Additional comments to question 30

In our opinion, a main goal for the regulation of bank crisis management has been to provide mechanisms to ensure that equity holders and large debtholders participate in bearing losses of potential bank failures. This will be reflected in market prices of banks' equity and debt instruments, hence imposing market discipline on banks.

In addition, the complementary role of deposit insurance is to provide financial stability by reducing the likelihood of a bank run by depositors.

It is our opinion that changing the creditor hierarchy, by granting of statutory preference to deposits currently not covered by BRRD Art. 108, would weaken the achievement of both above-mentioned goals.

We see a merit in keeping the guaranteed deposit's "super priority" currently implemented in BRRD Art. 108.1. Thus, it is not preferrable from a DGS' point of view, that all deposits are ranked alike in the creditor hierarchy. We are concerned that granting all eligible deposits the same priority could (1) weaken the market discipline performed by large, professional depositors, (2) provide incentives for banks to use deposit contracts instead of other debt instrument contracts when obtaining funding from professional investors, and (3) imply higher potential loss on the DGSs in cases of a pay-outs and thereby reducing the crucial depositor confidence of the DGS.

We would like to emphasize the importance of keeping the "burden sharing principle". This principle is being undermined by giving more creditors exemptions from bail-in and could also give rise to loop-hole issues. It is expected to be less demanding to change the MREL-requirement and ensure sufficient subordinated debt. This would reduce the NCWO-risk. NCWO-risk has been raised as an important reason for the suggested changes in the hierarchy but not all resolution tools have the same degree of NCWO-risk.

Finally, if the DGSs are expected to be used for resolution to a greater extent than before (after the revision of the current DGSD) and are also more likely to bear actual losses in a pay-out, it is natural to re-evaluate the minimum target level and the annual contributions to the DGSs. One should also consider facilitating an increased use of preventive measures or alternative measures according to DGSD art. 11.3 and 11.6 by removing the hurdles that exists today, including solving the issue of state aid.