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Ms Kristin Halvorsen,  
Ministry of Finance,  
Akersg. 40,  
PO Box 8008 Dep,  
N-0030 Oslo,

**Harmonised coverage level of €100,000 for EU/EEA Deposit Guarantee Schemes**

Dear Minister Halvorsen,

I refer to your letter of 4th September 2009 and would like to assure you that the issue of a full harmonisation of the coverage level of Deposit Guarantee Schemes (DGS) at € 100 000 as introduced by Directive 2009/14/EC has been closely examined by the European Commission (during the negotiations of the Directive as well as in the aftermath of the financial crisis). My services have also looked at the specific Norwegian proposal to implement Directive 2009/14/EC into the EEA *acquis* in a manner which would amend substantially one of the Directives' key features. Our position on maintaining a higher coverage level is based on the following important observations:

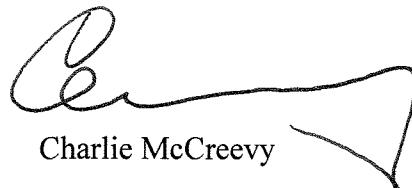
- Contrary to the Commission's proposal, the Council and European Parliament have been determined to move away in the directive from a minimum harmonisation of the coverage level to a fully harmonised amount which will be fixed within the whole Community. The consequence of this conscious decision is that no Member State will be allowed to offer a higher/lower level of protection after the implementation deadline of end 2010.
- A general exemption from the harmonised coverage level would not only render the "grandfathering" clause meaningless but also run counter to the objective of maximum harmonisation of the coverage level adopted by the competent EU institutions.
- During the negotiations of the Directive, the European Parliament and the Council, having been fully aware of the higher Norwegian (and also the Italian) coverage levels, were of the view that competition could not be distorted by different levels of protection. If a neighbouring EEA country could apply a 135% higher coverage level, this would lead to a significant competitive distortion, in particular in the other bordering Nordic Member States. Thus, the aim of maximum harmonisation would be rendered meaningless.

I would like to inform you that the current review of the EU legislation on DGS will deal with the question if a harmonised coverage level is appropriate to ensure consumer protection and financial stability and to avoid cross-border distortions between Member States. However, the forthcoming report by the Commission on these issues is very unlikely to propose a solution as envisaged by Norway, which would increase competitive distortions instead of mitigating them.

In your letter you propose "topping up" and an export ban as remedies for competitive distortions. However, the introduction of a high, but harmonised coverage level already facilitates the application of the directive in other areas as it *de facto* resolves some issues, e.g. topping-up. From a European perspective topping-up agreements pose difficulties as they introduce a discrepancy in the European financial safety net framework which is largely based on the home country model. It might be difficult to conclude a topping-up agreement if the host scheme would carry a substantial part of the costs in case of a failure, but had no supervisory responsibilities over the branch or any involvement in the winding up. Furthermore, it might be inappropriate to leave an important element of the financial safety net to the choice of the bank which could lead to opportunistic behaviour (e.g. topping up in schemes with high coverage and low ex-ante premium). These arguments plead for removing topping-up and for full application of the home country principle – which will effectively be in place with the full harmonisation of the coverage level as of end 2010. In view of these facts and arguments, maintaining or re-introducing beyond 2010 a topping-up facility into the Norwegian scheme, together with an export ban, does not seem appropriate.

Finally, according to our information, the average deposit in Norway amounts to almost € 33 000. This seems to suggest that the bulk of Norwegian depositors would not face a decrease of effective deposit protection if Norway was to limit its deposit protection to the required € 100 000 end 2010. It appears that a level of € 100 000 would adequately reflect the general level of deposits in Norway and ensure sufficient consumer protection. Against this background, I am confident that Norway will present and explain in an appropriate way the forthcoming changes in the DGS field to Norwegian consumers and allay any un-substantiated fears which might perhaps exist among Norwegian depositors.

Yours sincerely,



Charlie McCreevy