

9 February 2015

SNDO reference number 2015/67

European Banking Authority

Consultation response - Draft Guidelines on methods for calculating contributions to Deposit Guarantee Schemes

Q1. Do you have any general comments on the draft Guidelines on methods for calculating contributions to DGSs?

The Swedish National Debt Office (hereinafter SNDO) is the authority administering the Swedish Deposit Guarantee Scheme. Overall, the SNDO support the objectives and principles of the draft Guidelines and confirm that we consider them to be in line with the intention of Directive 2014/49/EU (DGSD).

One of the important improvements following the DGSD in our view is the mandatory requirement for all member states to collect contributions to DGSs ex-ante. We also think that introducing mandatory risk based contributions will give institutions incentives to limit their risk-taking as well as mitigating moral hazard.

Since the composition of risk indicators and the calculation formula in its current form have not been tested with real data in member states, we think that the final version of the Guidelines must leave room for national flexibility, both in terms of the composition of core and additional risk indicators and in the design of the ARS/ARW.

In our view, the primary objective of risk based contributions should be to distribute the expected costs of each national DGS as fairly as possible based on the risk profile of each institution rather than to accomplish full harmonization.

Q2. Do you consider the level of detail of these draft Guidelines to be appropriate?

The SNDO considers the overall level of detail to be acceptable, but would like to point out that the flexible 25 percent (at least) must be retained or possibly even increased. Each member state is yet to design the specificities of the calculation formula and prior to having done that it is difficult to predict the outcome of those formulas. Therefore, to avoid distorted results, (more) flexibility must be allowed to make the necessary adjustments to accommodate national banking characteristics (at least until the Guidelines are up for review by the EBA in 2017).

Q3. Is the proposed formula for calculating contributions to DGS sufficiently clear and transparent?

We consider the formula and its components to be both clear and transparent since it to a large extent enables member institutions to verify the result of the calculations. Further, the proposed bottom-up approach makes the formula easy to understand.

The SNDO supports the possibility for member states to design the components of ARW as well as the adjustment factor, μ , since it allows for necessary national adjustments.

Q4. Considering the need for sufficient risk differentiation and consistency across the EU, do you agree on the minimum risk interval (75%-150%) proposed in these Guidelines?

The SNDO is not convinced that the proposed minimum interval is wide enough to provide sufficient incentives for institutions to reduce risk.

In countries (like Sweden) where the banking market is heterogeneous in the sense that there are a few very large banks on the one hand and a number of relatively small institutions on the other, it is reasonable to assume that the risk profiles of those institutions are very different. We think that to be able to fully capture the diverse risk profiles of institutions and at the same time provide risk mitigating incentive the minimum interval should be wider.

Q5. Do you agree with the core risk indicators proposed in these Guidelines? If not, please specify your reasons and suggest alternative indicators that can be applied to institutions in all Member States. Do you foresee any unintended consequences that could stem from the suggested indicators?

The core risk indicators follow a generally accepted credit risk assessment methodology, which gives them credibility. The composition of indicators must not produce results that are in conflict with other assessments of an institution's risk made by for instance the competent authority. To be certain this is not the case, the indicators and their respective weights need to be tested nationally.

To find a model which is perfect in every regard is obviously not possible but we would once again like to point out that since the proposed composition and minimum weights of indicators have not been tested with real data, flexibility in this regard too is important.

Q6. Do you agree with the option to use either capital coverage ratio or Common Equity Tier 1 ratio as a measure of capital? Would you favor one of these indicator rather than the other, and why?

The SNDO does not have a strong opinion on this matter.

Q7. Are there any particular types of institutions for which the core risk indicators specified in these Guidelines are not available due to the legal characteristics or supervisory regime of these institutions? Please describe the reasons why these core indicators are not available.

N/A

Q8. Do you think that more guidance, or specific thresholds, should be provided in these Guidelines with regard to calibration of buckets for risk indicators, or minimum and maximum values for a sliding scale approach?

No, more guidance is not needed.

Questions related to the Impact Assessment

Q9. Do you agree with our analysis of the impact of the proposals in this Consultation Paper? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?

We have no comment on the impact assessment.



Helena Persson, *Acting head of Financial Stability and
Consumer Protection Department*