Dated 6 April 2021

DECLARATION
of
Institutional Protection Schemes in Europe

Haftungsverbund der Österreichischen Sparkassen
Austria

Institutsbezogene Sicherungssysteme der Raiffeisen Bankengruppe Österreich
Austria

BVR Institutssicherung GmbH
Germany

Sicherungssystem der Sparkassen-Finanzgruppe
Germany

Raiffeisen Südtirol IPS Genossenschaft
Italy

Krajowy Zwiazek Banków Spółdzielczych
Poland

Spółdzielczy System Ochrony SGB
Poland

Spółdzielnia Systemu Ochrony Zrzeszenia BPS
Poland

Grupo Caja Rural
Spain

with regard to changes to the regulatory framework for Crisis Management and Deposit Insurance

Declaration of Institutional Protection Schemes in Europe with regard to changes to the regulatory framework for Crisis Management and Deposit Insurance

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On 26 January 2021 the European Commission launched a consultation process on the review of the EU crisis management and deposit insurance framework (CMDI Framework). The CMDI Framework stipulates how bank failures are managed and what impact a failure has on the failing bank and its creditors and shareholders. The current framework was established after the global financial crisis and consists of the Bank Recovery and Resolution Directive (BRRD), the Single Resolution Mechanism Regulation (SRMR) and the Deposit Guarantee Schemes Directive (DGSD). The European Commission endeavours to publish a comprehensive legislative proposal by the end of 2021.

The Institutional Protection Schemes in Europe (EU IPS) would like to contribute to the review by way of a joint declaration setting out our common vision and principles that should be taken into account for a strong and resilient Banking Union.

Our Vision

The undersigned EU IPS appreciate the European Commission's "Targeted consultation on the review of the crisis management and deposit insurance framework". Our vision for the future of our customers, our banks and our protection systems is as follows:

1) **The EU IPS emphasise the importance of a strong and resilient CMDI Framework and, in particular, Banking Union.**

2) **The review of the CMDI Framework should be used to increase the efficacy and efficiency of the resolution and deposit protection systems and facilitate better and harmonious cooperation at all levels.**

3) **The stabilizing role of EU IPS must continue to be considered and explicitly reflected in future legal texts related to resolution and deposit protection.**

4) **Preventive measures (as stated in Article 11(3) DGSD) form the core of an IPS' function and their application by IPS should not be restricted.**

5) **As long as support by an IPS is available, no (preliminary) measures by resolution authorities or non-IPS deposit protection schemes should be allowed.**

6) **Where relevant, the risk-reducing nature of IPS should be reflected in the contributions to the relevant deposit protection scheme by way of high fixed discounts for IPS in the level 1 text calculated as a percentage of covered deposits.**

7) **Contagions from other deposit guarantee schemes to EU IPS have to be avoided by all means.**

8) **As EU IPS by definition prevent the insolvency of their member credit institutions, EU IPS need to be structurally exempted from any participation in any form of European Deposit Protection Scheme (EDIS).**

9) **Resolution authorities and public deposit protection bodies should exchange information both ways.**

10) **In a crisis situation, there should be a duty of resolution authorities to consult deposit protection schemes and the relevant IPS before actions are taken.**

Institutional Protection Schemes

The creation of IPS goes back to the idea that also small banks (less significant institutions), especially in the cooperative or savings banks sector, should dispose of possibilities to band together with the aim to enhance their efficiency and competitiveness while increasing financial stability at the same time.

The recognition as IPS depends on the fulfilment of strict requirements and of supervisory approval. For the Eurozone, the ECB (Single Supervisory Mechanism) has given very stringent instructions how these requirements have to be applied[1]. The concept of institutional protection schemes (IPS) is enshrined in Article 113(7) of the CRR, which defines an IPS as a *"contractual or statutory liability arrangement [between institutions] which protects those institutions and in particular ensures their liquidity and solvency to avoid bankruptcy where necessary."* This means that institutions that enter into an IPS agree and oblige themselves contractually to protect all other institutions of that IPS and in particular ensure their liquidity and solvency to avoid bankruptcy. These far-reaching obligations have to be recognized in the legal framework.

Today, institutional protection schemes exist in Austria, Germany, Italy, Poland and Spain. A relevant part of European banks and their customers are under the protection of an IPS:

IPS	Country	Affiliated Banks	Customers in Million	Covered Deposits in Million Euro
Raiffeisen Banking Group	AT	360	4,0	88.000
Austrian Savings Banks Group	AT	49	3,8	55.000
BVR Institutssicherung GmbH	DE	841	30,0	534.600
Sicherungssystem der Sparkassen-Finanzgruppe	DE	395	50,0	742.250
Grupo Caja Rural	ES	30	4,5	42.860
Raiffeisen Südtirol IPS	IT	40	0,3	7.010
IPS – SGB	PL	193	2,2	8.741
SOZ BPS	PL	326	2,8	14.298
TOTAL		**2.234**	**97,6**	**1.492.759**

To fulfil their tasks, IPS have to accumulate not only a sufficient amount of ex-ante funds, but also dispose of a toolbox comprising a broad range of measures, processes and mechanisms.

Moreover, the law and the regulatory authorities require that an IPS must have at its disposal suitable and uniformly stipulated systems for the monitoring and classification of risks, which give a complete overview of the risk situations of all the individual members and the IPS as a whole, with corresponding possibilities to intervene at a very early stage. These early warning and early intervention systems prevent bank insolvencies and therefore strengthen the financial stability. The risk mitigating effect of IPS is also reflected in an IPS' permission to draw recovery plans for its members.

At the same time, IPS do not provide a featherbed for inefficient banks or incapable directors. As a principle, the affiliated banks have to pay back support granted as much as possible. Business models may have to be reviewed and structures adjusted; and should it become necessary new directors will replace those who have proven resistant to required changes or unreliable.

Due to their effective early warning and early intervention systems IPS provide an additional layer of safety to the customers of the institutions adhering to the IPS. By today, customers did not suffer any losses due to the failure of an institution affiliated to the IPS mentioned here. IPS are therefore a very efficient way to grant more safety for customers and the financial stability of the banking markets.

[1] Guideline (EU) 2016/1994 of the European Central Bank on the approach for the recognition of institutional protection schemes for prudential purposes by national competent authorities pursuant to Regulation (EU) No 575/2013 of the European Parliament and of the Council (ECB/2016/38).

SPARKASSE
Verband Österreich

ÖSTERREICHISCHER
RAIFFEISENVERBAND

BVR Institutssicherung GmbH

Finanzgruppe
Deutscher Sparkassen-
und Giroverband

Raiffeisen
Raiffeisen Südtirol IPS
Genossenschaft / Società cooperativa

KZBS
Krajowy Związek Banków Spółdzielczych

iPS SGB SPÓŁDZIELCZY
System Ochrony SGB

System Ochrony Zrzeszenia BPS

GRUPO CAJA RURAL
ASOCIACIÓN ESPAÑOLA DE CAJAS RURALES