

19.06.2024 – 14:33 Uhr

BVR: Council of the EU's decision on CMDI acknowledges institutional protection but improvements are still needed

Berlin (ots) -

The Council of the European Union (EU) has today decided on its general approach regarding the European Commission's proposed legislation for amending the crisis management and deposit insurance framework (CMDI review). The Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks] welcomes the fact that the Council's compromise acknowledges the important role of institutional protection schemes and their preventive measures.

"The Council has recognized the incredible importance of institutional protection schemes for customer confidence and financial stability much better than the European Commission and European Parliament have. It is only the Council's position that is in line with the Eurogroup's declaration from June 2022, which stated that a functioning framework for institutional protection schemes needs to be preserved," explains Marija Kolak, President of the BVR.

Although the Council has also chosen not to implement the exception expressly requested by the BVR for banks that belong to an institutional protection scheme, it is still possible to apply preventive measures in respect of banks covered by institutional protection schemes, albeit under stricter and more costly, time-consuming conditions. "Further in-depth work will be required to maintain efficiency and speed in the future," adds Kolak.

President Kolak stresses the need to make targeted improvements to crisis management during the upcoming trilogue: "The task of the trilogue will be to considerably improve the European Commission's proposal based on the constructive approach set out by the Council. The stability and security of the European banking sector must be assured without placing any unnecessary burdens on the schemes already established. This will only be possible if institutional protection that is in the interests of the structures of the German banking market – and, in particular, the existence of small and medium-sized banks – is retained."

Kolak explicitly appreciates the German government's efforts to preserve the institutional protection schemes. "It is good to see that the German government is acting true to its word and championing the cause of small and medium-sized enterprises, which, after all, rely on funding provided by regional banks," she concludes.

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Original content of: BVR Bundesverband der Deutschen Volksbanken und Raiffeisenbanken, transmitted by news aktuell
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