1. **Apart from the admissibility requirements suggested in the present guidelines, which objective criteria do you think could be applied, notably in order to determine the overall amount of payments to be accepted in a given year, or to be applied to individual banks applying for the option?**

   The complexity, the risk management and sophistication of the different banks and banking groups should be taken into consideration. Bank's that apply traditional bank business models with conservative loan to deposit ratios should be given particular reduction in their contribution to the Depositor Guarantee Schemes as their likelihood of default is much smaller compared to others. Market share / market concentration would need to be taken into consideration too.

2. **Do you agree with these provisions to be included in Payment Commitment Arrangements? Do you think other provisions should be provided?**

   No Comment

3. **Do you agree that a credit institution should pay in cash the Payment Commitment Amount, when its obligations becomes due, within 2 working days at the latest?**

   There needs to be a structured approach to the Payment Commitments, through the exchange of data and ideas between the financial institution and the national Depositor Guarantee Scheme Management. It is commended that a payment schedule is established between the concerned parties to ensure that the liquidity position of the financial institutions is not negatively impacted. Thereby, the financial institution would be able to plan for its financial commitments whilst the Depositor Guarantee Scheme would know what funds are due and plan for their investment.

4. **Do you agree with the option left to the DGS to enter into a Security Financial Collateral Arrangement (full ownership remains with the credit institution) or a Title Transfer Financial Collateral Arrangement (full transfer of ownership)?**

   It is recommended to go for the first option technically known as a Security Financial Collateral Arrangement where the full ownership remains with the credit institution. Any interest earned on the pledged security should also remain with the credit institution.

5. **Do you think other requirements about the choice of the custodians should be provided under these guidelines?**

   Yes, the European Banking Authority should come up with clear guidelines that will apply universally within the European Union, thereby removing the possibility of having different interpretations emerging. The concept of the Single Rule Book should also apply in this area.

6. **Do you agree on the requirements suggested for the eligibility of collateral? Would you suggest other limits on concentration in exposures?**

As regards to the eligibility of collateral and the concentration of exposures needs to be carefully managed. A detailed impact assessment needs to take place and different scenarios need to be analyzed. The diversification of risk by having prime rated collateral pledged with the Depositor Guarantee Scheme is certainly very positive but one needs to look at the current market situations and the realities on the ground. The European Banking industry is seeing an influx of new costly regulations and directives that are going to further strengthen the sector. Due to this influx of regulations, one needs to be very careful that the flow of funds to the real economy remains in place without slowing down the access to finance. The Recast Depositor Guarantee Scheme and the contributions the Single Resolution Fund are going to cost millions of euros in terms of cash contributions and payment commitments.

Any changes in the investment policies and collateral management policies applied by different Member States needs to be carefully phased in over a number of years. The European Banking industry does not afford and more costly regulatory changed done overnight. The industries human and financial resources are currently under strain and cannot afford and further large changes. It is important that the regulatory process is given a pause as the industry adopted the current influx of regulatory requirements. It is a known fact that some small Member States have a high concentration of Government securities as collateral. Any change is policies need to be carefully managed. The investment opportunities in small Member States are very limited. The question of the rating of sovereign securities/ paper needs to be very carefully handled as the impacts would be significant across the board. European legislation should not send wrong messages as regards to the rating and value of sovereign securities.

7. **Do you consider appropriate not to consider the currency of issuance when determining whether debt instruments are correlated to an event of DGS pay-out, be it inside or outside the euro area?**

   Currency / foreign exchange issues need to be carefully factored into the equation as the impacts can be significant. Any changes need to be phased in over a period of time. It is recommended that a detailed Impact Assessment takes placed in coordination with the European Central Bank and the Member States competent authorities/ national Central banks. A percentage change can result into a larger or smaller drain on the Depositor Guarantee Schemes.

8. **Do you consider that the proposed wording correctly applies the concept of proportionality, or whether some limits to concentration should be envisaged also for smaller, locally operating banks?**

   The Depositor Guarantee Scheme is certainly one of the most expensive EU directives that run into millions of euros. A clear impact assessment needs to take place by looking as different scenarios. One cannot rush into the conclusion of just changing a couple of words or changing concentration risk criteria more information on the ground needs to take place.

9. **Do you agree with the criteria on the eligibility of the collateral provided in Part 6? Do you think other requirements should be provided in these guidelines on this issue?**

The recommendations in part 6 concerning the criteria for eligibility and management of collateral are good from a theoretical point of view but will cause significant practical problems for small Member State banks that have a high market share and limited investment opportunities. Financial institutions that have a significant market share in small Member States are the main financiers of their national Government securities and contributors to their national Depositor Guarantee Scheme. It is a known fact that the Depositor Guarantee Schemes is small Member States mostly invest in their national Government securities and they (that is financial institutions) offer their national Government securities as promissory commitments. Any changes in portfolio management needs to be faced over time not to be bring to any panic sale of Government securities and causing a sudden fall in the value of their national Government securities. Every step needs to be carefully analyzed as the situations change from one EU Member State to another.

10. **Do you agree with the criteria on the hair cut provided in this Part 7? Do you think there are other requirements which should be provided under these guidelines about this issue?**

No Comment

11. **Do you agree with the prudential approach suggested? Would you suggest further details on the methodology to be applied, and if so which ones?**

The cash contributions and collateral payment commitments vary from one EU Member State to another. In a particular EU Member State the cash contribution is currently 20 per cent whilst the collateral payment commitment is 80 per cent. Within this scenario, it is being heavily recommended that a progressive phased approach is taken in increasing the cash contribution and reducing the collateral commitments over the period 1st March 2016 to the 1st March 2024 as indicated in the table below. This phased approach would be in line with the Recast directive requirement but without undermining the financial stability of small Member States.

Depositor Guarantee Scheme - Phasing of Cash Contributions and Collateral Commitments (Pledged Collateral)

	CASH	**Collateral Commitments (Pledged Collateral)**
By 1 March 2016 (based on end 2015 covered deposits)	25.50%	74.50%
By 1 March 2017 (based on end 2016 covered deposits)	31.00%	69.00%
By 1 March 2018 (based on end 2017 covered deposits)	36.50%	63.50%
By 1 March 2019 (based on end 2018 covered deposits)	42.00%	58.00%
By 1 March 2020 (based on end 2019 covered deposits)	47.50%	52.50%

By 1 March 2021 (based on end 2020 covered deposits)	53.00%	47.00%
By 1 March 2022 (based on end 2021 covered deposits)	58.50%	41.50%
By 1 March 2023 (based on end 2022 covered deposits)	64.00%	36.00%
By 1 March 2024 (based on end 2023 covered deposits)	70.00%	30.00%

A gradual approach is very important since cash contributions are immediately debited to the Profit and Loss Account whilst pledged amounts are treated differently. As regards to the Collateral Commitments, it is recommended that the banks place a note in their financial statements disclosing the value of the assets which have been pledged in favor of the Depositor Guarantee Scheme. Moreover, for regulatory purposes, the value of the pledged assets is deducted from Own Funds, and the Note in the Financial Statements detailing the composition of the bank's CAR clearly illustrated this too.

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