

Submitted Electronically Via EBA Website

October 28, 2022

European Banking Authority
Tour Europlaza
20 avenue André Prothin
CS 30154
92927 Paris La Défense CEDEX
France

Re: **Consultation Paper on Draft Guidelines on methods for calculating contributions to Deposit Guarantee Schemes (DGSs)**

Dear Sir/Madam:

The European Network of Credit Unions (ENCU) appreciates the opportunity to provide our insights into the European Banking Authority's (EBA) *Consultation Paper on Draft Guidelines on methods for calculating contributions to Deposit Guarantee Schemes (DGSs)*.

Credit unions (and credit cooperatives or savings and loan associations) are cooperative depository institutions that are consumer-owned, not-for-profit financial cooperatives that promote financial inclusion in underserved European communities by offering their members affordable and easily understandable financial products. There are approximately 2,000 credit unions in the European Union (EU) with more than EUR 34 billion in total assets and 9 million physical person members.¹ ENCU represents members from Estonia, Ireland, Poland, Netherlands, Republic of North Macedonia, Romania, Croatia, and Ukraine. ENCU is also affiliated with the World Council of Credit Unions Council which is the leading trade association and development organization for the international credit union movement. Worldwide, there are over 87,900 credit unions in 118 countries with USD 3.4 trillion in total assets serving 393 million physical person members.²

We support the findings in the Consultation Paper that show that most credit unions represent a lower Average Risk Weight (ARW) than other credit institutions because of the unique business model of credit unions. Therefore, we urge the EBA to maintain its current methodology as set out in the Guidelines that result in an overall reduced contribution rate (average 28% lower) under the risk-based contributions approach for most credit unions.

¹ See "Credit Unions in Europe;" http://creditunionnetwork.eu/cus_in_europe.

² World Council of Credit Unions, *2021 Statistical Report (2022)*, available at <http://www.woccu.org/publications/statreport>.



While we support the EBA's further analysis of this approach, we suggest that the current approach is warranted based on the unique business model of credit unions. Credit unions are unique in structure and are organized and operated on a not-for-profit, member-owned and controlled cooperative basis. Credit unions are frequently run more conservatively than their larger banking counterparts. Credit unions and other community-based mutual depository institutions typically operate using a non-complex community-banking model and are often subject to investment portfolio-shaping rules that limit their investments primarily to loans to their members, government-guaranteed debt, and deposits held by banks or other credit unions. Community-based financial cooperatives also rarely operate on a cross-border basis which also contributes to minimizing risk. Finally, while many of our credit union systems in the EU are exempt via Article 2(5) of the CRD IV from capital and liquidity rules, they are often subject to more stringent regulations at the national level which compel their less-risky operating model.

While there are exceptions around the world, we also note that credit unions during times of financial crisis have provided a countercyclical liquidity buffer by increasing deposits and maintaining lending despite financial shocks at both the community and national level. This is in a large part due to their unique operating model and conservative nature.

For the foregoing reasons we urge the EBA to maintain its current methodology for calculating contributions to the Deposit Guarantee Scheme.

ENCU appreciates your consideration of our comments. Should you have any further questions, please feel free to contact me at aprice@woccu.org or +1 850-766-5699.

Sincerely,

Andrew T. Price
Sr. Vice President of Advocacy/General Counsel
European Network of Credit Unions
World Council of Credit Unions

cc: Nickolas Reinhardt, Afore Consulting