

# POSITION PAPER



## **Consultation Document**

### **Revised Guidelines on methods for calculating contributions to deposit guarantee schemes**

ESBG (European Savings and Retail Banking Group)

Rue Marie-Thérèse, 11 - B-1000 Brussels

**October 2022**



## **Responding to this paper**

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.2.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

## **Submission of responses**

To submit your comments, click on the '[send your comments](#)' button on the consultation page. EBA will consider all comments received by **31 October 2022**. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

## **Publication of responses**

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

## **Data protection**

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EU) 1725/2018 of the European Parliament and of the Council of 23 October 2018.

Further information on data protection can be found under the Legal notice section of the EBA [website](#).



**Q1: Do you have any comments on the proposed changes to the addressees or definitions in the Guidelines?**

**Q2: Do you have comments concerning the proposed allocation of responsibilities to the DGS, competent authority and designated authority in the Guidelines?**

**Q3: Do you have any comments on changing the reference from the ‘annual’ calculation of contributions to the ‘periodic’ calculation of contributions and on the clarification to set the periodic target level in section 4.2 of the Guidelines?**

**Q4: Do you have comments on the proposed approach to account for covered deposits held in beneficiary accounts or other deposits where there is uncertainty to the coverage, as set out in section 4.3 of the Guidelines?**

**Q5: Do you have comments on the proposed changes to the core indicators and additional indicators as set out in section 4.5 (i)?**

**Q6: Do you have comments on the definition or calculation of the core indicators?**

**Q7: Do you have comments on the proposed changes to the minimum weights of core indicators and the maximum weight of any indicator, as set out in section 4.5 (ii) of the Guidelines?**

The EBA’s performance analyses of core indicators showed that especially, amongst others, the (low) Return on Assets (RoA) provides good indications of a DGS intervention while the (high) TREA/TA provides little indication of a DGS intervention.



Consequently, EBA proposes to higher the weight of the RoA (having a high becomes more important) and lower the weight of the TREA/TA (having a high TREA/TA becomes less important). In our opinion, this is counterintuitive. We advocate for a balanced risk weight for both indicators. Low risks are priced lower, hence low risk banks have a low TREA and consequently a low RoA.

In its current proposal, EBA unduly favors high risk banks and ignores the fact that low risk remains the principal reason to avoid DGS intervention.

**Q8: Do you have comments on the proposed changes to the formula to calculate minimum contributions, as set out in section 4.6 (i) the Guidelines?**

**Q9: Do you have comments on the proposed minimum thresholds for the IRS of some core indicators, as set out in section 4.5 (iii) of the Guidelines?**

**Q10: Do you have comments on the proposed changes to the minimum weights of core indicators and the maximum weight of any indicator, as set out in section 4.5 (ii) of the Guidelines?**

**Q11: Do you have comments on the proposed regular review and recalibration, as set out in section 4.7 of the Guidelines?**

**Q12: Do you have any further comments regarding the proposed revised Guidelines?**

With the aim to increase the member institutions' understanding of their risk profile, and how the fee is calculated, the DGS should be required to disclose a description of the institution's contribution to the DGS. Such communication could also encourage the institutions to lower its risk profile where necessary, which could contribute to the general stability in the financial sector. For that reason, we propose an additional paragraph in the guideline. See red text below.

4.10. Transparency and data confidentiality

87. The DGS should disclose to the public at least the description of the calculation method and the parameters of the calculation formula, including risk indicators but not necessarily their respective weights.



88. In contrast, the DGS should disclose the results of the risk classification and its components for a particular member institution only to that member institution and not to the public.

89. The DGS should keep confidential the information used for calculating contributions which is not otherwise publicly disclosed.

90. The DGS should to each particular member institution disclose a detail description of the calculation of the institution's contribution to the DGS. This description shall enable the institution to fully understand both the level of its contribution and the change of the contribution compared to the previous period.



## About ESBG (European Savings and Retail Banking Group)



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