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Institutional protection schemes in Europe publish joint declaration in support of a strong banking union

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The institutional protection schemes in the banking sector in Austria, Germany, Italy, Poland, and Spain have published a joint declaration on their role within a strong banking union. By making this declaration, the institutional protection schemes wish to contribute to the political discussions currently taking place at European level. The signatories to the declaration are calling for the institutional protection schemes and their member banks to be structurally exempted from any mutualized European deposit insurance scheme (EDIS), the establishment of which is currently being discussed.

The declaration was prompted by the consultation process launched by the European Commission in January 2021 on the review of the EU's legal framework for crisis management and deposit insurance for banks. The review relates to the Bank Recovery and Resolution Directive (BRRD), the Single Resolution Mechanism Regulation (SRMR), and the Deposit Guarantee Schemes Directive (DGSD). The Commission has announced that it hopes to publish a comprehensive legislative proposal by the end of 2021 that will also include a proposal for an EDIS.

In their first joint declaration, the institutional protection schemes describe their vision of how they will continue to play a stabilizing role for the financial markets. They also set out the resulting guidance for the future legal framework. The unprecedented economic challenges make it vital to the institutional protection schemes – and to their stabilizing function – that their tried-and-tested preventive measures are not subject to any restrictions. Gerhard Hofmann, member of the Board of Managing Directors of the National Association of German Cooperative Banks (BVR) and Managing Director of the legally recognized institutional protection scheme of the Cooperative Financial Network, emphasizes the importance of the joint declaration: "For more than 80 years now, our institutional protection scheme has played a big part in maintaining financial stability in Germany and, as a result, enjoys a high level of trust among the general public. This protection must not be put at risk by introducing a mutualized deposit insurance scheme in Europe."

In the European Union as a whole, almost 100 million customers trust the stabilizing mechanisms of institutional protection.

At the Eurogroup's meeting today (April 16, 2021), the chair of the high-level working group responsible for EDIS at the European Council will update the finance ministers of the EU member states on the progress made in the discussions about completing the banking union.

Joint declaration of European institutional protection schemes is available to download at: <http://ots.de/Pmdbvc>

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