]	
Participation and Coverage																											
domestic banks	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
local subsidiaries of foreign banks	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
local branches of foreign banks	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
foreign currency deposits	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
interbank deposits																				x							
Payouts to Depositors																											
per depositor per institution	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Funding																											
ex-ante fund		x	x	x	x	x	x	x	x			x		x	x		x	x	x	x	x	x	x	x	x	x	
ex-post scheme	x									x	x		x[2/]			x											x
funded by government																											
funded privately	x	x	x	x	x	x	x	x	x	x	x	x	x[3/]		x	x[4/]	x	x	x	x	x		x	x	x	x	x
funded jointly														x[5/]								x					
guarantee from government in case of a shortfall of funds 6/	x		x	x										x	x	x		x		x	x	x			x		
Contributions and Assessment Base																											
risk-adjusted premiums					x	x		x		x				x							x				x	x	
assessment base																											
covered deposits	x				x					x						x				x						x	
eligible deposits		x	x	x		x	x	x			x	x		x	x		x	x	x		x	x	x		x		x
total deposits									x																		

Notes: Table excludes voluntary and contractual schemes other than the national statutory scheme.

1/ Swedish National Debt Office.

2/ In 2011, the Netherlands adopted a regulation to transform its ex-post DGS into an ex-ante funded scheme with risk-based contributions, to come into effect on July 1, 2013.

3/ The Dutch Central Bank administers the scheme and pays out the depositors. The costs of the scheme are transferred (including the administrative costs) expost to the members of the DGS, subject to an annual cap of 5% of own funds of each member.

4/ In case of a bank failure, the Bank of Slovenia temporarily assumes the obligation to pay the guaranteed deposits and then calls on other banks to contribute funds needed for the paying out of insured deposits. To ensure banks have sufficient liquid assets to contribute such funds, all banks are required to invest a minimum of 2.5% of insured deposits in debt securities that are eligible for the collateralization of Eurosystem receivables as defined by Bank of Slovenia.

5/ Initial contribution to the DGS fund provided by Banco de Portugal.

6/ In the case of a shortfall of funds, the DGS can issue bonds/receive loans guaranteed by the goverment.

Sources: European Commission, International Association for Deposit Insurers, Financial Stability Board, and national deposit insurance agencies.

Table 2. EU: Changes in EU Deposit Guarantee Schemes in Response to the Recent Crisis

	Austria	Belgium	Cyprus	Estonia	Finland	France	Germany	Greece	Ireland	Italy	Luxembourg	Malta	Netherlands	Portugal	Slovakia	Slovenia	Spain	Bulgaria	Czech Republic	Denmark	Hungary	Latvia	Lithuania	Poland	Romania	Sweden	UK
Experienced banking crisis between 2007-2012 1/	x	x	x			x	x	x	x	x	x		x	x		x	x		x	x	x	x				x	x
Increase in Deposit Protection since 2008																											
increase in DGS coverage limit	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
government guarantee on deposits	x						x 2/	x	x	3/					x	x				x	x						
Government Guarantees on Non-Deposit Liabilities since 2008	x	x	x	x	x	x	x	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
none			x	x								x						x	x				x	x			
partial	x	x			x	x	x	x		x	x		x	x	x	x	x				x	x				x	x
unlimited									x 4/											x 5/							

1/ Banking crisis dates for the period 2007-2011 according to Laeven and Valencia (2012). Cyprus is added to this list as of 2012.

2/ Covering only private savings accounts.

3/ The government guaranteed insured deposits up to the existing coverage limit in full should the insurance fund run out of funds.

4/ Limited to almost all liabilities of seven major Irish financial institutions.

5/ Excluding subordinated debt.

Sources: European Commission, Laeven and Valencia (2012), and national deposit insurance agencies.

Table 3. EU: Evolution of Coverage and Fund Size under EU Deposit Guarantee Schemes

Country	Coverage limit, in euros, 2006	Deposit guarantee, 2008	Coverage limit, in euros, 2010	Deposit guarantee, 2010
Austria	20000 1/	x	100000	
Belgium	EUR 20000		100000	
Cyprus	20000, 10% coinsurance		100000	
Estonia	20000, 10% coinsurance		100000	
Finland	25000		100000	
France	70000		100000	
Germany	20000, 10% of co-insurance	x	100000	
Greece	20000	x 2/	100000	
Ireland	20000, 10% coinsurance	x	100000	x
Italy	103291		100000	
Luxembourg	20000		100000	
Malta	20000, 10% coinsurance		100000	
Netherlands	20000		100000	
Portugal	25000		100000	
Slovakia	20000, 10% coinsurance	x	100000	
Slovenia	21300	x	100000	
Spain	20000		100000	
Bulgaria	12782		100000	
Czech Republic	25000, 10% coinsurance		100000	
Denmark	40000	x	100000	
Hungary	23800, 10% coinsurance above first 4000	x	100000	
Latvia	15000		100000	
Lithuania	14481		100000	
Poland	22500, 10% coinsurance above first 1000		100000	
Romania	15000		100000	
Sweden	27654		100000	
UK	52222, 10% coinsurance above first 2978		100000	

1/ 10% coinsurance for non-private persons.

2/ Political announcement to cover also deposits of legal persons.

Sources: European Commission, Laeven and Valencia (2012), and national deposit insurance agencies.