

Budapest, 22 June 2018

Dear EU Committee Members and Support Staff,

This note is intended to summarize the EU Committee meeting, hosted by GSFT on 18 June 2018 in Prague.

We have gathered in a good number, as 40 participants have registered at the meeting.

After the Chairman's welcoming remarks, Mr. *Slawek Kozdras* and *Loucas Arminiotis* from EBA took the floor. Slawek talked about a recent proposal by EBA to set up a Task Force (TF) on deposit guarantee schemes. The whole point of setting up the TF, as he pointed out was, that we are moving away from regulatory products and rather focus on how things are implemented and working in practice. Previously, the Resolution Authorities were dealing with deposit insurance issues. Noteworthy however, that a TF is not a permanent solution to tackle with a problem, but always a temporary one. What does it mean? The TF that the EBA is suggesting will operate for 2 years only. The TF will report to the highest body of EBA, which is the Board of Supervisors.

As for membership of the TF, EBA has to consider the publicly administered DGSs, privately administered DGSs and authorities that supervise the privately administered DGSs. The EBA regulation draws this distinction and also binds them. Therefore, the members of the TF should either come from the publicly administered DGSs or the supervisors of DGSs and the privately administered DGSs can be part of the TF. In order for them to take part in the meetings the member from their Member State would need to invite them. Slawek admitted that it was sub-optimal, but due to legal constraints they cannot circumvent it. EBA will encourage these supervisors to invite private DGSs but cannot force them either. He proposed to get in touch with the relevant supervisor and "try to make a case, that you should be there". In the Q&A part it was raised, and supported by Slawek, that a formal letter by EBA, suggesting the importance of presence would be helpful, when DGSs approach their authorities. Presumably, he said, the invitation to private DGSs would be a permanent one.

In terms of how the TF will operate, he underlined, the intention was to have 2-3 physical meetings annually at the EBA, plus conference calls, group emails. Who will be the Chairperson is not decided yet.

The main focus of the work is supporting the EBA in delivering of the mandate already in the DGSD, i.e. support of the Commission in drafting of a *report on the implementation* of the DGSD, to report on the *calculation models*, to make a peer review on the *stress-testing exercise*. Other issues DGS community might bring to the table as well.

He also made clear that the TF will not be a decision-making body.

When this proposal is going to be finalised? He said, EBA would be sending out a call for volunteers and a call for Chairperson in a few weeks via the Board of Supervisors and parallel

to that send an email to the Chairman and Secretary General of EFDI asking them to forward the message to EU Committee members, so that they can liaise with the relevant authorities.

Loucas gave us an update on two other areas that EBA is working on, i.e. the amount of covered deposits and available financial means. As we all know, Member States are obliged to submit to EBA by end of March each year the figures as of the end of previous year. He briefed us the latest figures and the outlook, according to which most DGSs will not reach the target level by deadline.

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The second item on the Agenda, was the recent ABLV Bank of Estonia (3rd largest bank) case in Mr. Janis Placis presentation.

The case started on 13 February 2018 with a US Treasury proposed enforcement action against the bank and continued with an ECB initiated prohibition on ABLV payments, which triggered further action of the local authorities leading to the start of a pay-out case on 27 February. The pay-out was commenced in fact on 3 March 2018, i.e. within 5 working days. Before, the majority of banks did not accept the payments from the ABLV. Therefore, upon consent of the ABLV Bank, the Board of the Commission decided to disburse guaranteed compensation through the Commission and instruct the Bank to transfer 480 million euro, i.e. the amount needed for the pay-out to the current account of the Commission with the Bank of Latvia. As well, the Board of Commission decided to enter into an agreement with "Citadele banka", regarding the disbursement of guaranteed compensation to the Bank's customers and instructed "Citadele banka", not later than 7 March 2018, to start the pay-out to the eligible depositors.

The next topic was the discussion of the Technical Note on the operational challenges of the European Deposit Insurance Scheme (EDIS) project, the Banking Union Working Group is currently working on. This meaningful undertaking under the leadership of Sven Stevenson and Jan Boetcher has been advanced shortly before the meeting. Members of the BUWG received the draft paper with concrete recommendations on technical level and could provide their preliminary opinions. While the initial aim of the group was to have the issues note adopted in Prague and subsequently publishing it, then using it as a basis for discussion with the EU authorities and also to organize a workshop with them on the topic. However, there is still a bit of work left with the paper, the BUWG couldn't finalize it before the Prague meeting and ask for the views of the EU Committee. Sven briefed the committee on the state of play of the negotiations on European level (including Presidency initiatives, ECB non-paper), saying that there is no conclusion on EDIS yet neither in the Council, nor in the Commission before the EU Summit at end of June. We can fairly state however, that there is a positive development what regard to the reinsurance phase, for instance in terms of the liquidity provision (upto 90%) by EDIS, which is much stronger now, than it was in the original proposal (. What we can expect after the summit is an announcement on a timeline of the political discussion on EDIS to be published. Once it happens, EFDI should be ready, that the technical concerns we might have will be taken into account.

The co-chair of the BUWG also talked about the structure of the draft paper without going into the details of the recommendations at this stage.

As for the timeline with the paper, the BUWG may approve it by mid-July, after that the EU Committee may start reviewing it and hopefully can reach an agreement through one or two rounds of written commenting before the written approval to be ideally made in August, so that we can publish the paper at end of this August. Members from Greece and Italy made general comments on the paper, which will be considered in the next draft.

At the request of the Chairman, every EU Committee member were asked to send written comments on the draft circulated before the EU Committee meeting, so that those comments can be integrated into the next draft before the next BUWG meeting in July.

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The Secretary General presented the first review of the already approved Non-Binding Guidance Paper on Investment Strategy. He mentioned that eight proposals for amendments had been received until 18 May 2018. All of them have been accepted and proposed to the EU Committee's approval, which was done with unanimous vote.

The next item was a new Non-Binding Guidance paper on "*Alternative Funding for DGSs*", which was presented to members by Thierry and Vincent. The paper makes a clear distinction between additional funding and non-additional funding. After some questions and clarifications this brand-new EFDI Non-binding Guidance was approved with one abstention vote.

Both papers will be posted on EFDI website reflecting all the comments soon after the meeting.

Finally, the Chairman briefed members on the next steps with developing Non-binding guidance, namely a draft Non-Binding guidance for the SCV, discussed in April, possibly another one for the Definition of Deposits to be presented and discussed after the D2I meeting in Prague. Additionally, three Working Groups are also working on other guidance: the Stress-test Working Group, the Risk-Based Contribution Working Group, and also the PR Committee will elaborate new draft guidance for the approval of the EU Committee possibly at its September meeting in Vienna.

The slide pack will be made available by our Czech colleagues with the help of the Secretariat at end of June 2018.

Thanking the Speakers contribution and active participation of members let's meet us in September in Vienna!

Wish you all a wonderful summer holiday and joyful refill!

Andras Fekete-Gyor
Secretary General