Lithuanian Presidency reaches political agreement on Deposit Guarantee Schemes

Europe is one more step closer to the Banking Union as Lithuanian Presidency reached a provisional political agreement with the European Parliament on the revised Deposit Guarantee Schemes Directive on December 17 in Brussels. The aim of the Directive is to ensure sufficient financial means in the DGS funds and fast pay-outs to depositors.

“Deposit Guarantee Schemes is for strengthening the protection of depositors. In case of bank insolvency or resolution it is very important that people would get their money as soon as possible. This political agreement also brings us nearer to the Banking Union. This fact gives additional motivation before ECOFIN Council meeting where we will strive for agreement on Single Resolution Mechanism,” said Lithuanian Finance Minister Rimantas Šadžius, Chair of the ECOFIN Council.

Under the Deposit Guarantee Schemes directive, all credit institutions will be required to join Deposit Guarantee Schemes. All Schemes will be supervised on an on-going basis and will have to perform regular stress tests of their systems. The proposed Directive will ensure that information regarding protection by Deposit Guarantee Schemes is provided to depositors in clear and understandable manner.

The target level of the Deposit Guarantee Schemes funds has been set at 0.8 per cent of the covered deposits. Use of these funds for early intervention and resolution was also enabled with the efficient safeguards and control mechanisms curtailing such alternative uses.