

## EBF response IADI Core Principles for Effective Deposit Insurance Systems

June 2025

**The European Banking Federation (EBF) welcomes the updated Core Principles for Effective Deposit Insurance Systems by the International Association of Deposit Insurers. The EBF acknowledges that for deposit insurance schemes to remain effective in an evolving financial landscape, the principles and regulations governing deposit insurance schemes also require regular updates. We are pleased to provide the following responses to the consultation;**

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 EBF is of the opinion that the updated Core Principles adequately capture best practices within deposit insurance, resolution, and supervision while respecting the differences across jurisdictions. The EBF would like to highlight these specific suggestions to the Core Principles:**

- **It should be clarified that membership of an Institutional Protection Scheme (IPS) does not release banks from the obligation to participate in a statutory Deposit Guarantee Scheme (DGS) and to make the required contributions. Furthermore, it must be ensured that both the IPS and the DGS are adequately and independently funded. (Principle 9)**
- **It should be clarified that contributions by members of DGS should be proportional to the risk that members and their behaviour represent towards the deposit insurance fund (Principle 9)**

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- The suggested sanctions such as criminal prosecution and claw-back of variable renumeration of parties at fault (Principle 12) go beyond the scope of a declaration of principles of this nature.
- Institutional diversity should be more clearly recognized. Several jurisdictions operate private DGS, long-standing, proven systems that fulfil public objectives under strict regulatory oversight. 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. Moreover, proportionality and subsidiarity should be embedded as interpretative principles throughout the framework as these are tenets of the EU's regulatory philosophy.
- Principle 1 states that the public policy objectives for deposit insurance systems are to protect depositors which can be interpreted as covering all depositors regardless of the size of the deposits, which is not the case for example in the EU.
- Principle 13 states that recovery and resolution planning should be shared with the deposit insurer "in a timely and appropriate manner". This does not adequately reflect the fact that recovery and resolution planning are carried out by the members of the DGS (the banks) on an on-going basis. It should be stressed that information should flow freely between resolution authorities and deposits insurers, regardless of the legal status of the deposit insurer. In addition, deposit insurers should be formally included in recovery and resolution planning.

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?*

**The EBF has the following suggestions to Principle 16 – Use of deposit insurance fund in resolution:**

- **To improve the decision-making of resolution authorities, more clarity is required regarding the way the deposit insurer is involved in the decision-making process governing resolution.**
- **In general, deposit insurance funds should only be used for other purposes than protecting insured deposits under exceptional circumstances.**
- **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. The suggested changes to the Core Principles weaken this position—for example, by reducing the deposit insurer's role in authorizing fund use (Principle 16). The deletion 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.**
- **Overall, there is a need to maintain a clear institutional separation between deposit-insurance 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, 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 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.**

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- **Written agreements on cooperation and information exchange between actors in the financial safety-net should be formalised. This should, for example, include exchange of results of stress tests conducted by the resolution authority with the deposit insurer.**
- **The evolving role of deposit insurers places new and heightened demands on funding sustainability. In this context, the EBF strongly supports the recognition of depositor preference in the creditor hierarchy. 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 Core Principles.**
- **Point 3(f) of principle 16 should include bail-inable instruments and should read; "Deposit insurance funds are used for the recapitalization of resolved insured deposit-taking institutions only in exceptional circumstances and if equity or other instruments of ownership and bail-inable instruments are written down to fully absorb losses.**

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?*

**The EBF is of the opinion that the principles are drafted at a sufficiently high level to allow future developments and implementation.**

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

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?*

**The EBF is of the opinion that the consequences of digital banking platforms could be addressed more specifically. The increasing ability to withdraw deposits and change intermediaries immediately - and without the due assessment of intermediaries - represents a risk for bank runs. This could be addressed in principle 10 – Public awareness.**

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