

Summary report of the
Public and Targeted consultations on the review of the
Crisis Management and Deposit Insurance (CMDI)
framework

Q1-2021

1. INTRODUCTION

1.1. Background

To respond to the global financial crisis, the EU implemented a number of initiatives to reinforce the resilience of the EU financial sector, including changes to European financial legislation and to the financial supervisory architecture. In this regard, the Single Rulebook laid down stronger prudential requirements for banks and depositor protection was improved. Furthermore, the first two pillars of the Banking Union – the Single Supervisory Mechanism (SSM) as well as the Single Resolution Mechanism (SRM) – were created. The third pillar of the Banking Union, a common deposit insurance, is still missing. The discussions of the co-legislators on the Commission’s proposal to establish a European Deposit Insurance Scheme (EDIS), adopted on 24 November 2015, are still pending.

The EU bank crisis management and deposit insurance framework lays out the rules for handling bank failures while ensuring the protection of depositors. It consists of three EU legislative texts acting together with relevant national legislation: the Bank Recovery and Resolution Directive ([BRRD – Directive 2014/59/EU](#)), the Single Resolution Mechanism Regulation ([SRMR – Regulation \(EU\) 806/2014](#)), and the Deposit Guarantee Schemes Directive ([DGSD – Directive 2014/49/EU](#)). The revision of the CMDI framework is foreseen in the respective review clauses of the legislative texts. The review is also part of the agenda for the completion of the Banking Union – as emphasised in President von der Leyen’s [Political Guidelines](#) – including through the creation of EDIS and is also included in the [Commission’s work programme for 2021](#). The review of the framework can draw conclusions from the lessons learnt since its implementation date.

1.2. Purpose, timing and structure of the consultations

Pursuant to the agenda to complete the Banking Union, two consultations¹ to seek stakeholders’ feedback on the application of the CMDI framework as well as on views on possible modifications were launched. The *targeted consultation* covered 39 general and specific technical questions. It was available in English only and was open for 12 weeks from 26 January to 20 April 2021. The *public consultation* consisted of 10 general questions², available in all EU languages and ran over the feedback period from 25 February 2021 to 20 May 2021.

For some questions in both consultations, participants were given the opportunity to provide additional comments in an open box, and in certain cases, this possibility depended on their answer selection (e.g. “yes” or “no”). In addition, respondents could submit additional information or raise specific points not previously covered in the end of the public consultations. All contributions were submitted online.

¹ See consultation pages of the [targeted consultation](#) and the [public consultation](#).

² The questions of the public consultation were a subset of the questions of the targeted consultation. In particular, questions 1-6 of the public consultation correspond to questions 1-6 of the general part of the targeted consultation. Questions 7-9 of the public consultation correspond to questions 31-33 of the technical part of the targeted consultation. Question 10 of the public consultation corresponds in part to question 36 of the targeted consultation.

1.3. Overview of respondents

In total, the consultations received 188 official responses and 3 additional replies were submitted informally. All but 5 respondents were stakeholders from the EU. Responses received were from a variety of stakeholders representing EU citizens (26%), business organisations (24%), business associations (16%), public authorities (19%), consumer organisations (2%) and academia (3%) (Figure 1). It is also important to point out that numerous answers provided (in particular to the *public consultation*) were of the same wording and stance, thereby suggesting that certain respondents coordinated their submitted answers.

Figure 1: Participation per category of stakeholders

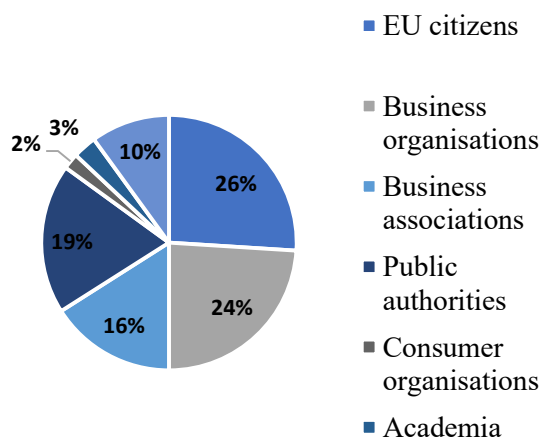
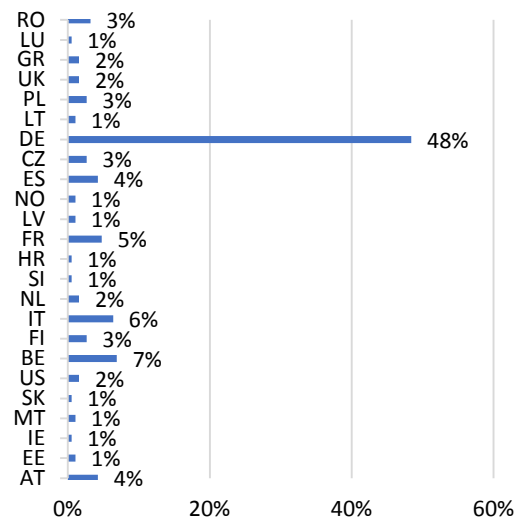


Figure 2: Participation per country



Source: European Commission

Most respondents are stakeholders from the European Economic Area (EEA), while 5% are respondents outside the European Union, including Norway, the United States, and the United Kingdom (Figure 2). The majority of stakeholders are based in Germany (48%), more specifically several German saving banks.

2. SUMMARY OF KEY MESSAGES

This document aims to provide a summary of the responses received for both consultations, including statistical information and respondents' comments. Each subsection contains a brief synopsis of responses received for a specific topic, while the analysis does not aim to give an overview of responses for each individual question. Some statistical analysis of several answers is also provided, merging both consultations' results. The statistical data expressed as percentages provided in this section, include those who did not provide answers to the questions and those who chose the option "don't know/no opinion" answers. The latter were however not reflected when explaining the participants' views. Figures underlying the summary are provided in the annex.

2.1. General objectives and review focus³

2.1.1. Policy objectives

Respondents overall agreed that the CMDI framework is an improvement compared to the situation pre-2014/15 and that the objectives of the CMDI framework have been achieved to a large extent (see Figure 3). Nevertheless, improvements are warranted. While respondents were satisfied with the protection of depositors and the reduced risk for financial stability stemming from bank failures, the framework, however, seemed to have failed in breaking the bank/sovereign loop. Respondents noted that more work could be done with respect to minimising the recourse to taxpayer money and improving the level playing field among banks from different Member States, with certain respondents, perceiving EDIS as a missing element to reach this objective (see Figure 4).

2.1.2. Available measures in the CMDI Framework

The majority of participants who provided a view (88%) believed that some of the measures of the CMDI framework succeeded in fulfilling the intended policy objectives and the management of banks' crisis, notably precautionary measures provided that the latter remain limited in use. Early Intervention Measures (EIMs), however, were widely criticised by stakeholders pointing out the need to eliminate the overlap of EIMs and supervisory powers, with a significant preference for a merger in order to increase efficiency. The resolution tools were overall described as satisfying with certain institutions calling, however, for a more appropriately tailored mechanism for small and medium-sized banks and an instrument for liquidity in resolution. Opinions on Deposit Guarantee Schemes' (DGS) preventive measures were split, with several respondents being in favour while others demanded further harmonisation and clarifications on the relationship between European State aid and DGSs. It was often noted, as per National Insolvency Proceedings (NIPs) that a harmonised European legal framework should be provided.

2.1.3. Exclusivity of the BRRD tools

Several respondents expressed caution to mix resolution tools with national insolvency systems, claiming that this would further increase complexity and legal uncertainty. They suggested that small and medium-sized banks should continue undergoing NIPs. Conversely, most respondents in the targeted consultation seemed to believe that the tools and powers in the BRRD should be subject to changes and supported the extension, particularly through a wider use of the Public Interest Assessment (PIA) to cover small and medium-sized banks. In terms of the different funding sources in resolution and insolvency, 55% of respondents were against a potential alignment of the access conditions, fearing the creation of additional complexities and the infringement of the principle of proportionality. By contrast, those in favour of the introduction of harmonised tools outside of resolution (12% of respondents) strongly highlighted their preference for the creation of a harmonised Orderly Liquidation Tool (OLT), notably for small and medium-sized banks in order to prevent divergences in national insolvency systems.

³ Questions 1 – 6 from both consultations.

2.1.4. *Measures available before a bank's failure*⁴

EIMs: Respondents showed broad support for improving the conditions for EIMs or other features of the framework in order to facilitate their use. However, a few stakeholders (banks) are of the opinion that EIMs should be deleted, as supervisory powers are sufficient, while a few stakeholders (Institutional Protection Schemes (IPS), public sector) mentioned that they do not see an overlap between EIMs and supervisory powers.

Precautionary recapitalisation: Most respondents expressed a wish to maintain precautionary recapitalisation within the crisis management toolbox in order to provide flexibility and address exceptional situations. However, respondents considered that its application should remain limited to specific circumstances and be sufficiently strict. Others considered conditions as already too stringent. A few respondents called for a phase-out of the provision or referred explicitly to the need to avoid using precautionary recapitalisation to address legacy cases. Most respondents are in favour of targeted amendments for clarification, notably regarding their alignment with the State aid framework.

Preventive measures: Broad consensus was visible on the necessity to provide clarifications for the application of DGS preventive measures. Most respondents would welcome a more harmonised approach in the least cost test application. Several stakeholders (public sector, banks) highlighted that the conditions for the application of preventive measures should be aligned with the conditions for precautionary recapitalisation, while many respondents underlined the need to clarify that using the measures does not trigger “failing or likely to fail” (FOLF). Regarding the application of State aid rules, DGS respondents supported that minimum burden sharing requirements should apply irrespective of the governance arrangements in place. Conversely, a sizeable number of respondents (mainly banks) believed that State aid rules should not be applicable for the DGS’ use for preventive measures, independently from the DGS private or public legal nature. Respondents from Member States that have IPSs noted the indispensability of preserving the well-proven national discretion of Article 11(3) DGSD for granting preventative measures. Some respondents from these MS stressed that it is important that the functioning of IPSs recognised under Article 113 (7) [CRR](#) can continue unchanged. In view of EDIS, the ring-fencing of losses absorbed by a national DGS within the local Member State to avoid these losses are borne out by other banking sectors is important for stakeholders from the banking industry. Views were split about the need for changing or not the creditor hierarchy (and extending the coverage to all deposits), in order to encourage or mitigate, respectively the use of such measures.

⁴ See also Figure 5 and Figure 6.

2.2. Experience with the framework and lessons learned for the future framework⁵

2.2.1. Resolution, Liquidation and other available measures to handle banking crisis⁶

In general, the majority of stakeholders considered that the resolution toolbox already caters for all types and sizes of banks, provided that the available tools are applied consistently in case of a failure of banks that are of public interest. Insolvency laws are generally seen as providing an appropriate framework for a liquidation of an institution, bearing in mind Member States' specificities, but possibly at the expense of consistency in PIAs or the scope of interventions by DGS's due to the differing counterfactual insolvency scenarios (See Figure 11). Regarding the access conditions to funding sources in resolution, some respondents noted that DGS/EDIS funds should remain separated from the Resolution Fund/Single Resolution Fund (RF/SRF), with a few stakeholders underlining the necessity to improve the liquidity provision to banks post-resolution (See Figure 13).

As regards the availability, effectiveness and fitness of tools in the framework, the majority of respondents considered that no additional resolution tools are needed but the existing tools in the resolution framework and their consistent application should be improved (See Figure 12). At the same time, and in line with the general observations raised in other questions, respondents expressed mixed views on whether additional harmonised tools should be introduced in the insolvency frameworks of all Member States. In this context, some respondents considered that the observed difficulties could be significantly reduced by recalibrating the PIA. Many respondents called for targeted improvements to the sale of business tool, such as the clarification on whether the acquirer inherits potential liabilities or on the possibility to allow transfers within a resolution group in particular in the context of cooperative groups. Other respondents highlighted the need to adjust the conditions related to the bridge institution tool, or the setting of asset management vehicles to cover possible extensive funding needs.

PIA: Most respondents acknowledged that the PIA must offer room for interpretation by authorities, but considered that the provision, as regulated now, gives opportunity for many different interpretations, thereby creating level playing field issues and uncertainty. Many respondents argued that the outcome of the PIA in the planning phase should be more predictable. Several respondents pointed to the need to consider additional features in the assessment, such as systemic scenarios, local and regional impacts on financial stability. Others explained that State aid and any DGS support (as they could be qualified as State aid) must not be incorporated in the counterfactual analysis for the PIA. There were mixed views on the need to refine the definition of critical functions and, more generally, on the opportunity to amend the Level 1 as observed issues are mainly related to resolution authorities' interpretation of the rules. In this context, a few respondents suggested mandating the European Banking Authority (EBA) to define further harmonised conditions in a regulatory technical standard. Many respondents, especially from the industry, called for the obligation for the resolution authority to disclose the outcome of

⁵ Questions 7 to 39 from the targeted consultation.

⁶ Questions 7 to 28 from the targeted consultation.

the PIAs at the resolution planning stage to ensure accountability and contribute to its improvement thanks to peer/market scrutiny. Some respondents warned that an amendment to the PIA aimed at bringing more banks into resolution should not come with proposals to lower the minimum requirement for own funds and eligible liabilities (MREL) attached to resolution strategies. Others also pointed at the need to ensure an alignment between BRRD and State aid provisions.

Small and medium-sized banks: As regards the extension of the PIA, numerous respondents defined the funding sources for small and medium-sized banks as sufficient. Many stated that bail-in of shareholders and creditors should remain the main source of financing in resolution and stressing the existence of other relevant tools to help small and medium-sized banks (i.e. winding-up under insolvency procedures sometimes involving State aid). The importance of MREL was emphasised due to its role in preserving financial stability and ensuring depositor protection. Other respondents stressed that small and medium-sized banks should be liquidated and that therefore their MREL should not exceed the loss absorption amount. A few noted the role that retained earnings and other forms of equity could play in ensuring that small and medium-sized banks comply with their MREL (see also Figure 14).

(FOLF): Regarding the existing legal provisions and their alignment between the conditions required to declare a bank FOLF and the triggers to initiate insolvency proceedings, the majority view supported full or maximum possible alignment, bearing in mind restrictions in national law (See Figure 8). Others raised caution when the FOLF assessment is based on likely infringements of prudential requirements. A limited number of respondents argued that the key objective must be to make the bank exit the market, leaving flexibility as to the procedure put in place to maximise the realisation of assets. Some respondents noted that such alignment would represent a first step for the harmonisation of insolvency laws in the EU. Furthermore, certain participants supported the possibility of granting a power to the supervisor to withdraw a licence, but not in all FOLF cases, typically covering resolution scenarios where such withdrawal would not always be appropriate to preserve critical functions (See Figure 9). In addition, many respondents considered that the withdrawal of license should not be automatic, but left at the discretion of the competent authorities in order to address individual cases. The definition of FOLF was perceived as sufficiently flexible to assess scenarios on a case-by-case basis, while others highlighted the challenge to trigger FOLF based on likely infringements that are not related to the bank's financial position thereby narrowing Article 32(4) BRRD. The existence of ways to apply measures alternative to resolution is also seen as a key aspect affecting competent authorities' incentives. Other areas were mentioned by some respondents, such as factoring gone-concern liquidity capacity into the FOLF assessment (e.g. asset encumbrance level) or streamlining resolution authorities' ability to declare FOLF (availability of information, timing constraints) to act as a proper backstop mechanism. Of the ones that provided a view, a slight majority considered that FOLF is currently triggered too late (see Figure 10).

Potential introduction of an orderly liquidation tool (OLT): The introduction of an OLT, while welcomed by several respondents raised concerns with respect to its implementation. Several respondents insisted on the need to avoid amending/deteriorating existing tools, or considered possible impacts on constitutional features and existing

national legal frameworks. A few respondents that have an OLT in place feared the complexity and effects of a harmonisation at EU level, while some respondents also pointed at the issue of the governance structure behind the implementation of such harmonised tool, either in terms of smooth functioning but also of costs for the industry. In terms of differences between an orderly liquidation tool and the sale of business tool in resolution, some respondents pointed at the fact that orderly liquidation tools and normal insolvency procedures pursue different goals; with the former aiming at mitigating effects on financial stability while the latter striving to maximize the proceeds for the creditor. Practical examples to differentiate the procedures were provided such as the inability of the bankruptcy administrator or the insolvency court to nullify the transfer on grounds that creditors of the failing banks receive a lower quota from the proceeds than they would have without the transfer, or the need for clear parameters to identify in-scope liabilities for OLTs and whether they are envisaged to be limited to deposits or covered deposits.

Sources of funding: The majority of respondents believed that DGS/EDIS funds should remain separated from the RF/SRF. A few stakeholders underlined the necessity to improve the liquidity provision to banks' post-resolution. Several respondents demanded prioritising the maintenance of the level of playing field over easing of access conditions to funding banks (in particular small and medium-sized banks) while others demanded to ease access to funding in order to increase proportionality and called for further clarifications on the PIA and the condition of 8% bail-in for access to SRF. A limited amount of stakeholders called for the use of a harmonised least cost test (LCT) for the access to the DGS in resolution rather than a minimum bail-in of 8% total liabilities, including total liabilities and own funds (TLOF). A limited amount of respondents demanded an alignment between the source of funding and government structure, thereby stating that, in the event that the funding sources are national, national authorities should have a prominent role. By contrast, if funding were to rely mostly on European centralised funds, then governance should consequently be more centralised (SRB for instance). Amongst those most against this further alignment with the nature of the funding source are representatives of credit institutions and banking associations. The latter seemed satisfied with the measures currently in place and argued that further aligning the nature of the funding source with governance arrangement would result in additional complexity amid uncertain benefits and risks of arbitrage. Amongst those most in favour one can find supra-national authorities, finance ministries and resolution authorities.

Potential Extension of Minimum denomination: Many respondents pointed out that it is yet too early to determine whether the scope of minimum denomination amount to other subordinated instruments than subordinated eligible liabilities and/or other MREL eligible liabilities should be extended or not. Most credit institutions and banking associations stated that an extension of the rule on the minimum denomination amount would put credit institutions at a disadvantage, as it would impose additional difficulties to raise the capital.

2.2.2. *Level of harmonisation of credit hierarchy in the EU and impact on 'no creditor worse off' principle (NCWO)*⁷

A large majority of respondents indicated that the differences between banks' creditor hierarchies across Member States could complicate the application of resolution action as they viewed the divergences in the creditor hierarchy as a source of increased fragmentation in the EU and differentiated treatment amongst creditors. The respondents that did not agree with the need to further harmonise the creditor hierarchy noted that insolvency laws are deeply rooted in national tradition and practices and interlinked with other fields of law not related to banking. As regards the ranking of deposits, some respondents were in favour of a general depositor preference and of removing the super-priority of covered deposits, the latter with the purpose of allowing the effective use of DGS funds. However, a larger number of respondents were against the elimination of the super-priority of covered deposits and DGS claims and of the current three-tiered ranking of deposits, on the basis of minimising the costs and liquidity needs for DGSs, maintaining depositor confidence and financial stability and avoiding moral hazard.

2.2.3. *Deposit Insurance*⁸

As per the protection of deposits, many participants considered that in general, no particular changes were necessary as regards the legal framework related to clients' information. Some, however, demanded further clarity, while others stressed the potential administrative burden and costs related to the information of depositors. Digital communication was often considered as the most cost-efficient. Consumer organisations further demanded the update and clarification of Article 16 DGSD on depositor information as well as the template in Annex I of the DGSD, coupled with an adaptation of its format in order to make it more consumer-friendly. Several Banks, highlighted that disclosure should take place only at the beginning of the business relationship and in the event of relevant changes and that it should solely be digital.

Most respondents supported that deposits of public and local authorities should also be protected by the DGS, given that their exclusion creates additional management difficulties (consumer organisations and saving banks from one Member State) (See Figure 7). Conversely, several credit institutions and banking associations opposed adding additional groups, fearing it would increase the cost for credit institutions since both the target levels of national DGS and SRF would increase. The majority view of the banking industry and DGSs is that the current regular information disclosure is sufficient and that no changes were necessary. The majority of respondents did not see a particular necessity to protect retail clients (see Figure 15).

In terms of financing, most of the stakeholders considered that the 0.8% target level is reasonable and should not be modified. Following this reasoning, many replies underlined that the target level should remain the same in all Member States as it is considered that modulating the target level will not foster market participants' confidence if a banking system of a Member State is officially declared as riskier than others (see Figure 16).

⁷ Questions 29 to 30 from the targeted consultation.

⁸ Questions 31 to 39 from the targeted consultation and questions 6 to 10 from the general public consultation.

Some participants raised the issue relating to negative interest rates affecting the profitability of DGS funds. Indeed, some DGSs currently have to pay negative interest rates, which still appears as inappropriate to certain stakeholders. Relating to the transfer of DGS contributions, most of the respondents underlined the need to clarify the rules when banks change their DGS affiliation. Some further suggested that the amount available for transfer from one DGS to another should be dependent on the risk brought by the changing institution to the receiving DGS. Finally, views were split regarding the sequence of use of DGS funds. While some respondents favoured a strict cascade (first using the ex-ante contributions, followed by the use of ex-post contributions and lastly the alternative funding arrangements) others opted for a certain degree of flexibility while numerous were in favour of a high degree of flexibility. They considered that the full flexibility in the use of funds enables DGS to adapt its measures to individual specificities and hence contributes to an efficient use of funds.

Regarding the European Deposit and Insurance Scheme (EDIS) (See Figure 17 and Figure 18) a majority of respondents supported its introduction. Some of them considered that national DGSs are limited in size and firepower and a fully-fledged EDIS is an essential piece of the Banking Union. Others underlined that a fully-fledged EDIS would reduce the burdens on banks while minimising the probability of a call for ex-post contributions, also avoiding pro-cyclical impacts on banks' balance sheet. In contrast, several respondents underscored that EDIS would make the European financial system riskier because of the contagion effect of one national banking sector to the others. As regards the efficiency of EDIS, some respondents considered that the more resources are shared on a common central pool, the most cost-effective the system would be. Others, however, believed that EDIS would contribute to higher administration costs, and more payout cases than under the current framework.

A majority of stakeholders considered that while an EDIS solely providing liquidity support could be a temporary compromise solution, the fully-fledged EDIS with loss coverage should remain the final objective in order to effectively complete the Banking Union. Nevertheless, some respondents were against the inclusion of a loss-sharing component, fearing that it would support zombie banks at the expense of sound banks. Numerous participants also raised different concerns in relation to the transfer of funds from the national DGSs to the central fund of EDIS. Some shared legal concerns, underlining their reluctance to an Intergovernmental Agreement while others provided some numbers as regards the maximum share of funds they would consider acceptable for such a transfer.

Some respondents, and especially some IPSs, highlighted that IPS recognised as a DGS should be excluded from EDIS. In the event that they are included, some underlined that being a member of an IPS is a risk reduction factor that should be included in the calculation of the contributions. Conversely, other respondents considered that IPSs should not have the possibility of being excluded from EDIS, as it would weaken the firepower of EDIS, leading to level playing field concerns and bringing confusion for depositors.

Finally, concerning the setting of the EDIS parameters, participants raised various views and concerns with the majority of responses underlining the need for caps in order

mitigate the first mover advantage while others mentioned the maturity of the loans from EDIS to the national DGS as a crucial parameter. In relation to national options and discretions (ONDs), views were split, with some expressing opposition to the financing of ONDs covered by central financing, others being in favour of expanding the common deposit insurance mechanism to include the coverage of ONDs and some calling for a harmonisation of ONDs. Finally, significant divergences were observed as to whether the SRF and EDIS funds should be merged, with those against stressing that the roles of these funds are largely different.

3. CONCLUSIONS AND DISCLAIMER

Conclusion:

The general and targeted public consultations have facilitated the collection of views from a wide range of stakeholders, which will be duly considered in the following steps of the European Commission.

Disclaimer:

The contributions received to the general and targeted public consultations on the CMDI framework that were open for feedback in the first half of 2021 for 12 weeks, cannot be viewed as the official position of the Commission on the topics covered.

4. ANNEX – FIGURES UNDERPINNING THE SUMMARY

Figure 3: Overall sentiment on the achievement of the policy objectives (Question 1 (both consultations))

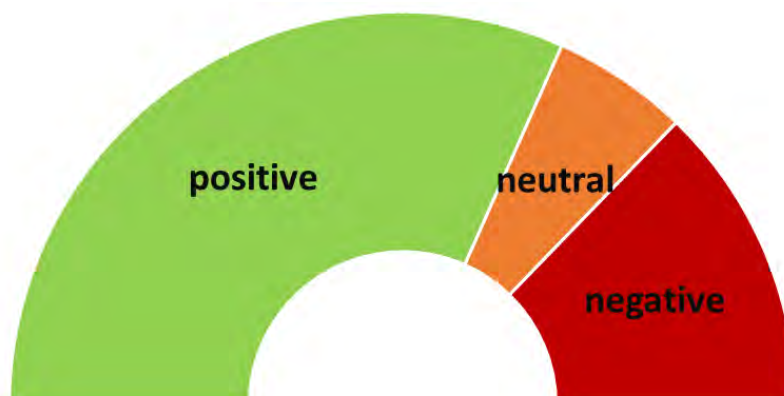


Figure 4: To what extent have the individual policy objectives been achieved?

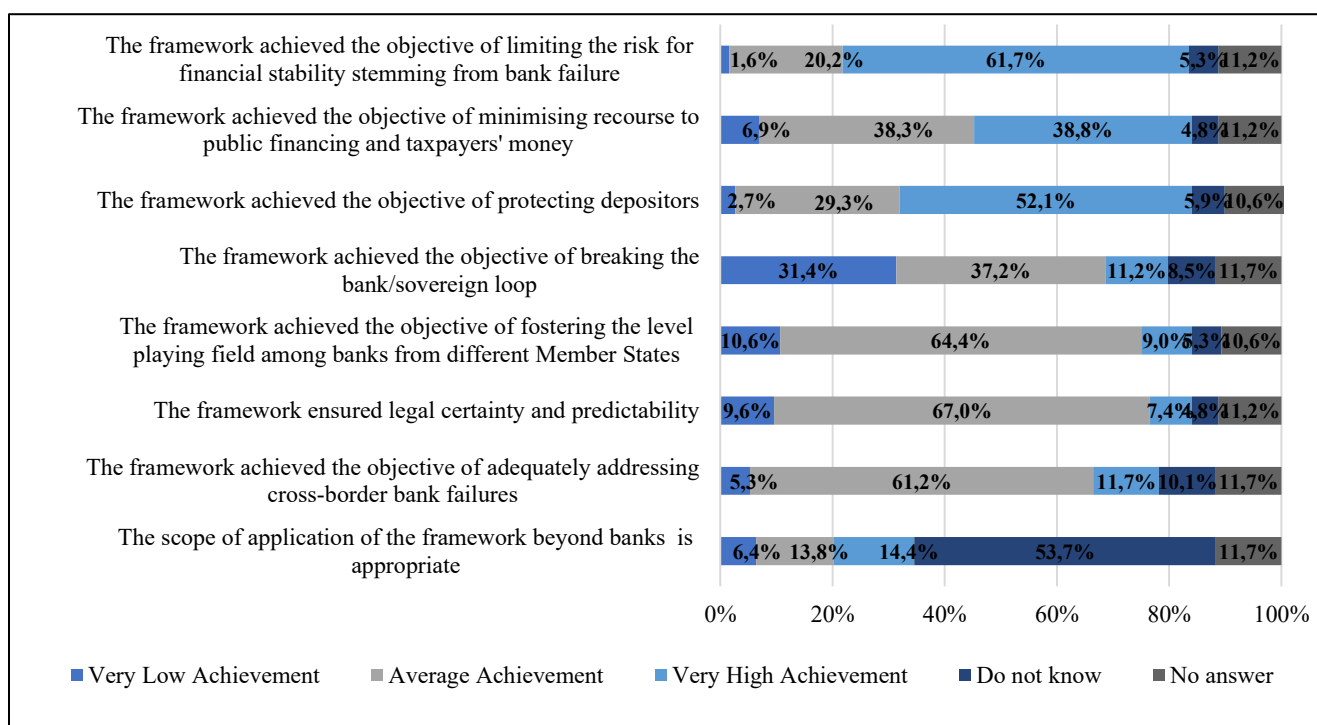
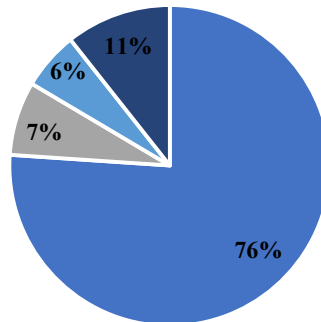


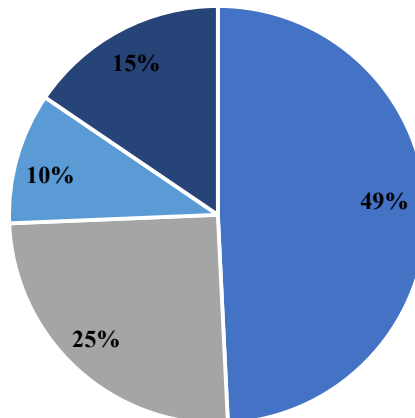
Figure 5: Maintenance and amendment of measures when conditions for resolution/insolvency are not met (Question 5 (both consultations))

Bearing in mind the underlying principle of protection of taxpayers, should the future framework maintain the measures currently available when the conditions for resolution and insolvency are not met?



■ Yes ■ No ■ Do not know ■ No answer

Should these measures be amended?



■ Yes ■ No ■ Do not know ■ No answer

Do you agree or disagree with the following statements regarding a potential reform of the use of DGS funds in the future framework?

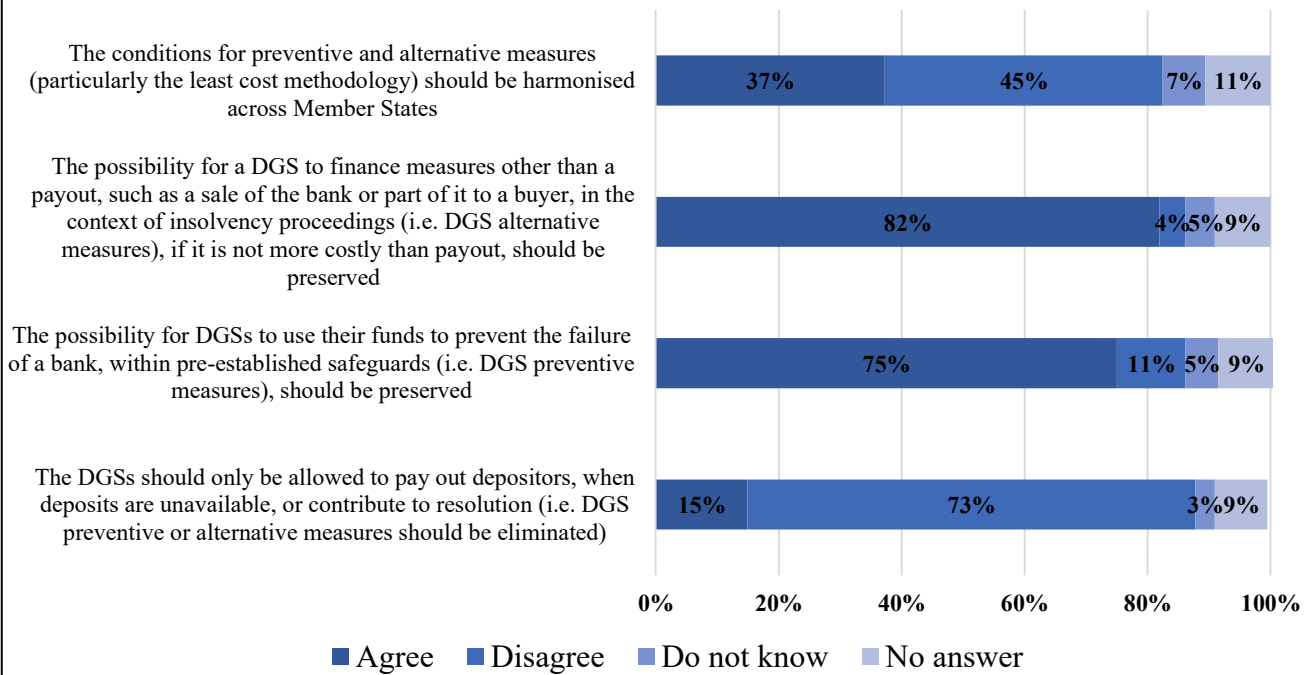


Figure 6: Potential reform of the DGSD (Question 6 (both consultations))

Figure 7: Potential reform of the DGSD (Question 8 (public consultation) and question 32 (targeted consultation))

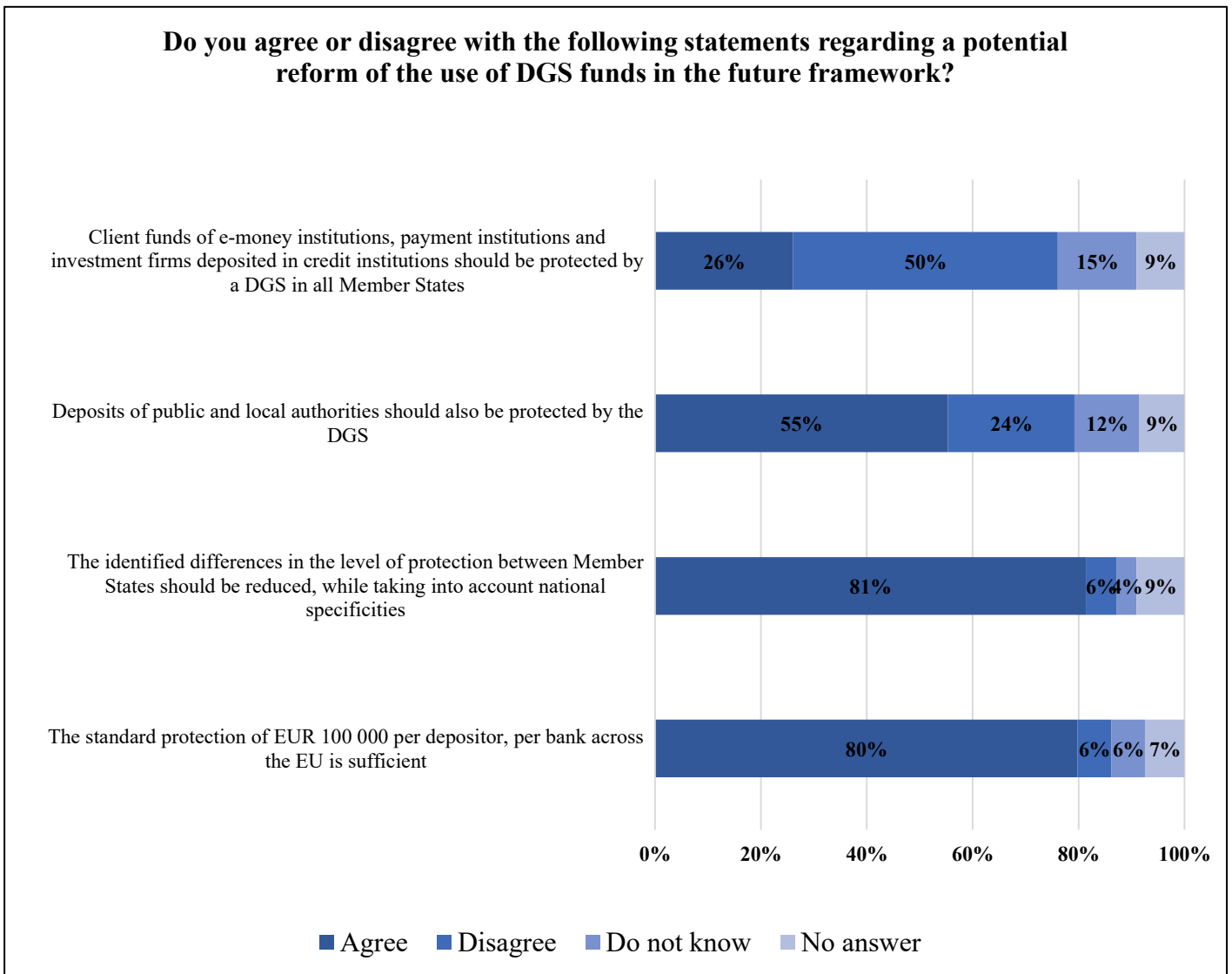


Figure 8: Alignment between conditions required to declare a bank FOLF and the triggers to initiate insolvency proceedings (Question 11 (targeted consultation))

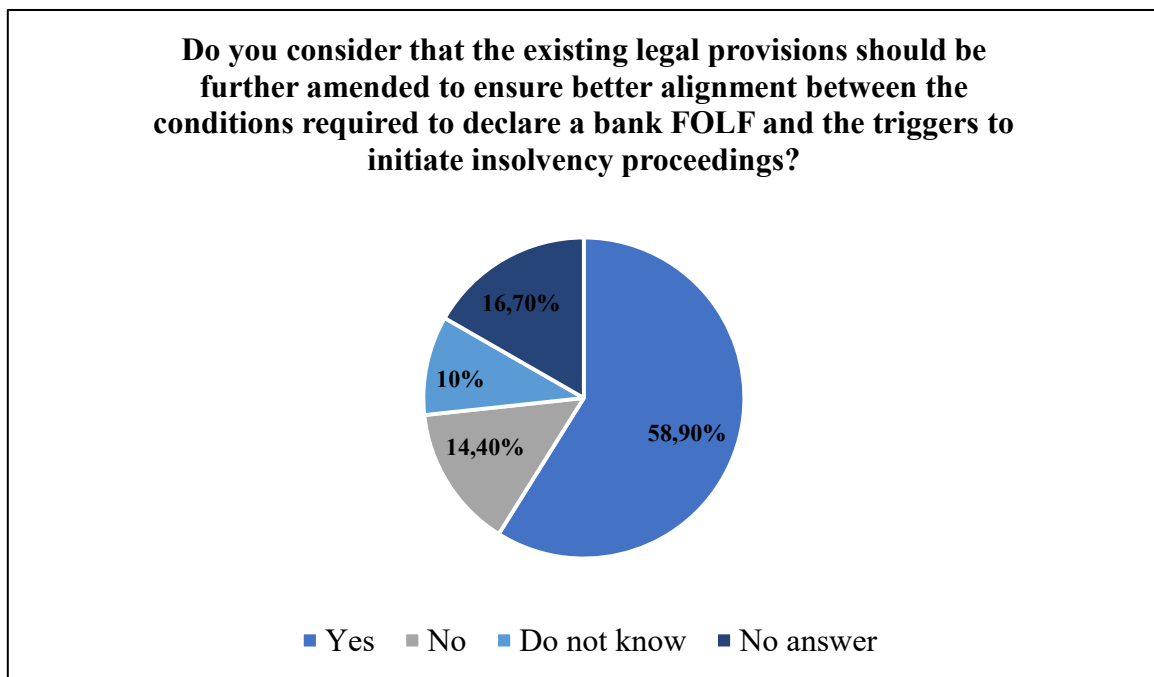
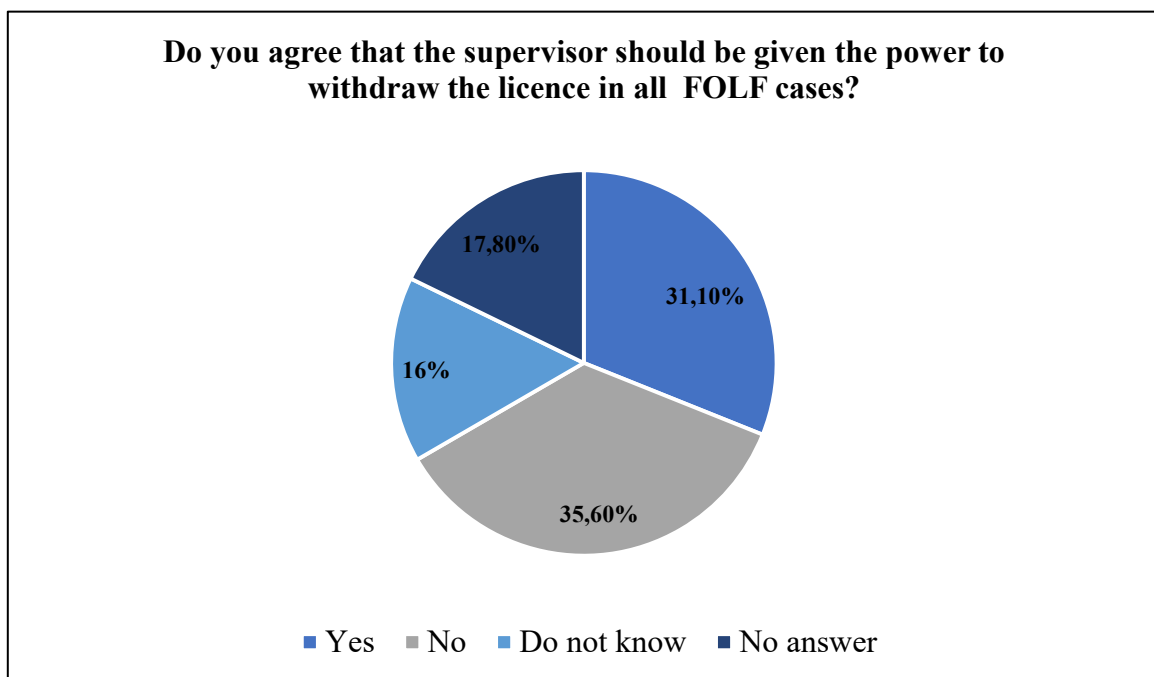


Figure 9: Withdrawal of the licence by the supervisor (Question 13 (targeted



consultation))

Figure 10: Timeliness of FOLF (Question 14 (targeted consultation))

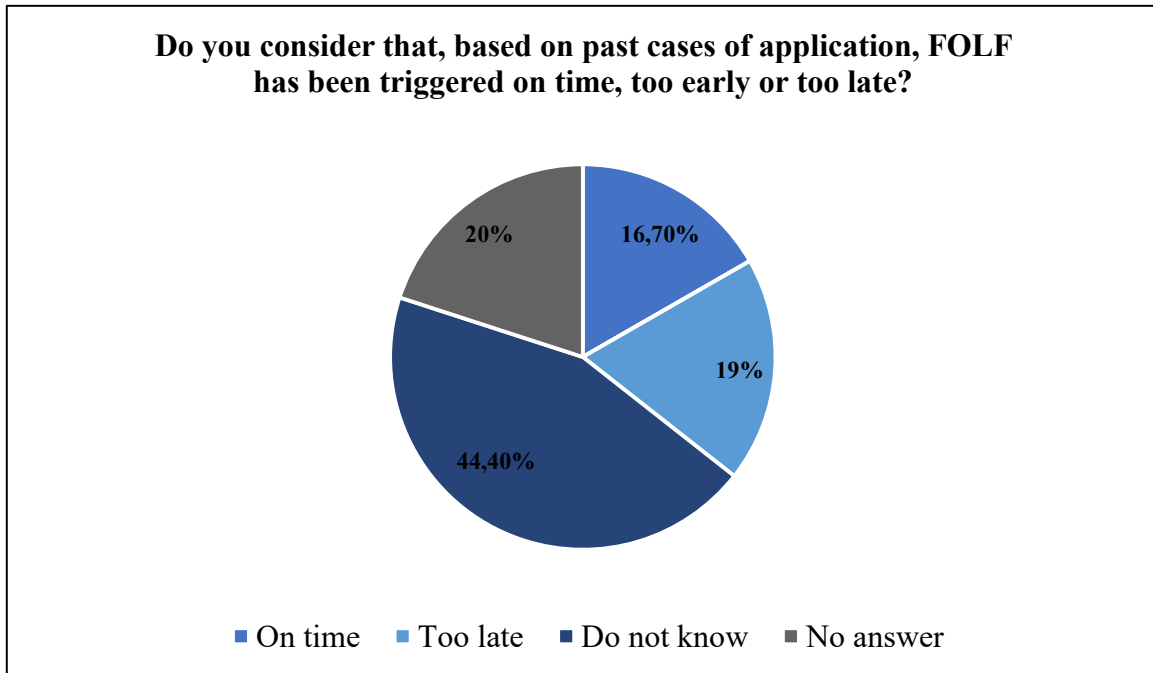


Figure 11: Tools available in resolution and insolvency (Question 16 (targeted

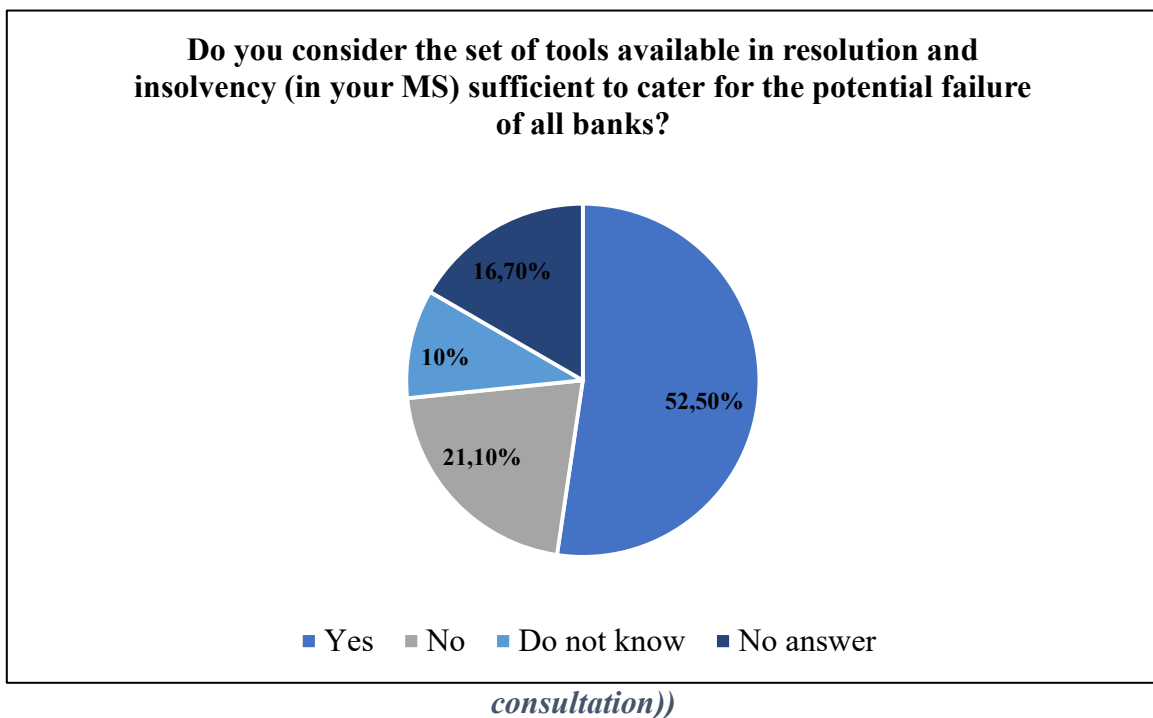


Figure 12: Future tools in the framework (Question 17 (targeted consultation))

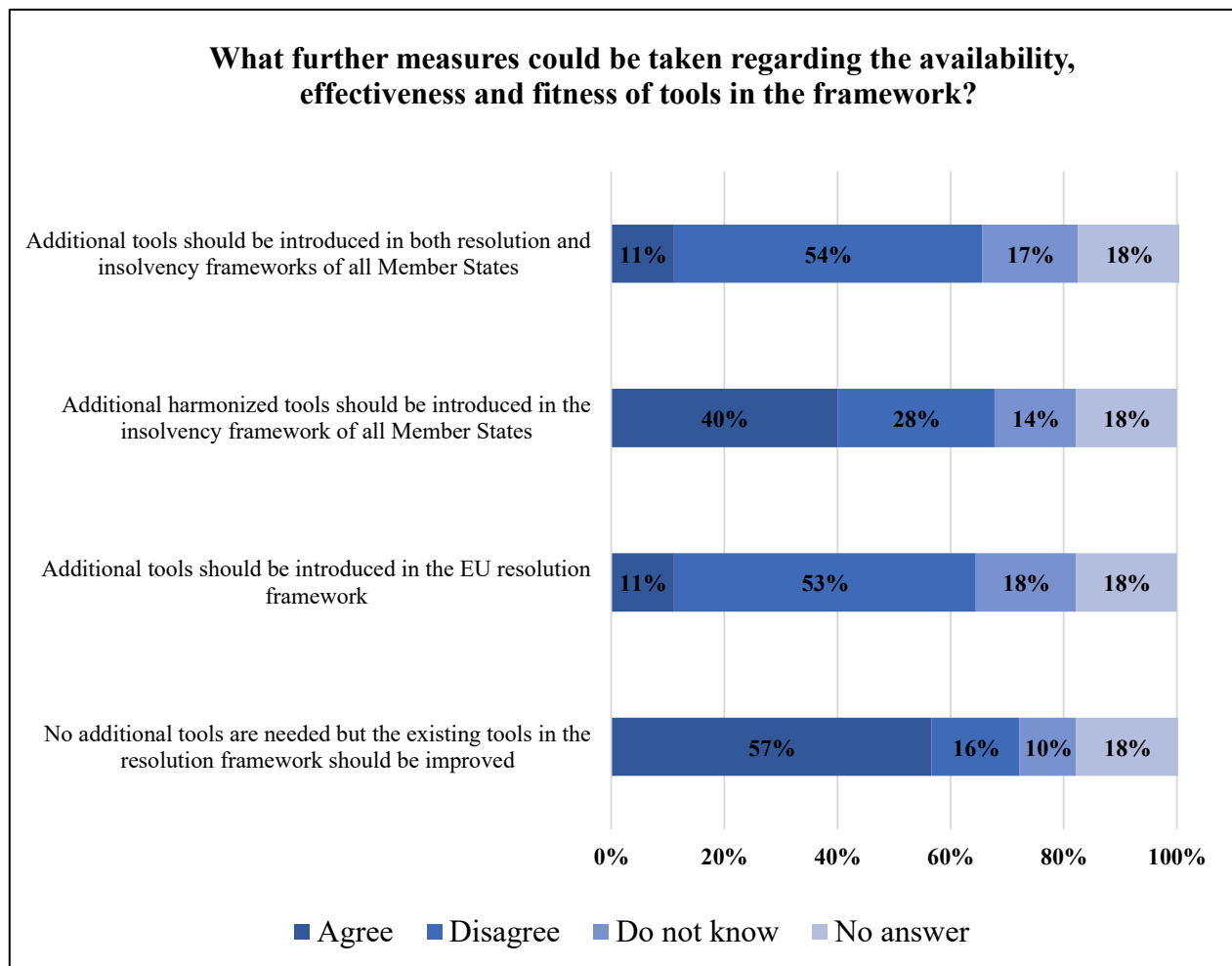


Figure 13: Access conditions to funding sources in resolution (Question 20 (targeted consultation))

What are your views on the access conditions to funding sources in resolution?

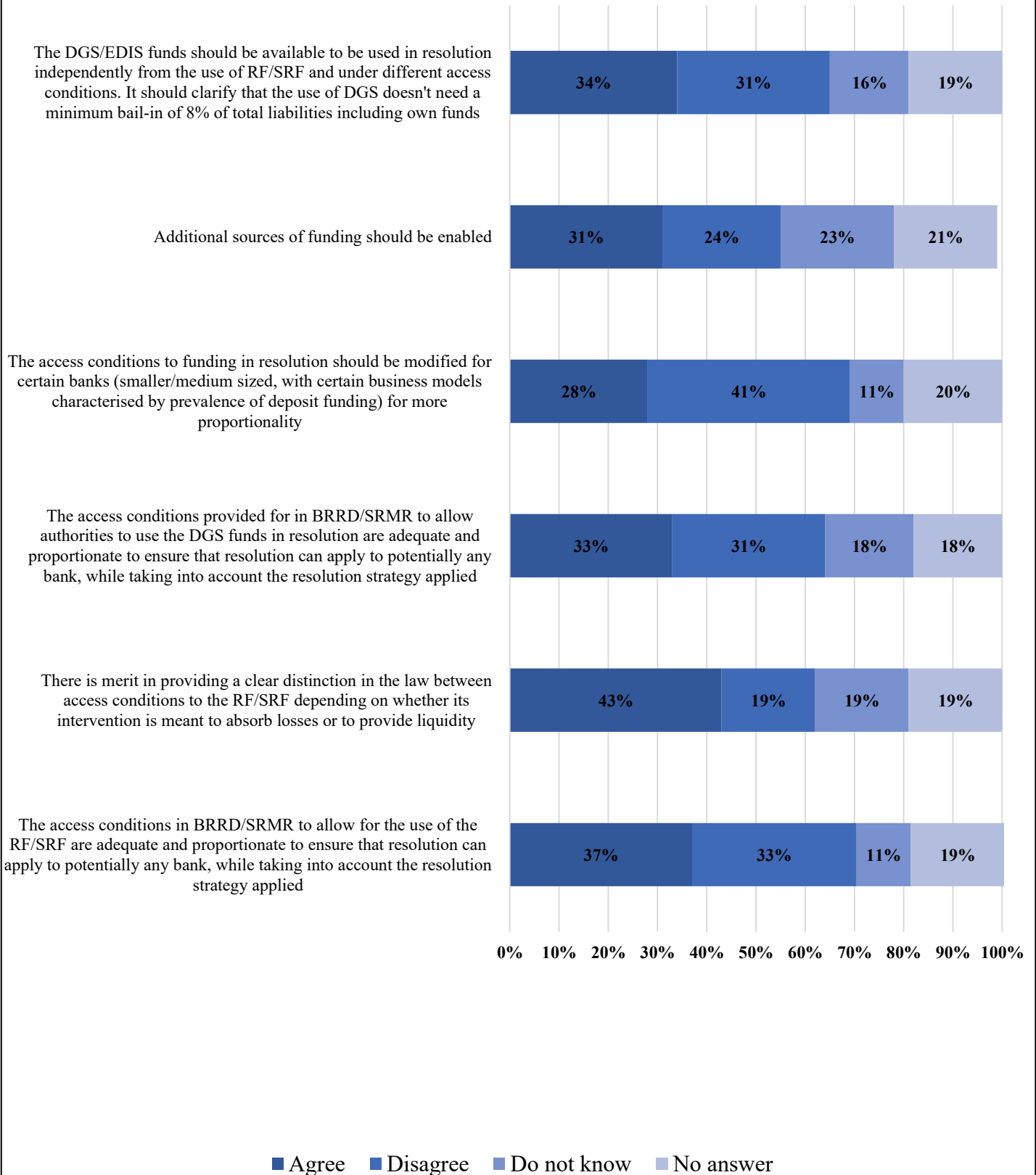


Figure 14: Views on MREL compliance (Question 24 (targeted consultation))

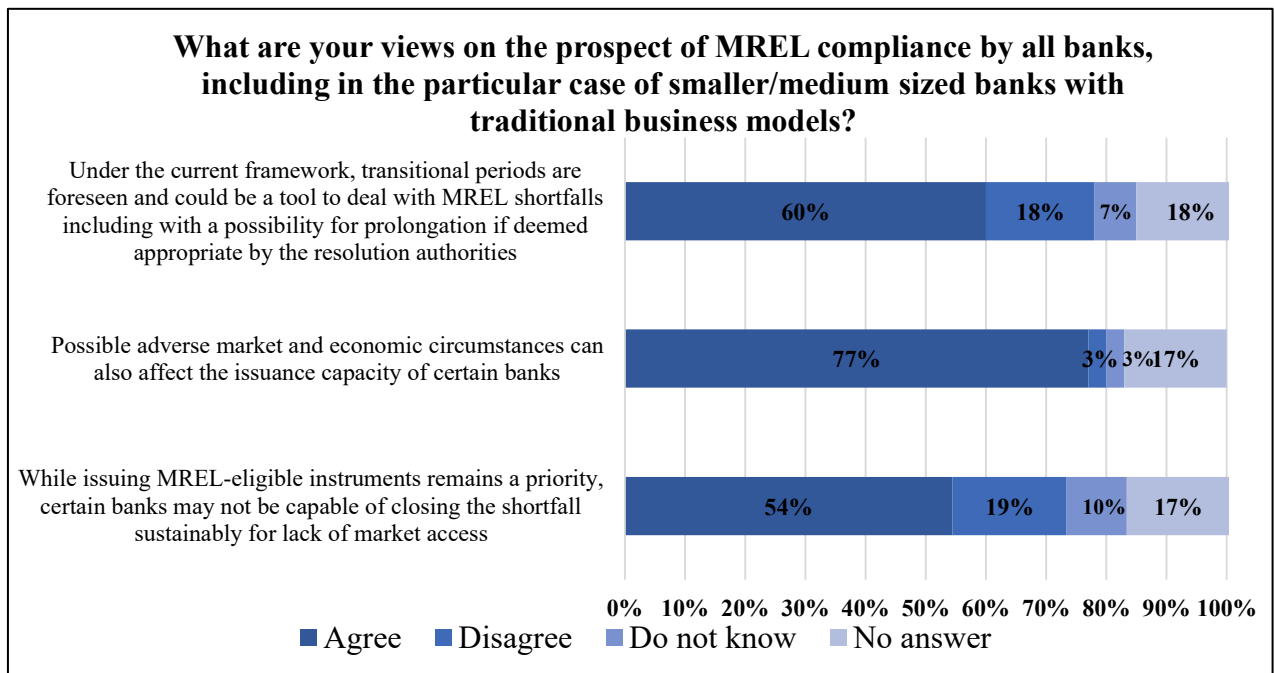


Figure 15: Retail clients' protection (Question 26 (targeted consultation))

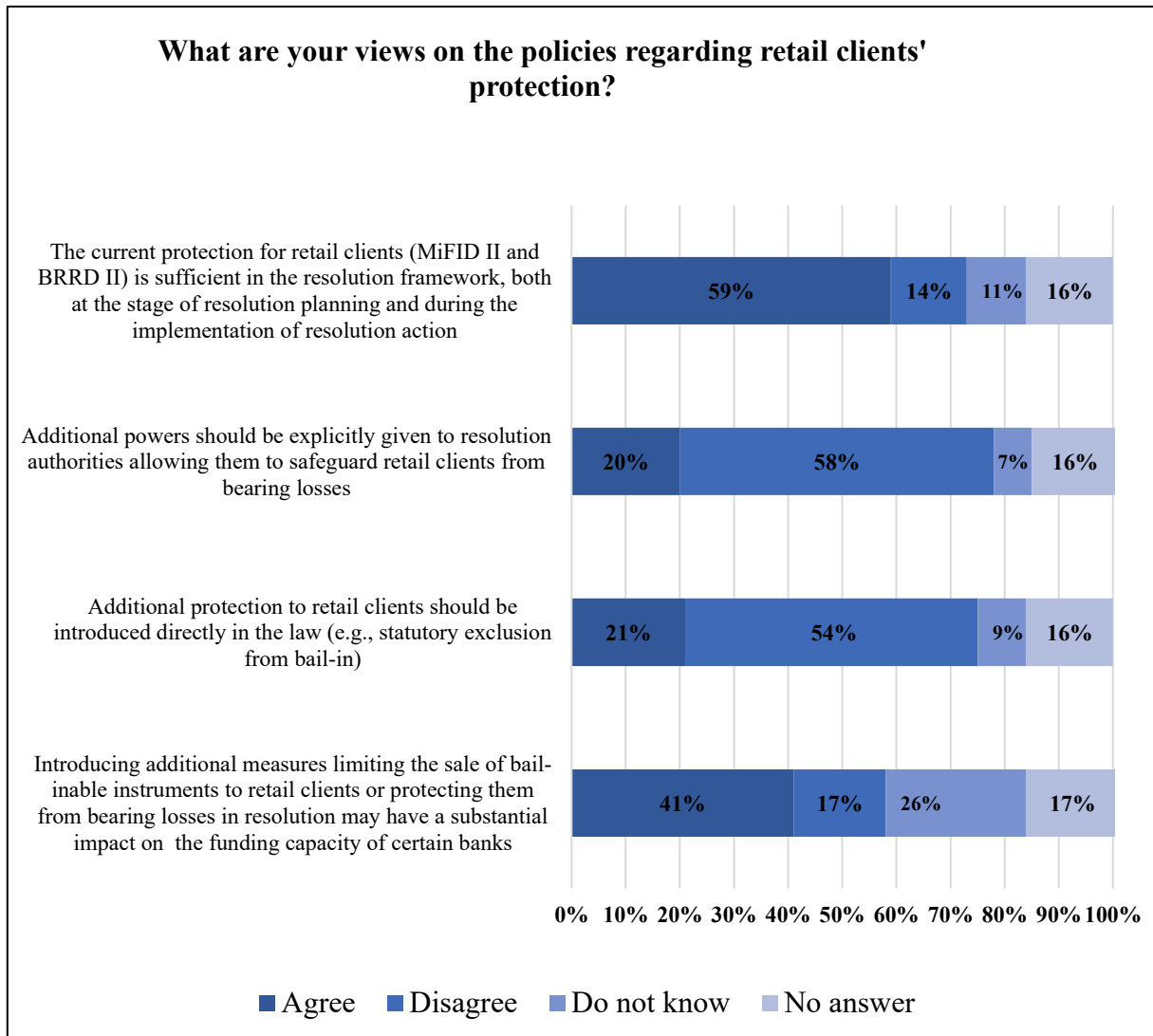


Figure 16: Financing of depositor protection (Question 34 (targeted consultation))

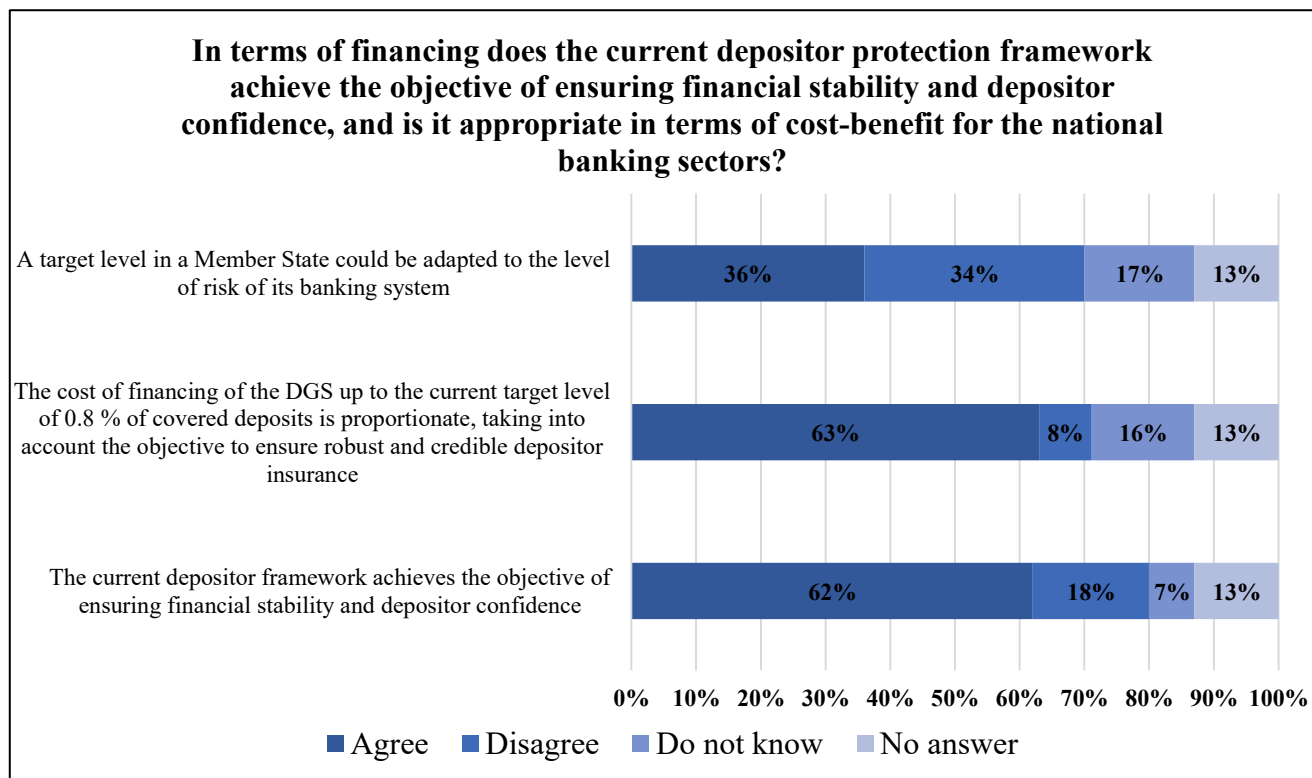
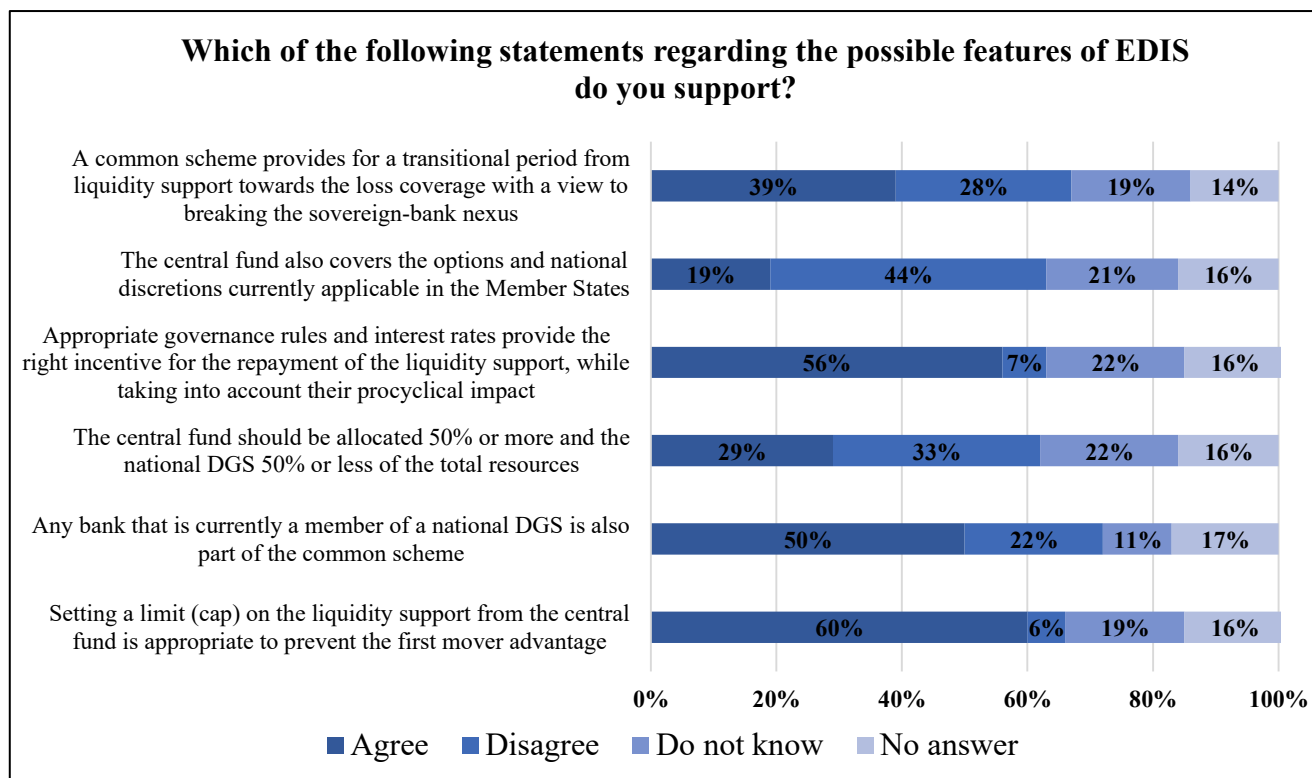


Figure 17: Possible EDIS features (Question 38 (targeted consultation))



Under the current Commission’s proposal on EDIS, a common scheme would co-exist with the Single Resolution Fund. Against the background of the general macroeconomic and financial environment for banks and subject to the cost benefit analysis, do you think

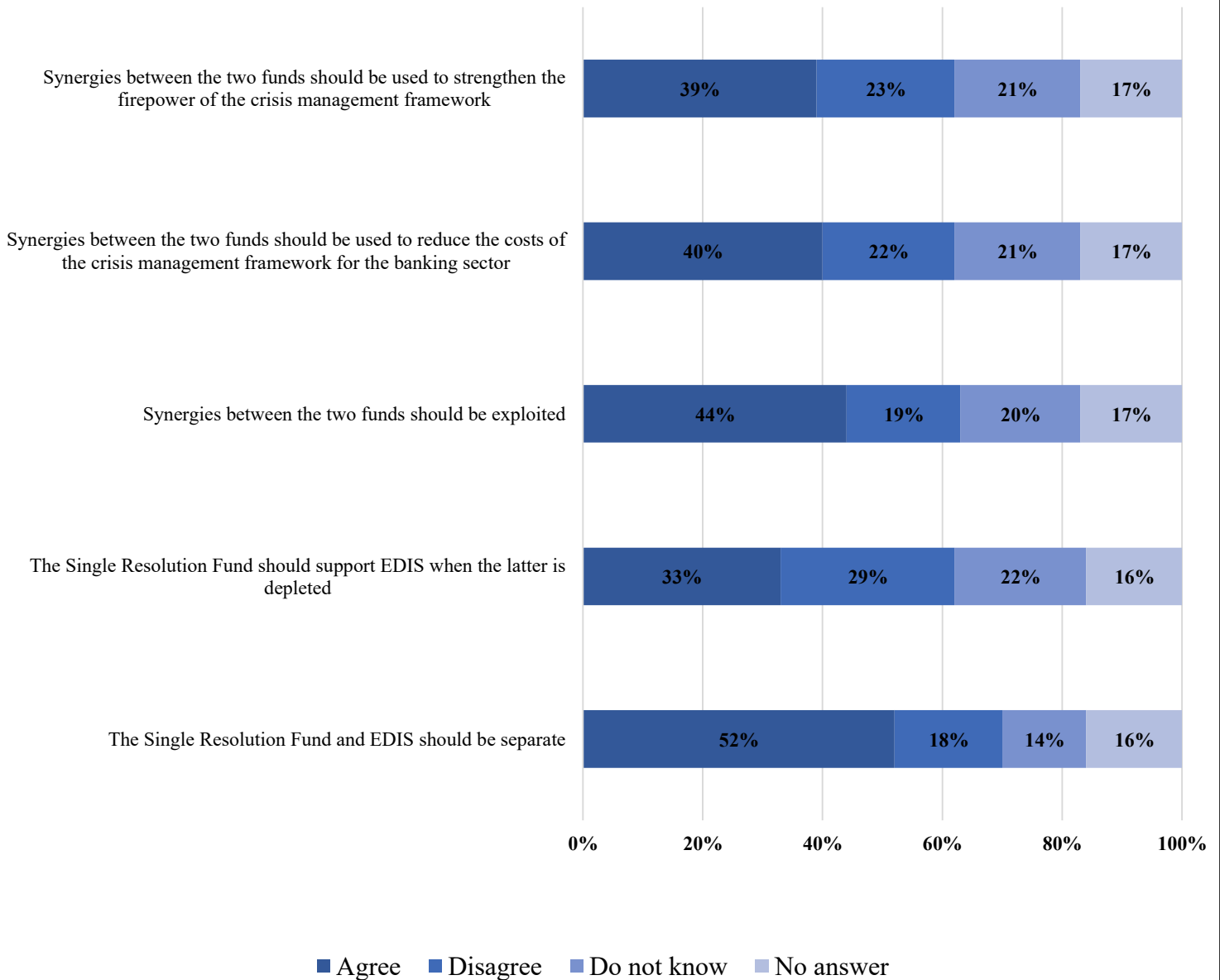


Figure 18: Coexistence of EDIS and the SRF (Question 39 (targeted consultation))

5. LIST OF ACRONYMS

Acronym	Definition
BRRD	<p>Bank Recovery and Resolution Directive</p> <p><i>A directive establishing a common framework of rules and powers for EU Member States to intervene in the case of failing banks. The directive gives broad powers to national authorities to prevent, intervene early and conduct the resolution of troubled banks. Such powers include selling the bank (in whole or in parts), setting up a temporary bridge bank, and bailing-in shareholders and creditors of the bank.</i></p>
CMDI	Crisis Management and Deposit Insurance
CRR	Capital Requirements Regulation
DGS(D)	Deposit guarantee scheme (Directive)
EBA	European Banking Authority
EDIS	European Deposit Insurance Scheme
EIM	<p>Early Intervention Measures</p> <p><i>Early intervention measures are taken by competent authorities to avert a bank failure when a bank shows signs of distress (Articles 27-29 BRRD).</i></p>
FOLF	<p>Failing Or Likely to Fail</p> <p><i>The first condition for resolution, relating to the imminent or inevitable inability of the bank to continue operating under normal conditions. It takes into account the financial situation of the bank as well as compliance with the requirements for authorisation. In case there is no public interest in its resolution, a failing bank will be wound up under national insolvency proceeding</i></p>
IPS	<p>Institutional Protection Scheme</p> <p><i>IPSs are defined in the Capital Requirements Regulation (Article 113(7)) as a contractual or statutory liability arrangement, which protects its member institutions and in particular ensures that</i></p>

	<i>they have liquidity and solvency needed to avoid bankruptcy where necessary</i>
LCT	<p>Least Cost Test</p> <p><i>The least cost test assesses whether a DGS may intervene through other actions than pay out of depositors (e.g. in resolution or through the use of alternative measures). The DGS may only intervene in resolution if the cost of such intervention does not exceed the net amount of compensating covered depositors of the failing member institution. There are no detailed rules on the least cost test and Member States apply it differently.</i></p>
MREL	<p>Minimum Requirement for own funds and Eligible Liabilities</p> <p><i>MREL is the minimum amount of equity and debt that a bank is required to meet so as to be able to absorb losses and restore its capital position, allowing them to continuously perform their critical functions during and after a crisis. MREL is one of the key tools in enhancing bank's resolvability.</i></p>
NCWO	<p>No Creditor Worse Off</p> <p><i>A general principle governing resolution, it provides that creditors cannot receive a worse treatment in resolution than the treatment they would have received had the bank been wound up under insolvency proceedings instead of being resolved.</i></p>
NIP	National Insolvency Proceeding
OLT	Orderly Liquidation Tool
ONDs	Options and National Discretions
PIA	<p>Public Interest Assessment</p> <p><i>Resolution authorities perform the public interest assessment to examine whether the resolution of a particular bank that is failing or likely to fail would be necessary to maintain financial stability, to protect covered depositors and/or safeguard public funds by minimising reliance on public financial support. If the PIA is negative, no resolution actions would not</i></p>

	<i>be taken and national insolvency procedures would apply.</i>
RF/SRF	Resolution Fund/Single Resolution Fund <i>Arrangements funded by the industry through contributions paid before or following the resolution of a bank (so-called ex-ante and ex-post contributions) to provide financial support to the resolution of a bank in case its internal loss absorption capacity is not sufficient. The SRF is the resolution fund for the banks in the Banking Union.</i>
SRM(R)	Single Resolution Mechanism (Regulation)
SSM(R)	Single Supervisory Mechanism (Regulation)