FINNISH INDUSTRIES EK'S VIEWS ON EUROPEAN DEPOSIT INSURANCE SCHEME 2024

Investors of the failing bank must bear losses fully in a possible common European Deposit Insurance Scheme, EDIS

Every EU member state's own banking system as well as every individual bank must reach a healthy financial status before a common deposit insurance scheme (EDIS) can be introduced.

The scheme must be designed so that only temporary liquidity support is available and contributions to the fund are risk-based.

Until sufficient risk reduction and a well-designed framework for Crisis Management in the Banking Union is completed, the current model based on national deposit insurance schemes is a good option for Finland.

FACT: The common European Deposit Insurance Scheme, EDIS, is planned to be a part of the EU Banking Union (Pillar 3). In addition to that, the Banking Union consists of the Pillar 1, the Single Supervisory Mechanism and Pillar 2, the Single Resolution Mechanism.

FINNISH INDUSTRIES EK'S MESSAGES TO DECISION-MAKERS

Finnish Industries EK supports the EU's Banking Union as well as the idea of deposit insurance fund.

- Ensuring a healthy investor risk in bank crisis resolution and deposit guarantee: the possible losses of the bank should be borne by the investors of the bank, not outsiders (ie. no bail-out).
- There should be enough political will and patience to clean up the problem banks of different member countries before the implementation of common European deposit insurance scheme, EDIS.
- The availability of corporate financing should not decrease. The green transition will not happen without sufficient private financing available to European companies.

FURTHER ASPECTS ON BANKING UNION AND EDIS FRAMEWORK, TARGETS, AND MEASURES

In a fair scheme, each bank pays contributions to the fund for the eventuality that it becomes unable to pay back deposits on-demand.

If the bank fails, its depositors will be compensated by the bank or, if the bank is insolvent, by the deposit insurance fund for up to €100,000. The–deposit insurance fund would in a well-designed framework be fully compensated by the bank's estate. The bank's owners and other investors would bear the costs through bankruptcy.

The risk that materializes for investors is the normal investment risk.

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