



EFDI Position Paper

Cooperation of DGSs with other Financial Safety Net Participants

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Introduction

In today's complex financial landscape, efficient and effective collaboration between Deposit Guarantee Schemes ¹(DGSs) and other Financial Safety Net (FSN) participants is essential to protect depositors and maintain financial stability. As key components of the safety net, DGSs play a critical role during financial crises, especially in depositor payouts, failure prevention and in the resolution of credit institutions as well as with the other tools made available by legislation. DGSs rely on strong cooperation with key FSN participants, such as Central Banks, Supervisory Authorities, and Resolution Authorities, to ensure a coordinated and effective response during crises. These partnerships are essential for accessing critical information, aligning actions, and maintaining overall financial stability.

A well-defined framework for ongoing cooperation and efficient information-sharing among DGSs and other FSN participants is essential to ensure seamless collaboration, particularly in times of crisis where timing and coordinated action are crucial. Strong cooperation allows DGSs to enhance their crisis-response capabilities, tap into the expertise and resources of other FSN participants, and enable smoother and faster decision-making processes.

The objective of this paper is to analyse how DGSs interact with Regulators, Supervisors, and Resolution Authorities across various jurisdictions. Specifically, it aims to:

- Gain insight if both formal and informal information-sharing arrangements exist, including the legal basis for these exchanges;
- Identify the types of data shared, such as bank reports and supervisory reports, and whether there are regular meetings and, if so, how frequent;
- Explore the coordination in activities related to payout and resolution processes,
- Assess the obstacles for sharing information;
- Examine cooperation between DGSs and other FSN participants during stress-testing exercises.

In addition, this paper seeks to support DGSs in enhancing their cooperation frameworks with other FSN participants in the light of the new tasks proposed in the European Commission's recent Crisis Management and Deposit Insurance (CMDI²) package reform still under discussion. The Commission proposals included in the CMDI framework aim to strengthen the existing arrangements for managing failing banks, particularly smaller and medium-sized institutions, to improve financial stability and depositor confidence while reducing reliance on public funds.

By aligning their cooperation frameworks accordingly, DGSs can better support the EU's objectives for a cohesive crisis management framework, which promotes financial stability, protects depositors, and minimizes taxpayer exposure.

Finally, this paper aims to identify areas for potential improvement for cooperation between DGSs and other FSN participants that could help to enhance the resilience and effectiveness of the overall financial safety net.

Definitions used in this paper refer to those defined in [Directive 2014/49/EU on deposit guarantee schemes](#) ("DGSD")³. These definitions are further discussed in EFDI Non-Binding Guidance Paper – Covered deposits in the EU: Definition and special cases⁴.

¹ This paper focuses on the collaboration between DGSs and other FSN participants. The relationships between Investor Compensation Schemes (ICSs) and FSN participants may differ and are therefore outside the scope of this paper.

Chapter 1: Methodology

To take stock of the roles, responsibilities, and interactions of DGSs within their national FSN systems and gather views on the potential improvement of cooperation within FSN participants, an EFDI survey was launched on 4 September 2024. Follow up questions were distributed on 16 October 2024. This survey provides grounds for further analysis and discussions among EFDI members and for developing a D3I position paper.

The survey contained several closed and open questions regarding:

- Set up, governance arrangements for DGSs and their position within the FSN,
- Cooperation arrangements and information sharing with the Supervisory Authority,
- Cooperation arrangements and information sharing with the Resolution Authority,
- Cooperation arrangements and information sharing with the Regulator,
- Cooperation arrangements and information sharing with the Central Bank (in a role other than Supervisory or Resolution Authority),
- Supplementary questions relating to the statistical classification of DGSs, assessment of the effectiveness of confidentiality arrangements, examples of how informal arrangements work in practice, and areas of potential for improvement in the cooperation between DGSs and other FSN participants.

A total of 25 DGSs⁵ responded to the survey, among which:

- 23 DGSs from EU jurisdictions of which 17 from the Eurozone area;
- 2 DGS from a non-EU/EEA jurisdiction.

The initial survey results were discussed by members of the EFDI D3I Working Group at its meeting in Prague, 4 October 2024. Survey results with the main findings and draft conclusions were presented to the EU Committee in Amsterdam, 25 October 2024. D3I reviewed the first draft paper at its meeting on 21 February 2025. The draft was submitted to EFDI EU Committee for comments on 23 April 2025.

² The proposal for a Crisis Management and Deposit Insurance Framework by the European Commission on 18 April 2023. Link: https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2250

³ Link: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0049>

⁴ https://drive.google.com/file/d/1eSxBHQvnxTwaYEonji36VxFqCfa_A900/view

⁵ Responding DGSs: BE, BG, CZ, CY, DE [EDB], DE [BVR], ES, FI, FR, GR, HR, HU, IT [FITD], IT [FGDCC], LI, LT, LV, LU, NL, NO, PL, RO, SI, SE, SK.

Chapter 2: Main Findings

2.1 Set up, Governance arrangements and Position of DGSs within FSN

Section A of the questionnaire focused on the DGSs' position in the FSN. The DGSD does not specify a required legal form for a DGS and thus allows Member States to adopt their own approaches.

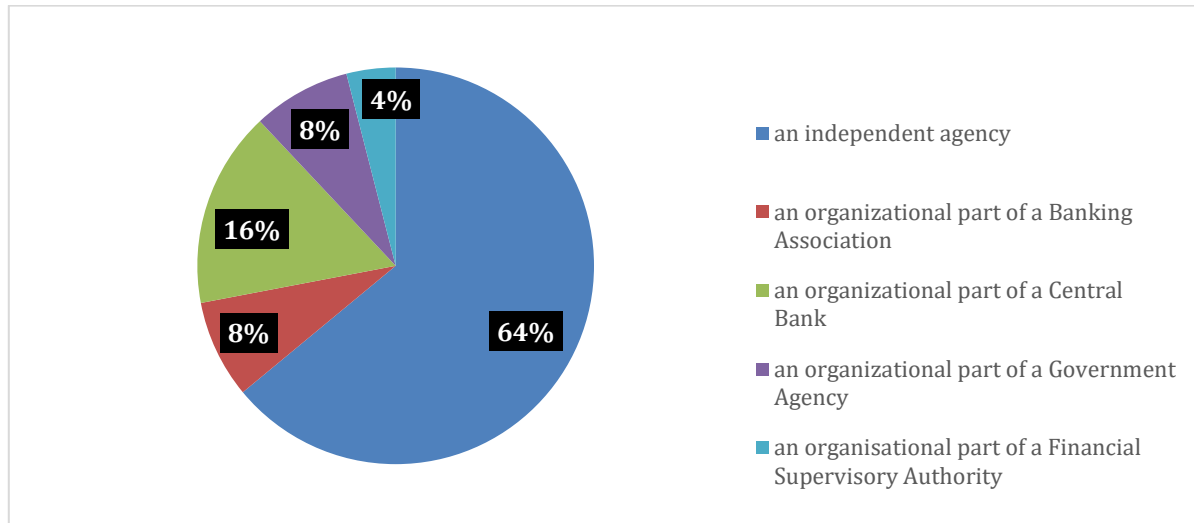
Nearly three-quarters of the respondents identify themselves as public institutions, while the remaining participants represent private DGSs. The criteria applied for classifying those institutions as public or private vary depending on the approach adopted. Typically, public institutions are established by law or recognised as legal entities under public law. Sometimes, a DGS may operate as a private company with an official mandate. In other Member States, a DGS set up by the government and administered independently can equally qualify as a private institution.

The DGS's position in the FSN varies as it is often an independent agency. In this respect, 64% of respondents designate themselves as an independent agency within the FSN. Those not designated as independent agencies (16%) are an organisational part of the Central Bank. This may not be a surprise since a movement towards Central Banks taking on additional functions has been a trend post the global financial crisis, as it is the case for resolution functions.

When DGSs operate as part of another FSN participant, it is common to share human and management resources, with costs charged back to the DGS. In these cases, Central Bank staff may handle daily operational tasks for the DGS. Alternatively, some DGSs assign decision-making to separate committees that are distinct from other Central Bank committees. Participants can manage potential conflicts of interest and undue influence by establishing necessary 'Chinese walls' between divisions instead of creating separate legal entities for various functions.

In the remaining 20% of cases, DGSs are organized either as private or public entities that are part of, or operate within, broader institutional structures. Among these some private DGSs are independent entities, while others are part of a banking association, either as affiliated entities or wholly owned subsidiaries. Private DGSs—whether independent or associated—are generally governed by bylaws and/or articles of association, in line with the applicable provisions of banking legislation. In many cases, despite their affiliation, these DGSs can be considered operationally independent, particularly when robust governance and administrative arrangements are in place. On the public side, there are DGSs that operate as part of a Financial Supervisory Authority or another government agency. Even in such cases, DGSs may retain operational autonomy in fulfilling their mandate. Regardless of their structural setting—whether public or private, independent or integrated—DGSs' operational independence is often reinforced by a clear legislative framework, which helps ensure their ability to act without undue influence from other FSN participants in individual decision-making processes.

Figure 1: DGS Independence



Source: EFDI D3I survey

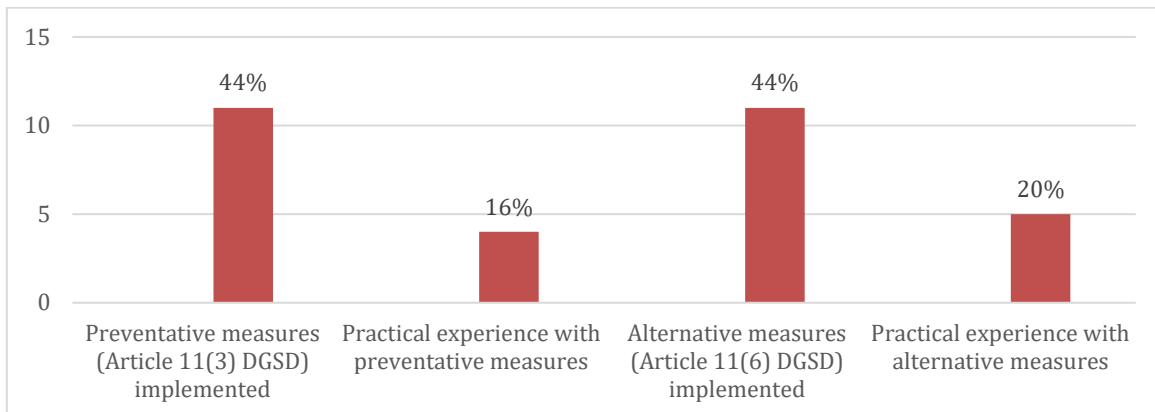
The following questions explore some of the DGS's operational tasks to fulfil its mandate and analyse the survey findings on how its operational independence works in practice. In the first instance, following the 2019 EFDI paper on Alternative Measures to Payout⁶, we examine the implementation of the preventative and alternative measures in domestic law (and the extent to which DSGs that responded have any practical experience to date).

While the DGS will be responsible for the payout mandate, consideration of whether its mandate extends to other solutions and tools to fulfil the "risk minimiser" mandate of the DGSD is to be consistently made. The use of DGS funds is the most critical function in the FSN to ensure depositor protection and contribute to financial stability. The primary use of funds is for a depositor payout as per Art.11(1) of DGSD, which also provides for the DGS contribution to finance resolution (Art. 11.2) and allows, where implemented into national legislation, preventative and alternative measures, respectively relating to: the use of DGS funds as per Art.11(3) to avoid a bank failure in consultation with the Resolution Authority and the Competent Authority (preventative measures); the use of resources for alternative measures that could ensure access to covered deposits in national insolvency proceedings through a 'transfer of assets and liabilities' or 'deposit book transfers' following Art.11(6).

Complementing the range of powers in some Member States before a bank fails or is likely to fail would normally reside with the national Resolution Authority. However, not all Member States have introduced preventative and alternative measures into domestic law. The number of DGSs that have implemented both preventative and alternative measures into national law stands at 44% of the respondents to the survey. Of those respondents who have introduced such measures, approximately 36% have experience in Art. 11(3) measures (16% of all respondents), and 45% have experience using the Art. 11(6) measures (20% of all respondents).

⁶ EFDI State of Play and Non-Binding Guidance Paper: Deposit Guarantee Schemes' Alternative Measures to Pay-Out for Effective Banking Crisis Solution, 7th November 2019

Figure 2: Implementation of Preventative and Alternative Measures



Source: EFDI D3I survey

The capacity to undertake on-site examinations of member institutions is another aspect of the role of the DGS within the FSN, which when allowed, aims to ensure that the DGS can execute its function in an orderly manner. Legislation primarily grants the authority to conduct on-site examinations. Of the 25 respondents, as a whole, to the survey, 20 respondents were able to undertake on-site examinations either directly or indirectly. Among them, 17 respondents have operational independence to carry out those examinations. In part, on-site examinations form a basis for the broad information-sharing responsibilities that are in place between the different parts of the FSN participants. In general, on-site examination is useful in assessing the reliability of depositor information in the Single Customer View (SCV) file, for the following reasons:

- To cross match the content of the SCV file with internal databases and documentation of the credit institution;
- To check whether all relevant deposits and depositors are included in the SCV file, per the legal and/or DGS requirements; and/or
- To take the opportunity to address potential risks and obstacles to an orderly payout by assessing the business continuity plan for the SCV file creation process.

The survey shows that most respondents (19 of the 25) are not the Resolution Authority in their respective FSN. However, over half of the respondents (14 of the 25) administer and manage the national resolution financing arrangement⁷ including collecting premiums, investing funds, and securing additional financing when necessary. Out of 6 DGS that are Resolution Authorities, 5 administer and manage the national resolution financing arrangements. In this context it is important to note eight of the 14 respondents are also participating Member States of the European Banking Union and mutualise resolution funds with the Single Resolution Fund.

The survey also explores the composition of the governing body of the DGS since the composition may influence its operational independence in managing conflicts of interest and external influence on how the DGS fulfils its mandate promptly, for example. Equally, the composition of the DGSs governing body may influence on how information is shared between the FSN participants, formally or informally, as explored later in the survey. Overall, it is evident from the survey results that the composition of the Board of the DGS is diverse. The number of Board members is predetermined and re-election rules are in place.

⁷ Article 100, DIRECTIVE 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council

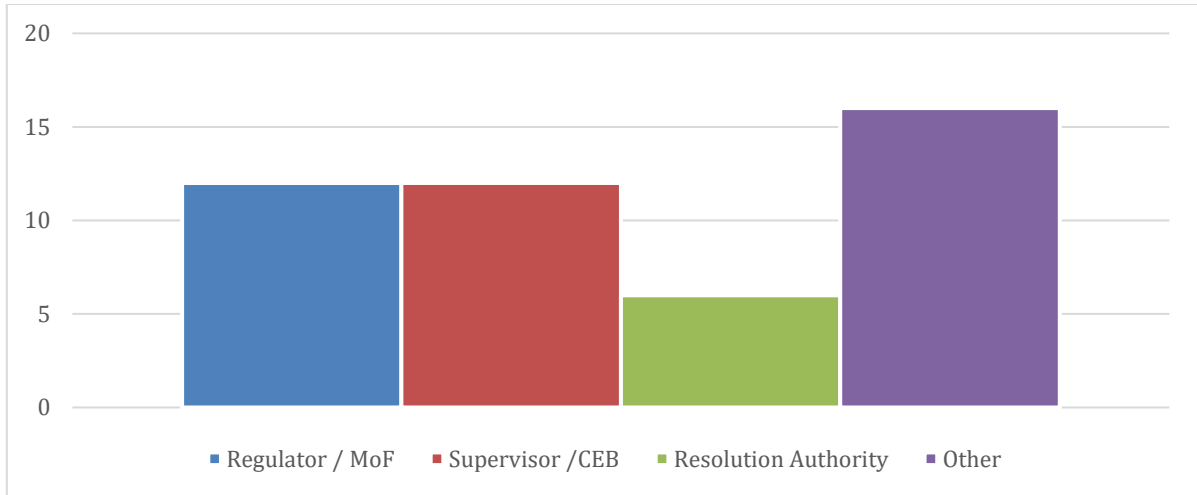
Most responses indicate that the governing body of the DGS includes at least one other participant from the FSN. Around half the respondents indicated that the governing body comprises a representative of the Regulator and/or Ministry of Finance. In instances where the DGS and the ICS are combined, representatives of both the credit institution and non-credit institution industries can make up part of the Board. However, where the DGS designates itself as a private DGS, the Regulator/Minister of Finance is not on the governing body of the DGS or this is less commonly the case.

It is useful to note that four of the respondents indicated that they do not have any participant of the FSN and external participants on the governing body. Three respondents indicated that they have the full range of participants from the FSN and industry association members on the governing body. In the case of Latvia, the Council of the Central Bank of Latvia decides membership of the internal Resolution Committee assigned for deciding resolution and depositor disbursement decisions.

A general conclusion may be that the former group is entirely independent compared to the latter group regarding how decisions are executed according to their mandate. At the same time, no participant of the FSN or external participants on the Board of the DGS may signal a very high level of operational independence. DGSs with membership from the FSN may benefit from timely coordination of activities and gain deeper insights into risk and vulnerabilities that lead to improved information sharing. For example, a DGS that does have a wider membership of other FSN participants may not face the same obstacles to the sharing of information due to confidentiality constraints that may exist where membership is made up of member institutions. However, potential conflict of interests in private DGSs that can arise are addressed in practical ways. For instance, in private DGSs representatives of the member credit institution subject to interventions are either not appointed to or removed from the Board for the duration of the credit institution's reconstruction phase [. Survey results also show that a two-tier governance system is common amongst private DGSs to ensure independent scrutiny of operational decision making. Where public DGSs do have external industry representatives on the governing body, restrictions and limitations are likely to be in place as well, to ensure sensitive information is not disclosed to industry representatives.

Private DGSs with no FSN participant on the Board maintain both formal and informal relationship with the Supervisory Authority, the Resolution Authority and the Regulator. These relationships support information sharing and operational coordination, particularly in contexts where the DGS is expected to ensure the efficient execution of the intervention decision. For example, this cooperation may include periodic meetings to exchange information on higher-risk member credit institutions or sharing of supervisory data as input for the DGS risk-based model. However, as these DGSs are not the Designated Authority or the Relevant Authority, their role may be limited, depending on the type of intervention and the national allocation of responsibilities. In some cases, particularly where mandatory interventions (e.g. liquidation or resolution) are involved, the decision is taken solely by the competent authority and communicated to the DGS. In the other context, such as alternative or preventive interventions, the DGS's own statutory bodies may decide on the course of action independently, without input from external authorities. Despite these structural differences, private DGSs can and do maintain effective cooperation frameworks with FSN participants. To further enhance transparency and ensure sustained cooperation, formal MoUs may play a useful role to improve transparency of the input of those private DGSs in the FSN and assist information sharing. For instance, in one case, a formal agreement with the Central Bank enables regular data exchange and provides supervisory inputs to support the DGS's risk-based contribution model.

Figure 3: Composition of Board Members

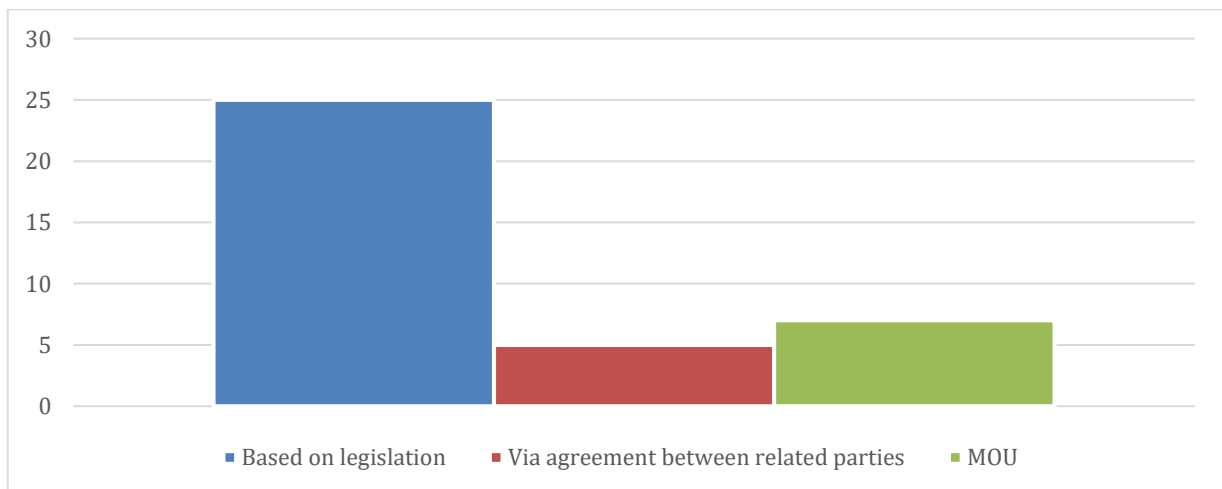


Source: EFDI D3I survey, Annual Reports of DGSs

The survey also asked for clarification on how appointments to the governing body are made. Procedural rules are also in place to decide the composition of the governing body and the requisite chairperson. The Ministry of Finance, Central Bank, or other government entities appoint the members of the DGS governing body for a limited duration.

The survey found that DGS respondents have adopted various legal techniques to ensure the confidentiality of information sharing. Confidentiality arrangements are regulated at the national level. This complies with DGSD Art.4(9) relating to confidentiality of depositor accounts and the processing of such data in accordance with Directive 95/46/EC. Art. 56 CRD 2013/36 also requires authorities to be able to confidentially exchange information with those responsible for direction supervision (Art.56(a)), and also with authorities or bodies responsible for maintaining the stability of the financial system in Member States (Art.56(b)), and contractual or institutional protection schemes (Art.56 (d)). CRD 2013/36 also confers discretion to permit the exchange of information between the Competent Authorities with oversight bodies in Member States (Art. 57(1)(a)(c)) in accordance with Art.57(2).

Figure 4: Confidentiality of information



Source: EFDI D3I survey

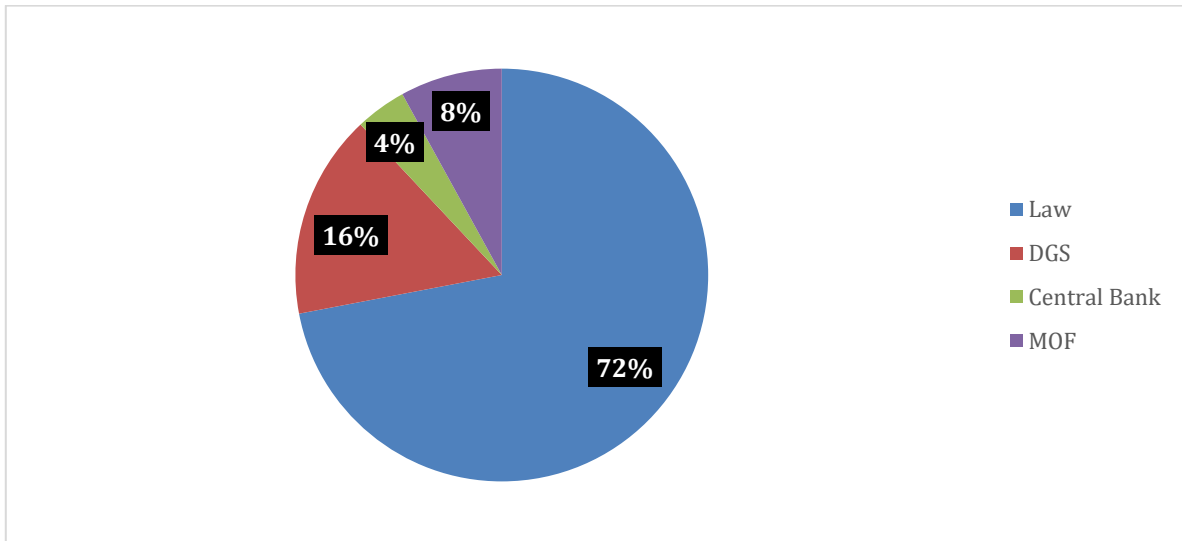
All 25 respondents confirmed that legislation ensures confidentiality. Five respondents also mentioned that they rely on agreements to safeguard this confidentiality. In these cases, the DGS actively engages service providers through contracts to fulfil its mandate. A slightly higher number of respondents (seven) also indicated using MoUs to ensure the confidentiality of information sharing. It is evident that while legislation safeguards confidentiality, additional measures are implemented to address specific instances and tasks. For example, information sharing, in circumstances considered expedient for effective decision making that would otherwise be prohibited due to pre-arranged confidentiality agreements.

The responsibility for administering the DGS varies among survey respondents, with the Designated Authority (DGSDA) being the DGS in most cases (56%). However, the Designated Authority can change depending on the location of the DGS. In such instances, the Designated Authority can be the Central Bank (20%), Financial Supervisory Authority (16%) and Ministry of Finance (8%). The findings indicate a close correlation with the findings of the independence of the DGS. In view of this, the findings reveal a contrasting view regarding who is designated as the Relevant Administrative Authority under Article 3 of the DGSD, compared to Article 2(1)(8)(a), which determines "unavailable deposits". For the majority of respondents, the Relevant Authority is the Central Bank (64%), followed by the Financial Supervisory Authority (28%), the MoF (4%) and the DGS (4%) of respondents. In cases where the Relevant Authority is either the DGS or the MoF, the decision is made in cooperation with or based on the recommendation of the Financial Supervisory Authority. This would suggest that operational decision making for critical decisions are mostly within the discretion of the Central Bank or Financial Supervisory Authority. In accordance with the BRRD Art. 3(3) national arrangements regarding designation of Resolution Authority within the FSN can vary. It is necessary to only ensure appropriate "Chinese walls" and separate reporting lines are in place to safeguard operational independence and avoid conflict of interests, and ensure the exchange of information and cooperation without prejudice.

Regarding the crisis management arrangements and the DGS's role in crisis preparedness and management, in most cases (15 of the 25 respondents), a standing inter-agency committee for crisis management is absent. Where a crisis management committee is present, just over half (eight of the 15 respondents) indicate that the DGS is a member of such a committee. Where a standing crisis management committee is not present, there is, nonetheless, evidence of informal communication arrangements (predominantly within the Central Bank) on an *ad hoc* basis in place. However, in all but two instances, the DGS's observations (in the form of advice and opinions) are formally presented to the crisis management committee by the Central Bank/Ministry of Finance.

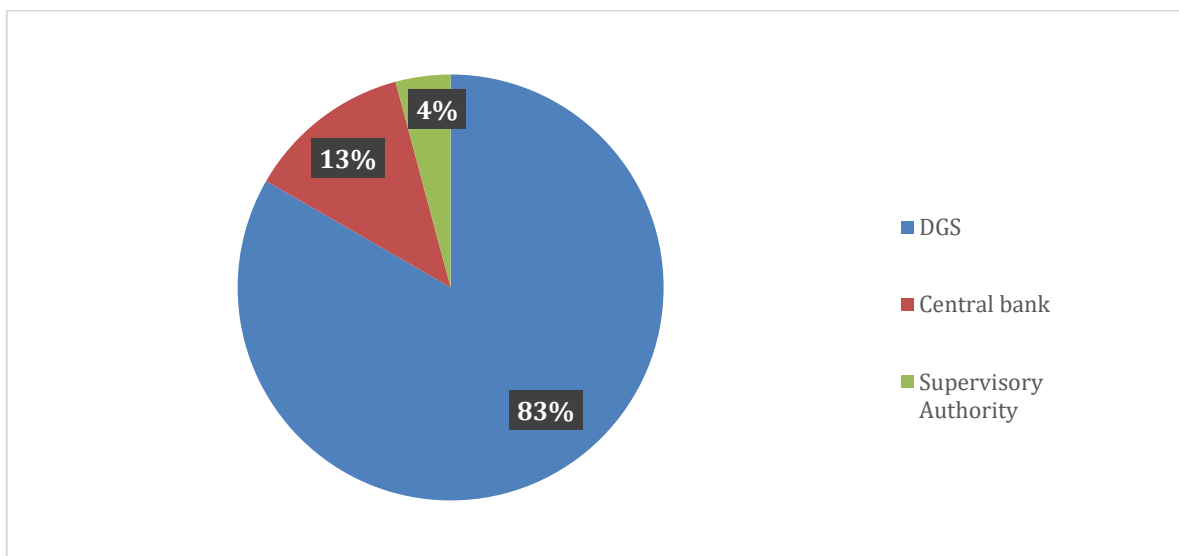
The target level for the DGS fund is mainly set by law (72% of respondents), and only in 16% of respondents' cases are they set by the DGS. In certain cases, the minimum target level is set by law, but the Board of the DGS may introduce higher or maximum target level. However, the DGS is designated in most responses (83%) as responsible for setting risk-based premiums for its membership.

Figure 5: Authority responsible for setting the target level of DGS



Source: EFDI D3I survey

Figure 6: Authority responsible for calculating risk-based contributions



Source: EFDI D3I survey

The survey findings show that the DGS is generally accountable to an external participant of the FSN. The DGS is primarily accountable to the Ministry of Finance (10 of the 25 respondents), followed by the Central Bank (eight of the 25 respondents). External accountability is an essential part of ensuring sound governance and effectiveness of operational practices. It is common practice for DGSs to disseminate information about such matters to the public through an annual report or as part of another FSN participant’s annual statement, when the DGSs functions are integrated.

2.2 Cooperation arrangements and information sharing with the Supervisory Authority

Financial Supervisory Authorities (or 'Supervisory Authorities' in short)⁸ play a crucial role in maintaining financial stability as they have detailed and up-to-date information on credit institutions and financial markets, as well as insight into emerging trends and risks in financial markets. Therefore, cooperation and information sharing with Supervisory Authorities are essential for the DGSs.

Results of the survey indicate that in most jurisdictions, the Central Bank serves as the Supervisory Authority. However, in nine jurisdictions, the Supervisory Authority is a separate independent entity from the other FSN participants.

The framework for cooperation between DGSs and Supervisory Authorities is typically regulated by law and often supplemented by informal cooperation. Regular meetings between DGS and Supervisory Authorities are common, though their frequency is not usually predefined. Annual, semi-annual, bi-monthly and ad-hoc meetings were the respondents' most frequently mentioned practices.

In a few cases, DGSs have supplementary MoUs or legal agreements with Supervisory Authorities, regulating their relationship in more detail. For example, defining the scope of a data set to be shared, reporting deadlines, designating personal contact details for specific topics.

Sharing of Supervisory information with DGSs is a common practice in most jurisdictions. However, the survey revealed that not all DGSs receive data from the Supervisory Authority to calculate risk-based contributions. In such cases, credit institutions report the required data directly to the DGS, or in exceptional instances, risk-based contributions are calculated by the Supervisory Authority.

Although the involvement of the Supervisory Authority in DGS stress testing is not a rule in all jurisdictions, final results are usually shared with them even if they do not participate. The majority of DGSs reported no significant issues in stress test cooperation, though some DGSs identified areas for improvements, such as communication.

Almost all DGSs receive an early warning from the Supervisory Authority before a payout situation occurs. However, the nature and content of the notification differs between jurisdictions and in some cases remain informal.

2.3 Cooperation arrangements and information sharing with the Resolution Authority

Under the BRRD, each EU jurisdiction is required to establish a Resolution Authority. It is upon the discretion of each EU Member State whether the Resolution Authority powers are assigned to a newly established authority, or to an existing organisation, such as the Central Bank. Furthermore, the Resolution Authority powers can be shared between multiple organisations with responsibilities such as resolution planning and execution of resolution actions allocated to different entities. According to the survey results, in the majority of the respondent's jurisdictions (16 of the 25 respondents), the Central Bank serves as the Resolution Authority.

⁸ In this paper, 'Financial Supervisory Authority' or 'Supervisory Authority' refers to the national competent authority as defined in point (40) of Article 4(1) of Regulation (EU) No 575/2013.

DGSs are obliged to contribute to resolution financing if the relevant legal requirements are met. However, there are other situations in which deposit insurance and resolution closely interact, making cooperation arrangements and information sharing essential.

The focus of the cooperation between DGSs and Resolution Authorities relates to information sharing, which is regulated by law in many jurisdictions. In some jurisdictions, this is further formalized through a cooperation agreement. Several respondents emphasized the existence of informal cooperation beyond the legal and contractual obligations.

The majority of DGSs hold regular meetings with the Resolution Authority, though the frequency is not usually predefined. Common practices, include annual, semi-annual, quarterly and ad-hoc meetings.

Several DGSs receive information about the individual or group level resolution strategy (primary and back-up) of a given credit institution or group either directly from the Resolution Authority or through the resolution colleges.⁹ While certain private DGSs do not receive this information at all.

While the involvement of the Resolution Authority in DGS stress testing is not a standard practice across all jurisdictions, final results are usually shared with them even if they do not participate in it. The majority of DGSs reported no significant issues in stress test cooperation, though, some DGSs identified areas for improvements, such as communication, information sharing and valuation. In more than 75% of the cases, the DGS and the Resolution Authority conduct follow up discussions on the outcome of the stress test to enhance coordination and crisis preparedness.

2.4 Cooperation arrangements and information sharing with the Regulator

Generally, the Ministry of Finance is responsible for implementing regulations, including the transposition of the DGSD into national law. However, in some jurisdictions, this role is performed by other entities, such as the Ministry for National Economy, the Ministry of General Government Affairs and Finance, or the Ministry of Economy, Trade, and Business. This responsibility is assigned to the Central Bank in a few Member States.

According to the responses received, cooperation with the Regulator is, in most cases, based on legal requirements, often complemented by informal cooperation and/or representation of one or more member(s) of the Regulator in the DGS Board. Among the 17 DGSs that stated legal requirements as the basis of their cooperation, three also cooperate informally, three have representatives of the Regulator in their DGS Board, and three reported using all three methods. Additionally, two of those DGSs indicated that on top of that they use formal binding agreements and MoUs as a method of cooperation. For the remaining DGSs, cooperation is based on a combination of these methods, excluding legal requirements. Another DGS mentioned that cooperation was limited to the involvement of legal experts of the DGS in drafting regulation, which can be interpreted as being based on legal requirements, a formal agreement or an MoU.

A large majority of the DGSs reported having either regular meetings with the Regulator (14) or ad hoc meetings, if required (three respondents). As indicated by some of the DGSs, the level of staff representatives varies depending on the subject of the meeting. Issues discussed between institutions, include ensuring effective communication and collaboration, reviewing performance management, discussing regulatory issues and fulfilment of the

⁹ The role, functions and composition of resolution colleges are regulated in Art 88 of BRRD.

DGS's mandate, implementing EU legislation with impact on DGS and reviewing the CMDI proposal.

Regarding meeting frequency, most DGSs (seven) hold meetings on an ad hoc basis either in general, or sometimes in addition to the regularly scheduled meetings. The frequency of meetings ranges from monthly to several times a year or yearly, with none of these being considered predominant.

Most Regulators consult with the respective DGS to plan regulatory or legal proposals that would impact the DGS. However, about one third of DGSs stated this being a possibility, not a rule. Some DGSs were more specific on the consultation process, informing us of their participation in open public consultations of new legislation and guidance, in working groups on legal proposals or in written procedures between the DGS and the Regulator accompanied by formal meetings. Some of the DGSs may comment on proposals for new legislation during the preparatory phase, provide suggestions for amendments or even cooperate with the Regulator to the extent that the DGS itself prepares draft legislation. Most of the DGSs are involved in the process by the Regulator, however one DGS indicated that the consultation takes place on its own request.

The Regulator participated in stress test exercises of 11 DGSs, primarily in an observer role, though in some cases it assumed the role it would play in a real case scenario. In one case, the Regulator participated in a multilateral stress test exercise. While another DGS stated that the Regulator was only informed of the stress test exercise without its direct involvement. Three DGSs specified that the Regulator's role was limited to that of an observer but noted that its role could change depending on the scope of the exercise. One DGS mentioned an indirect involvement through the Regulator's membership in the DGS Board. In the case of another DGS, the Regulator was involved in stress test exercises as a consultant to review the quality of existing internal procedures and decision-making processes. Finally, one DGS highlighted the Regulator's involvement in public communication and payout-process reviews as a part of the stress test.

Nine DGSs reported that they had encountered no or no significant issues when cooperating with the Regulator during stress test exercises, with one DGS explicitly noting a positive experience. However, not all DGSs provided input on this question or wished to share details.

More than half of the DGSs share their stress test results with the Regulator. Among those DGSs, only five have established follow-up procedures, including for instance, discussions of the stress test results, closing meetings to share experiences and recommend improvements of the whole process, communication of an improvement or action plan as well as reporting lessons learned to the Board of the DGS or establishment of a permanent working group that annually reports on stress tests results.

2.5 Cooperation arrangements and information sharing with the Central Bank (beyond their Supervisory and/or Resolution Authority role)

In many EU jurisdictions, the Central Bank has Supervisory and Resolution Authority functions, but other Central Bank functions might also be relevant for DGSs operations, such as Central Bank accounts, asset management, and/or financing arrangements. Therefore, our survey explored the nature of the relationship, cooperation and information sharing between DGSs and these other Central Bank functions.

Several DGSs maintain relationships with the Central Bank beyond its role as a Supervisory or Resolution Authority. The majority of DGSs hold accounts at the Central Bank, which enhances the security of DGS funds domestically and also serves as a reliable mechanism for transfer of funds in case of cross-border payout cooperation between DGSs. Additionally, several DGSs receive macroprudential reports providing valuable insight into financial

stability risks, and assisting DGSs in their various roles, such as risk management, analysis of possible scenarios regarding trends in deposit growths. In five cases, Central Banks offer IT back-up facility for the DGS IT infrastructure to support DGS business continuity and disaster recovery plans and ensuring operational resilience in crisis situations.

DGSs situated within the Central Bank naturally have access to a range of additional services. However, in some jurisdictions independent DGSs also benefit from Central Bank services, such as loan and repo facilities, currency swap facility, asset management of DGSs' funds, access to information sharing platforms, and providing office space to DGS. These services are indicators of Central Banks' commitment to financial stability and support the robustness of the safety net in these jurisdictions, for example, by providing DGSs with liquidity in crisis situations when market-based solutions are not readily available or accessible.

There can be differences in Central Bank liquidity facilities open for DGSs¹⁰, in some instances access is during a crisis situation, in other jurisdictions, these are only backup options for DGSs.

¹⁰ EFDI Position Paper: -Sources of Funding, approved by EU Committee 19 October 2023
<https://docs.google.com/document/d/1kvdHEaO2NkvSwAQ0a8Oa2rt-CWQoxwGy/edit>

Chapter 3: Conclusions

The survey results highlight several key aspects of DGS roles, responsibilities, and interactions within the FSN. They also identify areas where improvements could strengthen their operational effectiveness and preparedness. The findings show that while DGSs operate as independent entities within the FSN, their effectiveness is closely tied to cooperation with other FSN participants, particularly the Supervisors, Resolution Authorities and the Regulator.

1. DGS Independence and Cooperation within the FSN

DGSs act as independent entities with clearly defined legal powers, often as the Designated National Authority. However, they do not control certain critical triggers, such as determining when a credit institution is 'failing or likely to fail', which is usually the responsibility of the Central Bank or Supervisory Authority. This division of responsibilities highlights the importance of close cooperation and information sharing with Supervisors to ensure readiness for rapid intervention.

2. Public or Private Nature of the DGS and Board Composition of DGSs

Based on the responses, public DGS with representatives from other FSN participants in their Board receive more detailed supervisory and resolution related information, while private DGSs with no other FSN participants in their Board may have limited access to these pieces of information. However, effective information sharing depends on the cooperation arrangements in place with FSN participants irrespective of the nature of the DGS. The composition of the Board of the DGS needs to ensure operational decisions are made independently and avoids claims of conflicts of interest and undue influence. In view of this the composition of the Board can be limited for legitimate reasons. Limited composition of the DGS Board may well improve accountability of decision making, which may well be compromised with the presence of either the Supervisory and or Resolution Authority representation on the DGS Board. In respect of the exercise of alternative and preventive measures that reside in some national systems. In some Member States an inter-agency crisis management committee composed of the FSN participants is established to ensure dialogue and information sharing. On the other hand, member states also have in place intra agency crisis management committees. Those measures possibly offset the risks of a narrow Board composition.

As for the regular meetings with Supervisor or Resolution Authority and sharing the outcome of the stress test with other FSN participants, there is no significant difference between public and private DGSs.

3. Target Level and Risk-Based Contributions

For most DGSs, the target fund level is set by national law in compliance with DGSD, making it a regulatory obligation rather than a discretionary decision. However, DGSs retain primary responsibility for setting risk-based contributions, emphasizing their role in ensuring fund soundness. Access to comprehensive data and analytical tools is vital for effectively assessing member institutions' risk profiles.

4. Information Sharing and Transparency

A key concern is that less than one-third of DGSs receive macroprudential or early warning reports from the Supervisor, which is critical for identifying risks that could affect deposit growth and funding strategies. Improved data-sharing protocols and regular updates from the Supervisory Authorities are essential to close this gap. Better access to resolution plans

from the Resolution Authorities and inspection reports from the Supervisors would enhance DGSs capacity for risk assessment and preparedness. As any potential impediments to resolvability can directly impact the DGS's payout and funding strategies, DGSs would benefit from prompt notification by Resolution Authorities.

Moreover, secure data exchange platforms facilitate in the sharing of sensitive information.

Transparency is crucial also in stress testing, where publishing key results fosters public confidence, accountability, and market clarity.

5. Formalizing Cooperation Through Agreements

Most DGSs have formalized cooperation with the other FSN participants through legal requirements or agreements, supported by regular meetings. However, many emphasize the importance of legally binding agreements that clearly define responsibilities, timelines, and data-sharing protocols. These agreements, if reviewed periodically, reflect changes in mandates and lessons learned. Stronger domestic cooperation frameworks may further enhance consistency and effectiveness in this area.

6. Joint Stress Testing and Crisis Preparedness

The design for different types of exercises¹¹ for resolution processes is often led by the Resolution Authorities, with limited DGS involvement. Increasing DGS participation, including joint training sessions, webinars, and tabletop exercises, would improve crisis coordination. On the other side, including Resolution Authorities in DGS own stress test scenarios of resolution-related events such as funding contributions for resolution measures or collaboration in payout situations arising from a failed resolution plan, would help identify potential bottlenecks, improve mutual understanding of processes, and ensure a more realistic approach to resolution planning. A two-way cooperation model—where DGSs participate in Resolution Authority-led tests and vice versa—would foster a holistic approach to crisis preparedness.

However, there is also an example of involving the Regulator as an observer in stress tests even if the Regulator is not part of the stress test scenario which facilitates the better understanding of DGS operations as well as the potential challenges in payout by the Regulator.

To enhance stress test programs¹² is beneficial to involve other FSN participants in their development and execution. Engaging relevant FSN participants may improve organization, cooperation, and test effectiveness, leveraging their specialized knowledge and expertise. Additionally, involving FSN participants as both active participants and independent evaluators may enhance the quality of insights, ensuring meaningful results and actionable lessons learned. Where DGSs operate as private entities or where multiple authorities are involved in the FSN structure, formal cooperation agreements (MoUs) with key FSN participants could enhance coordination. Even in cases where cooperation is strong, formalizing agreements ensures continuity, particularly during personnel changes.

¹¹ EBA/GL/2023/05 Guidelines amending Guidelines EBA/GL/2022/01 on improving resolvability for institutions and resolution authorities under articles 15 and 16 of Directive 2014/59/EU (Resolvability Guidelines) to introduce a new section on resolvability testing.

¹² <https://www.eba.europa.eu/publications-and-media/press-releases/eba-publishes-its-peer-review-performance-stress-tests-deposit-guarantee-schemes>

7. Regulatory Engagement and Consultation

Though consultations on legislative or regulatory proposals are a common practice, not all DGSs are consulted on all DGS-related topics, including domestic and EU-level regulatory developments. Regular meetings would benefit both DGSs and Regulators, ensuring DGSs are informed of upcoming measures and Regulators understand their practical implications.

8. Holistic Approach to Public Interest Assessment

Collaboration between DGSs and Resolution Authorities should be enhanced to refine the application of the Public Interest Assessment (PIA). Not all large credit institutions are necessarily to be resolved via resolution tools, and not all small credit institutions should default to DGS payout. Involving DGSs earlier in the PIA process would ensure that potential payout scenarios and their financial and operational implications are properly considered.

9. Cross-Border Cooperation and Convergence

Improved coordination with the FSN participants and equal access to relevant information across jurisdictions could drive greater convergence in DGS operating conditions. This would strengthen cross-border cooperation between DGSs, enhance collaboration in stress-testing exercises, and facilitate smoother coordination in real-life crisis scenarios. Such convergence is essential for a more effective and harmonized response to financial stability challenges at the European level.

Moreover, from an operational point of view, maintaining an account at the Central Bank is of strategic importance in cross-border scenarios, as such accounts are often the safest and most efficient channels for transferring funds during crises, reducing counterparty and settlement risks and ensuring that funds required for compensation of depositors are readily available.

Overall Insights

The survey results underscore that while DGSs are independent entities with distinct responsibilities, their effectiveness is closely linked to coordination and cooperation with other FSN participants. Key areas for improvement include:

- a) Enhancing information sharing, especially for macroprudential insights and early warnings.
- b) Strengthening operational readiness through efficient cross-border fund transfer mechanisms, such as Central Bank accounts.
- c) Promoting regular coordination to ensure alignment on decision-making processes affecting depositor protection outcomes.
- d) Deepening collaboration with the Regulators and Resolution Authorities, particularly in joint stress testing and PIA processes.

By addressing these areas, DGSs can further improve their preparedness, operational efficiency, and ability to respond effectively to financial crises, particularly in cross-border contexts.

Annex

Questionnaire distributed to EFDI Members.

A.	Basic information about DGS	
1	Is your DGS	a public institution?
		a private institution?
2	Is your DGS	an independent agency?
		an organizational part of Banking Association?
		an organizational part of the Central Bank (CB)?
		an organizational part of the MOF or other government agency?
		other (please specify)
3	Are preventative measures (Article 11(3) DGSD) implemented in local legislation?	
		If yes, does your DGS have practical experience with preventative measures (Article 11(3) DGSD)?
4	Are alternative measures (Article 11(6) DGSD) implemented in local legislation?	
		If yes, does your DGS have practical experience with preventative measures (Article 11(6) DGSD)?
5	Does your DGS have the right to do on-site examination in member institutions?	
		If yes, please briefly explain what gives the right to the DGS to perform such examinations i.e. legal framework, what is the scope of examination, if the DGS has the power to trigger on-site examination on its own or if the DGS needs to get an approval by any other stakeholder first?
		If yes, does the DGS do this a) on its own, b) as part of the examination of other entity (e.g. Supervisor), c) other (please specify)?
6	Is your DGS also a Resolution Authority?	
7	Does your DGS also manage the resolution financing arrangement (e.g. National Resolution Fund or other type of financing arrangements)?	
8	Does your DGS Board include members from:	Regulator / MoF
		Supervisor /CB
		Resolution Authority
		other (please specify)

		Please explain the status of Board members nominated from Regulator/Supervisor/Resolution Authority (e.g. are they "ex-officio" member, the term of their mandate is limited or unlimited)?
9	How is confidentiality of shared information legally addressed?	Based on legislation
		Via agreement between related parties
		MOU
		other (please specify)
10	What is the Designated Authority for the DGS in your jurisdiction?	
11	What is the Relevant Authority in accordance with DGSD Article 3(1) that decides whether the credit institution concerned appears to be unable for the time being, for reasons which are directly related to its financial circumstances, to repay the deposit and the institution has no current prospect of being able to do so.	
12	Is there any standing inter-agency crisis management committee in your jurisdiction?	
		If Yes, what is the role of DGS in a national inter-agency crisis management committee: a) Member b) Observer c) Other (please specify)
		If Yes and the DGS is not a Member or Observer of such crisis management committee who submits advice and opinions on behalf of the DGS?
		If there is no inter-agency crisis management committee, do you have any ad hoc structure (e.g. task force, working group...) for cooperation among FSN participants?
13	Which participant of Financial Safety Net is responsible for setting the DGS target level of Available Financial Means?	
14	Which participant of Financial Safety Net is responsible for calculating the DGS risk-based premiums?	
15	To which participant of Financial Safety Net is your DGS accountable?	
B. Cooperation with the Supervisor		
1	Please indicate the name of the Supervisor and its web site address:	
2	Is the information sharing based on:	formal binding agreement
		MOU
		legal requirements
		informal coordination
		nomination of representative to the DGS Board

	<i>Note: Multiple options may be selected</i>	other (please specify)
3	What information does your DGS share with the Supervisor?	
4	What information does the Supervisor share with your DGS? <i>Note: Multiple options may be selected</i>	basic data regarding member institutions
		data necessary for calculation of DGS contribution
		full range of supervisory data
		supervisory reports
		an alert on the significant deterioration of financial situation or viability of any credit institution
		assessment on the financial situation (Article 2(1) 8(a) DGSD)
		other (please specify)
5	Does your DGS have regular (e.g. annual or more frequent) meetings with the Supervisory Authority?	
		If yes, please explain how often these meetings take place.
6	How does your DGS cooperate in preparing for or during a DGS intervention? Please describe the cooperative efforts involved, such as how do you collaborate on activities like preparing press releases and sharing information for depositors of a failed credit institution, etc.?	
7	How does the cooperation mechanism work if a credit institution does not comply with the obligation's incumbent on it as a member of a DGS (DGSD Art 4(4))?	
8	Describe the cooperation during stress test exercise (e.g. How often do you conduct stress tests that include Supervisors' involvement, does it proactively participate, to what level of decision making is participation required...?)	
9	Does your DGS share the stress test results with the Supervisor? Is there any follow up procedure for a discussion on the stress test results?	
10	What issues did your DGS encounter when cooperating with the Supervisor or conducting stress test exercises?	
C. Cooperation with the Resolution Authority		
1	Please indicate the name of the Resolution Authority and its web site address:	
2	Is the cooperation with the Resolution Authority based on:	formal binding agreement
		MOU
		legal requirements
		informal coordination
		nomination of representative to the DGS Board

	<i>Note: Multiple options may be selected</i>	other (please specify)
3	Does your DGS have regular (e.g. annual or more frequent) meetings with the Resolution Authority?	
		If yes, please explain how often these meetings take place.
4	Does the Resolution Authority share with the DGS the resolution strategy (primary and/or back-up) chosen for an individual credit institution (not only of SFI)?	
5	What issues did your DGS encounter when cooperating with the Resolution Authority or conducting stress test exercises?	
6	Does your DGS share the stress test results with the Resolution Authority? Is there any follow up procedure for discussion on the stress test results?	
D. Cooperation with the Regulator/Legislator		
1	Please indicate the name of the Regulator/Legislator and its web site address:	
2	Is the cooperation with the Regulator based on:	formal binding agreement
		MOU
		legal requirements
		informal coordination
		nomination of representative to the DGS Board
		other (please specify)
3	Does your DGS have regular (annual or more frequent) meetings with the Regulator?	
		If yes, please explain how often these meetings take place.
4	Does the Regulator consult with your DGS legal proposals having impact on your DGS? E.g. is you DGS included in the stakeholders list?	
		If yes, please explain how this consultation takes place.
5	Was the Regulator included in stress test exercises? What was its role?	
6	What issues did your DGS encounter when cooperating with Regulator or conducting stress test exercises?	
7	Does your DGS share the stress test results with the Regulator? Is there any follow up procedure for discussion on the stress test results?	
E. Cooperation with Central Bank other than its Supervisory or Resolution Authority capacity		
1		formal binding agreement

	Is the cooperation with Central Bank other than its Supervisory or Resolution Authority capacity based on: <i>Note: Multiple options may be selected.</i>	MOU legal requirements informal coordination nomination of representative to the DGS Board other (please specify)
2	What is the scope of cooperation with Central Bank other than its Supervisory or Resolution Authority capacity? <i>Note: Multiple options may be selected.</i>	Central Bank account for DGS loan to DGS repo faculty for DGS currency swap for DGS macroprudential issues (e.g. reports, warnings) office space in normal times IT back up facility disaster recovery office other (please specify)
3	What issues did your DGS encounter when cooperating with Central Bank or conducting stress test exercises?	
4	Does your DGS share the stress test results with the Central Bank? Is there any follow up procedure for discussion on the stress test results?	
F	Additional questions	
1	What are the decisive factors when classifying your DGS as private/public? (e.g. DGS established by law, participation of government institution in Board, statistical classification).	
2	Does the statistical classification influence the legal status (as public or private) of DGS?	
3	How do you assess the effectiveness of the confidentiality arrangements currently in place with FSN participants? Have there been any challenges in maintaining confidentiality while ensuring smooth information-sharing?	
4	Many DGSs have mentioned that some form of informal cooperation exists with the Supervisor and other FSN participants. Could you provide specific examples of how these informal arrangements work in practice? How do they enhance or complement the formal information-sharing mechanisms already in place?	
5	What areas do you see as having the most potential for improvement in the cooperation between DGSs and other FSN participants (e.g., Central Banks, financial Supervisory Authorities, Resolution Authorities)? Please feel free to highlight any specific processes, information-sharing mechanisms, or operational frameworks that could be enhanced.	