

EBA consultation on DGS contribution calculation

High-level position paper – Executive summary

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The European Savings and Retail Banking Group (ESBG) welcomes the initiative of the European Banking Authority (EBA) to launch a consultation aiming at reviewing its guidelines, which specify the methods for calculating the contributions to the Deposit Guarantee Schemes (DGS), as requested in [Art 13\(3\) directive 2014/49/EU](#). The EBA analysed whether the original guidelines' approach to determine the riskiness of institutions is appropriate. In particular, the EBA analysed whether institutions that required DGS interventions were among the riskiest according to the guidelines' methodology.

Enhancing the proportionality between the riskiness and the DGS contribution.

The EBA has identified elements that should be improved:

- setting minimum thresholds for the majority of core risk indicators and adjusting their minimum weights to better reflect the indicators' performance in measuring the risk to the DGSs,
- introducing an improved formula for determining the risk adjustment factor of each member institution that ensures a constant relationship between the riskiness of institutions and their DGS contributions,
- specifying how to account for deposits where the DGS coverage is subject to uncertainty, including in relation to client funds, thus ensuring closer alignment between the amount of covered deposits of a credit institution and its contributions.

Further clarity is needed.

While ESBG members welcomed the EBA consultation, ESBG's response introduced two main recommendations. First, the DGS should be requested to disclose a description of the institution's contribution to the DGS fund with the goal of enhancing the member institution's understanding of their risk profile. Such communication could also encourage the institutions to lower their risk profile where necessary, which could contribute to financial stability.

A more balanced risk weight between indicators.

As a second point, ESBG advocates for a more balanced risk weight for the two following indicators: Return on Assets (RoA) and the Total Risk Exposure Amount/Total of Assets (TREA/TA). According to the EBA analysis, the former provides a better indication of a potential DGS intervention than the latter. Consequently, the EBA proposes raising the weight of the RoA and lowering the weight of the TREA/TA. ESBG points out that this initiative is counterintuitive, as it benefits high-risk banks. Low risk remains the principal reason to avoid DGS intervention.