

Contribution to the public consultation on the revised version of the IADI Core Principles for Effective Deposit Insurance Systems

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Contact: Juliane Seiter

Telephone: +49 30 1663-2506

E-Mail: juliane.seiter@bdb.de

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Coordinator:
Bundesverband deutscher Banken e. V.
Burgstraße 28 | 10178 Berlin | Germany
Telephone: +49 30 1663-0
www.die-deutsche-kreditwirtschaft.de
www.german-banking-industry.org

Comments

1. Does the revised version of the Core Principles adequately promote a holistic view of the financial safety-net and effective interaction among deposit insurance, resolution, and supervision, while acknowledging the different architectures and diverse institutional structures of deposit insurance systems across jurisdictions?

The revised Core Principles promote a more integrated and cooperative approach among financial safety-net participants. This is a welcome and necessary evolution considering recent financial instability, including the 2023 banking turmoil. The framework rightly emphasizes the interaction among deposit insurance, resolution, and supervision while acknowledging jurisdictional diversity in architecture and mandates.

However, **from a German perspective**, the current draft could **more clearly recognize institutional diversity**. In Germany, private Deposit Guarantee Schemes (DGSs) and Institutional Protection Schemes (IPSs) are long-standing, proven systems that fulfil public objectives under strict regulatory oversight. These models operate effectively within a decentralized, subsidiarity-driven architecture.

We recommend that the Core Principles explicitly affirm the effectiveness of such schemes and recognize that a variety of institutional designs can achieve the objectives of depositor protection and financial stability. They all can bring added value for financial stability

Moreover, **proportionality and subsidiarity** should be embedded **as interpretive principles** throughout the framework. These are central tenets of Germany's and the EU's regulatory philosophy, particularly in light of ongoing CMDI (Crisis Management and Deposit Insurance) reforms.

2. Does the revision provide sufficient clarity on the interaction between deposit insurance and resolution to effectively achieve the public policy objectives of depositor protection and financial stability?

Overall, we note a structural shift in the role of deposit insurers: increasingly, they are expected not only to reimburse depositors, but also to participate in and finance alternative measures (either as part of their own mandate or in resolution), such as transfer transactions or bridge institutions, and preventive interventions. This **expanded operational scope** of deposit insurers is reflected in the revised Core Principles and **is, in principle, welcome**.

However, we emphasise the need to **maintain a clear institutional separation between deposit-insurance (including IPSs) and resolution functions**, as each pursues different public-policy objectives and carries distinct responsibilities within the financial safety net. Deposit insurance is designed primarily to protect depositors and sustain confidence through rapid reimbursement or IPS measures, whereas resolution seeks to preserve critical functions and contain systemic risk when an institution becomes non-viable. Strong cooperation and information-sharing are indispensable, but conflating mandates risks blurring accountability and diluting each body's focus. Consistent with this separation, **DGS resources should be available for resolution purposes only on an exceptional basis, under strict legal**

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conditions, cost-minimisation tests, and ex-ante safeguards. This ensures that the integrity of the deposit-insurance fund is preserved for its core mission while still allowing targeted support when it demonstrably delivers a lower-cost, stability-enhancing outcome than depositor payout.

Moreover, the structural shifts described above **highlight two critical and interlinked aspects:** First, it is imperative that deposit insurers be **involved early and meaningfully in the crisis management and resolution planning process.** As soon as there is a credible risk of intervention or fund use, deposit insurers must be given access to timely and sufficient information and be included in preparatory discussions. This is essential to ensure their financial readiness, safeguard the integrity of the deposit insurance fund, and allow for a credible contribution to stability.

Unfortunately, the current draft weakens this position—for example, by reducing the deposit insurer's role in authorizing fund use (CP16). The deletion in CP16 of the requirement for **deposit insurer approval for use of funds in resolution**—now replaced by early “involvement” and mere “confirmation” that legal conditions are met—is concerning. The deposit insurer must have a **co-decision role** at least equivalent to the 2014 standard, to ensure both mandate accountability and appropriate use of resources.

Moreover, the **revised wording in CP13** limits deposit insurers’ role to receiving “relevant recovery and resolution planning information” in a “timely” manner and represents a weakening of their functional involvement. Restricting access to information impairs early warning, preparedness, and effective resolution participation. This **undermines the coordination imperative** at the heart of the revised Principles and must be corrected to reflect the real consequences of the deposit insurer's expanding mandate. We urge that deposit insurers—regardless of their public or private legal form—be **formally included in recovery and resolution planning**, consistent with their responsibilities.

Second, the evolving role of deposit insurers places **new and heightened demands on funding sustainability.** In this context, we strongly **support the recognition of depositor preference in the creditor hierarchy**, which we view positively. Depositor preference enhances the insurer’s recovery prospects in resolution and reinforces the long-term sustainability of the fund—particularly when the insurer plays a broader role in resolution planning or loss absorption. In the context of financing sustainability, we furthermore support the retention of the option for irrevocable payment commitments (IPC) and the further refinement of criteria for risk-based contributions in the revised CP.

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3. Are the revised Core Principles sufficiently forward-looking and aspirational to address emerging risks, trends, and challenges in the global financial sector, while remaining practical for implementation?

We support the inclusion of additional (aspirational) criteria as a meaningful step to guide deposit insurance systems toward evolving best practices. This approach balances ambition and practicality, encouraging continuous system improvement.

Overall, **practical feasibility and legal certainty must remain foundational**. For example, while we agree with the goal of accelerating payouts, it should, however, be avoided to impose unrealistic benchmarks, and the practical feasibility of these aspirational criteria must not be overlooked

In the context of reimbursement, it is crucial that the **payout deadline continues to be linked to the legal trigger for reimbursement**, not merely “loss of access to deposits.” The current draft CP wording rightly reflects this and must be preserved. There should be an unequivocal and legally clear trigger that is applicable in various regulatory circumstances.

4. Does the updated framework ensure that the Core Principles remain adaptable to technological advancements in deposit-taking and protection systems, while maintaining a technology-neutral approach?

Technological advancements increasingly affect deposit-taking channels, payout mechanisms, and depositor behavior. The revised principles **appropriately address the implications** of digitalisation, fintech, and cyber risk without bias toward specific technologies.

We support the acknowledgement that further attention to consequences for the financial safety net in general and deposit insurers in particular will be required as digital deposit-taking matures.