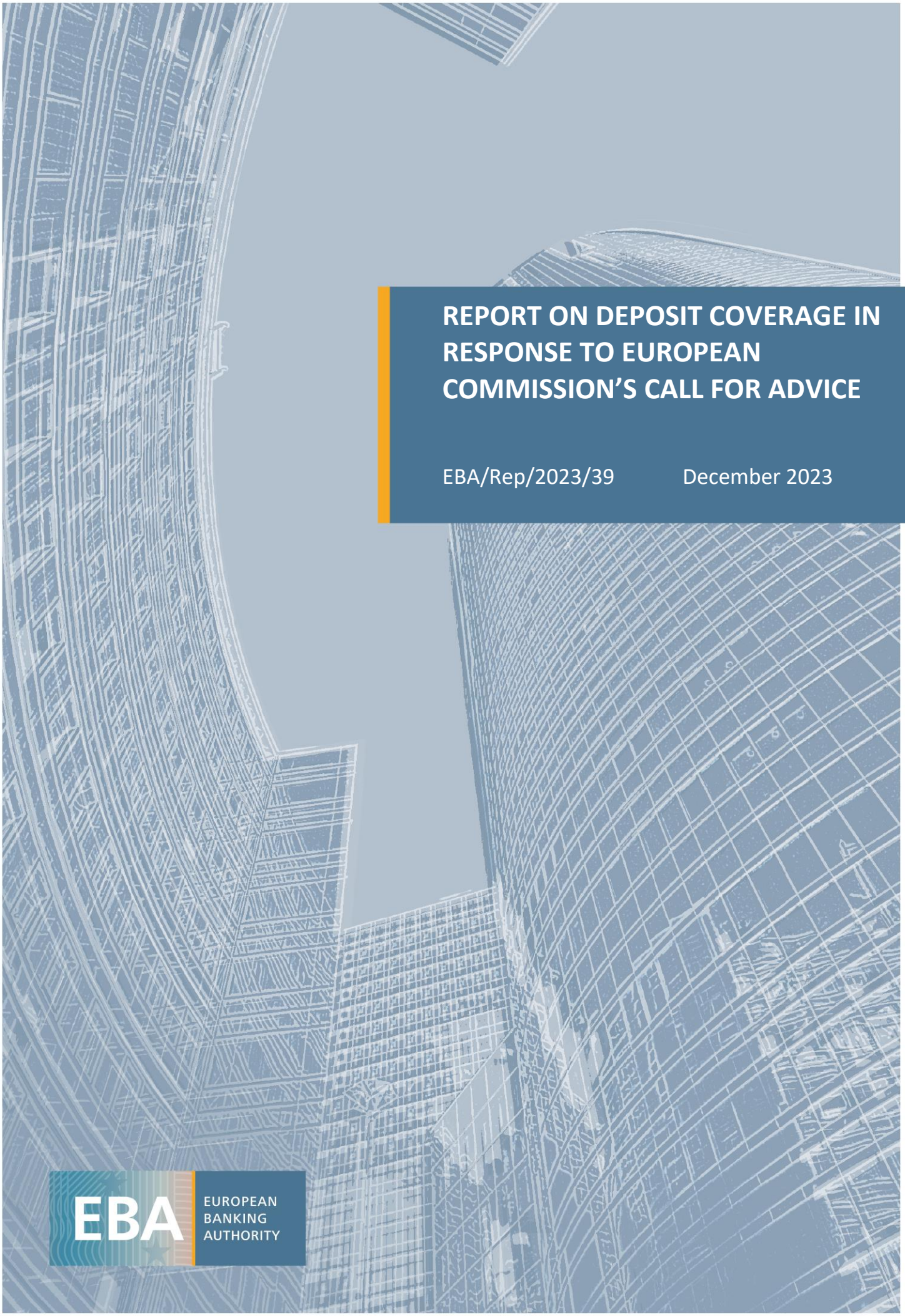

REPORT ON DEPOSIT COVERAGE IN RESPONSE TO EUROPEAN COMMISSION'S CALL FOR ADVICE

EBA/Rep/2023/39 December 2023

EBA EUROPEAN BANKING AUTHORITY

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1. Executive summary

On 18 April 2023, the European Commission (EC) adopted and published a proposal for the review of the existing EU bank crisis management and deposit insurance (CMDI) framework[1]. To inform the review, on 23 June 2023 the EC sent to the EBA a request for data on deposits[2]. In that request, the EC asked the EBA for data on deposits and depositors that are fully covered – i.e. deposits and depositors whose deposits are below or at the coverage level, as well as on public authorities' deposits. The EC asked the EBA to provide figures under current coverage level of EUR 100,000 and to also simulate the impact of a potential increase of coverage level to EUR 150,000, EUR 250,000 and a specific case of a targeted EUR 1,000,000 coverage only for companies.

This report presents the EBA's analysis of the data collected from 28 EEA countries covering the period between January 2022 and August 2023, and the assessment of the current coverage level, from the perspective of financial stability, consumer protection, impact on moral hazard and costs to the banking sector. It also presents results of the analysis on the potential impact of extending coverage to the deposits held by public authorities, most of which are currently excluded from protection.

The data collected shows that currently across the EEA countries, 96% of depositors are fully covered, meaning that, in case of bank failure, they would be paid back the full amount of their respective deposit. The 4% of depositors that are not fully covered are mostly companies, and, despite being few in number, they hold more than half of deposits held in the EEA. The analysis also shows that, since the first assessment done by the EC in 2010, the proportion of fully covered depositors has not changed much, despite the fact that the amount of deposits overall has increased. This follows from the observation that the coverage level of EUR 100,000 continues to be well above the amount an average depositor holds, despite inflation over said period. The analysis shows that a potential increase of the coverage level would have no impact on the vast majority of depositors, as they are already fully covered anyway.

Based on the analysis performed in this report, the EBA is of the view that there is no need to change the current coverage level of EUR 100,000. This conclusion is based on the findings that any of the assessed potential increases in coverage, while being costly, would have positive but limited impact on financial stability and consumer protection, and a somewhat negative impact on moral hazard. It should nonetheless be noted that coverage level is one of a number of important elements of the crisis management and deposit insurance framework and the assessment of the adequacy of each of these elements in this context requires a holistic assessment which is beyond the scope of this report.

[1] Link to the EC's proposal for the review of the CMDI framework

[2] Link to the EC's request for data on deposits

The EBA also assessed the impact of a potential extension of coverage to include public authorities' deposits and concluded that its previous recommendation dating back to 2019 to extend such coverage still holds, and it would have limited impact on the industry, mainly because there are relatively few public authorities in comparison to the overall number of depositors across the EU.

2. General remarks

2.1 Background and mandate

1. Article 6 of the Deposit Guarantee Schemes Directive (DGSD – Directive 2014/49/EU) requires Member States to 'ensure that the coverage level for the aggregate deposits of each depositor is EUR 100,000'. In the EBA Opinion on the eligibility of deposits, coverage level and cooperation between DGSs published on 8 August 2019, the EBA assessed that coverage level and concluded that the coverage of EUR 100,000 was adequate[3].

2. Article 5 of the DGSD provides that deposits placed by public authorities are excluded from DGS coverage. In the said Opinion on the eligibility of deposits, coverage level and cooperation between DGSs, the EBA proposed to amend the DGSD to extend DGS coverage to public authorities but recommended that further analysis of the impact of such an extension might be warranted.

3. On 18 April 2023 the European Commission (EC) adopted and published a proposal to adjust and further strengthen the existing EU bank crisis management and deposit insurance (CMDI) framework. The legislative package includes amendments to the DGSD, to the Bank Recovery and Resolution Directive (BRRD – Directive 2014/59/EU) and to the Single Resolution Mechanism Regulation (SRMR – Regulation (EU) 806/2014).

4. In the proposed revised DGSD, the coverage level is maintained at the current level of EUR 100,000 and deposits of public authorities are included in the scope of protection.

5. On 23 June 2023 the EC sent to the EBA a request for data on deposits to inform the discussion on the proposed amendment to the creditor hierarchy and on the current deposit coverage[4]. In the request, the EC referred to the recent bank failures in the United States and Switzerland, which have led several countries around the world to announcing their intention to enhance depositor protection and reconsider the relevance of the coverage level.

6. The EC requested the EBA to send:

   a. data on the structure of banks' balance sheets by 5 July 2023,

   b. interim results of the analysis of deposit coverage by 27 September, and

   c. final results of the EBA's analysis of deposit coverage by the end of the year.

[3] Link to the EBA Opinion on the eligibility of deposits, coverage level and cooperation between DGS

[4] Link to the Commission's request for data

7. In relation to the creditor hierarchy, on 4 July 2023 the EBA provided the EC with data on the liability and own funds structure of EU banks that NCAs report to the EBA already as per the Implementing Technical Standards (ITS) laid down by Commission Implementing Regulation (EU) 2018/1624 of 23 October 2018[5]. The data submitted to the EC is based on a sample of 1356 institutions from across the EU at the highest level of consolidation, for the years 2020 and 2021.

8. With reference to deposit coverage, on 12 October 2023 the EBA submitted to the EC the interim results of the assessment of the coverage level and of the extension of coverage to deposits held by public authorities.

9. The report on hand is the third and final deliverable, in the form of the final results of the analysis of the coverage level and on the extension of coverage to deposits held by public authorities. In line with the EC's request, it includes analysis of the following most recent, anonymised, and aggregated data from the SCV files for each DGS:

    a. the proportion of fully covered deposits by natural persons and legal persons, over total eligible deposits,

    b. the proportion of fully covered depositors by natural persons and legal persons, over total eligible depositors

    c. the proportion of public authorities' deposits, over total eligible deposits.

10. The data analysis relates to the current coverage level of EUR 100,000, and also covers the scenarios if the coverage level were to be increased to EUR 150,000 and EUR 250,000, and if the coverage level were to increase for legal persons only to EUR 1,000,000 (while remaining at EUR 100,000 for natural persons).

11. The following sections of the report present the methodology and the data collected, followed by the analysis and policy implications as a result of the analysis.

2.2 Methodology

12. The EBA collected the necessary data from DGSs, which either used the information included in the Single Customer View files, that they collect in compliance with the EBA Guidelines on the stress testing of DGSs (EBA/GL/2021/10)[6], or collected the data from member banks with an ad-hoc request.

13. The analysis in this report presents the level of coverage of deposits of natural and legal persons as well as the level of full coverage. This is applied to the current coverage level of EUR 100,000

[5] Link to the Commission Implementing Regulation (EU) 2018/1624 of 23 October 2018 laying down implementing technical standards with regard to procedures and standard forms and templates for the provision of information for the purposes of resolution plans for credit institutions and investment firms pursuant to Directive 2014/59/EU of the European Parliament and of the Council, and repealing Commission Implementing Regulation (EU) 2016/1066.

[6] Link to the Final Report on the Revised Guidelines on stress tests of deposit guarantee schemes under Directive 2014/49/EU repealing and replacing Guidelines EBA/GL/2016/04.

as well as for hypothetical coverage levels of EUR 150,000 and EUR 250,000. In addition, a segmental coverage level of EUR 1,000,000 for legal entities only is analysed, assuming that the coverage level for natural persons remains the same at EUR 100,000. A further analysis in this report informs on the level of deposits from public authorities under the scenario where they were eligible for DGS coverage under the current coverage level.

14. This analysis introduces the notion of 'full coverage', which means that a depositor is fully covered when their entire deposit is completely covered by deposit insurance (and would therefore be fully reimbursed in case their banks fails). A depositor holding EUR 100,000 in their account would be considered to be fully covered, while a depositor with a deposit of EUR 100,001 would not be fully covered and hence entirely excluded from the figure describing full coverage, despite only having EUR 1 which would not be guaranteed by deposit insurance.

15. The rationale for this approach is to assess what proportion of depositors may be incentivized to withdraw their funds from a bank if some of it is not covered, and how that proportion would change if the level of coverage was different. Conversely, the rationale is not to provide a precise figure of depositors and/or deposits that would run, because this depends not only on the coverage level, but also other factors, including behavioural ones, which are beyond the scope of this analysis. In real life cases it is often observed that uncovered or not fully covered depositors do not run, while it also happens that fully covered depositors run when their bank is failing. Also, this report does not assess whether a depositor has accounts across several credit institutions as this is irrelevant in case of a bank run as the depositor will take a response only with respect to that bank account. Finally, systemic effects of contagion are not considered either.

16. The analysis has been conducted at the level of DGSs and not at the level of Member States, as in AT, DE and IT more than one DGS exists respectively. Also, the analysis is done on the basis, not of persons but depositors. A person (natural or legal) can be a depositor at several credit institutions at the same time. When showing the figures, the data at DGS level are complemented by the unweighted average and the median value among respondents. Furthermore, the analysis applies a static approach and does not consider the possible reactions by depositors to an increasing coverage level and any shifts of funds from one bank to another to take advantage of the higher coverage level. Also, further technical detail impacting the level of coverage for some depositors in some circumstances, such as temporary high balances, are ignored as they a) are difficult to assess and b) have shown to be relatively immaterial in past payout cases.

17. The results are based on submissions from 33 NCAs/DGSs from 28 EEA countries (AT, BG, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HR, HU, IE, IS, IT, LI, LT, LU, LV, MT, NL, NO, PL, PT, RO, SE, SI). Of those DGSs, 22 provided data for all their member institutions. The remaining 11 DGSs provided data that includes information from a subset of their member institutions, and the data relates to, on average, 74.6% of their national banking sectors in terms of currently covered deposits, 77.54% in terms of eligible deposits and 75.4% in terms of assets.

18. In total, the survey covers data from 2,893 banks across the EEA countries. For certain DGSs, a few data points were not submitted or were not representative, e.g. the number of depositors or the deposits from public authorities for several DGSs. In these cases, these DGSs are omitted from the figures, tables and calculations in this report. Furthermore, not all DGSs had all the data available for the same point in time, hence they provided the latest available data for any point in time between January 2022 and August 2023. Despite these caveats, the information collected for this report is arguably the most comprehensive database on the subject of the deposit coverage level in the EU available at present, and thus provides a solid foundation for the analysis.

19. As part of the analysis required by the EC, the EBA compared the results with those of the impact assessment performed by the EC in 2010, which was based on end-2007 data, and the results of similar assessment performed by the EBA in 2019 based on end-2017 data. Moreover, the report includes publicly-available European Central Bank data on proportion of deposits in the Eurozone by maturity.

20. As mentioned above, in its request to the EBA, the EC referred to recent bank failures and the intention of some jurisdictions to reconsider the relevance of the coverage level. Consequently, for the purpose of the analysis about the coverage level, the impact of potential changes to the coverage level is first and foremost assessed from the financial stability perspective and the impact potential changes would have on the likelihood of a bank run.

3. Main findings

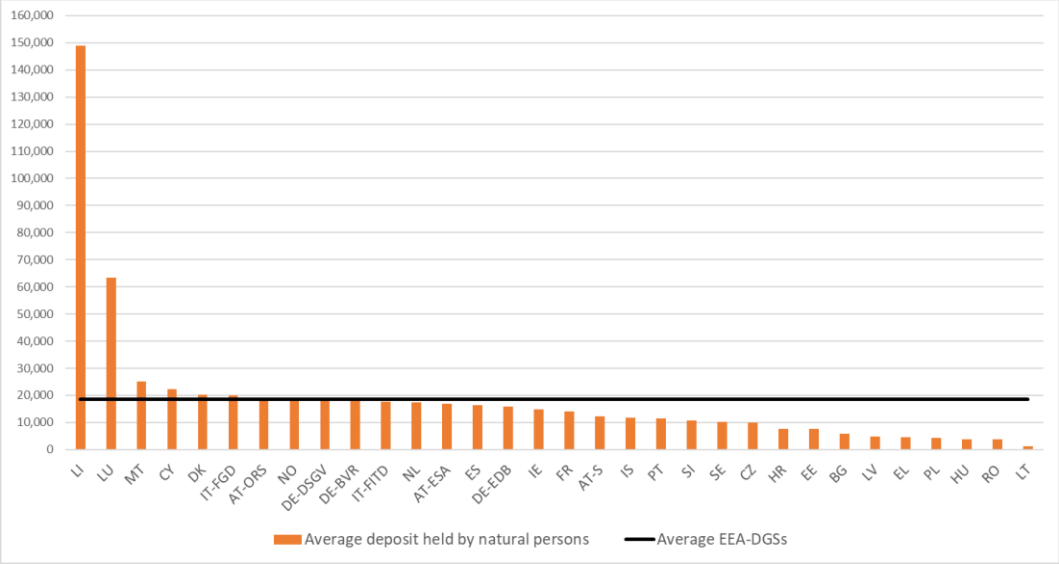
3.1 Current coverage levels

21. This sections presents the findings on the current deposit coverage levels, including average levels of deposits, and proportions of covered and fully covered deposits and depositors.

3.1.1 Findings at the level of DGSs

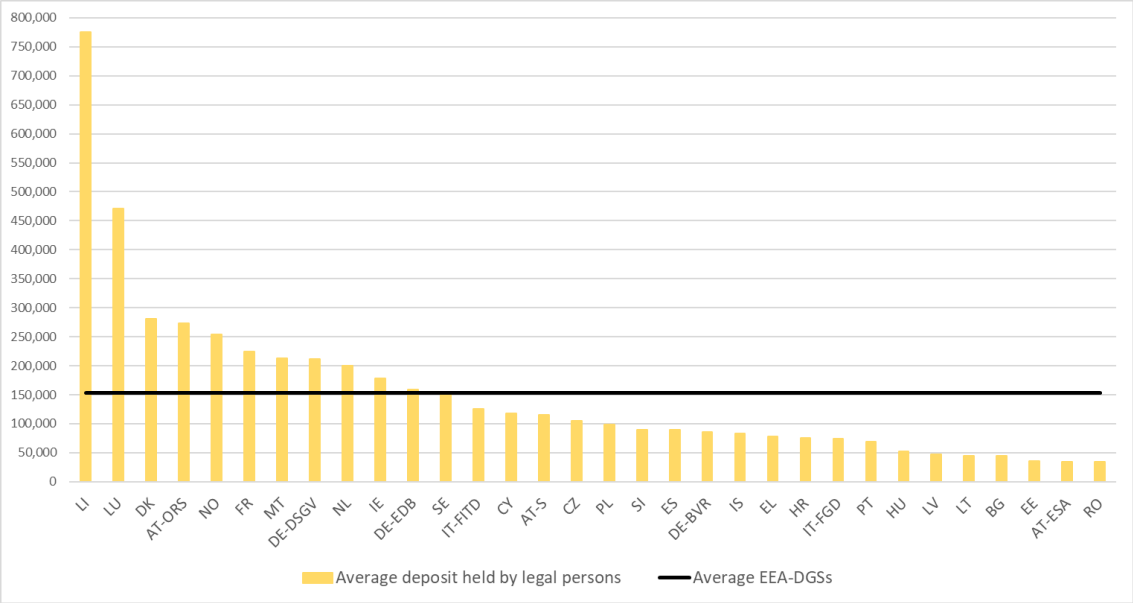
22. Figure 1 depicts the total eligible deposits over the number of eligible depositors for each DGS held by natural persons. This figure shows that the average deposit held by natural persons ranges from 1,309 EUR to 148,987 EUR with a median value among the DGSs at 14,398 EUR and an average across DGSs of 18,693 EUR. Only in LI and LU the average deposit held by a natural person is above 30,000 EUR.

Figure 1: Average deposit (total deposits over total depositors) held by natural persons (EUR), by DGS



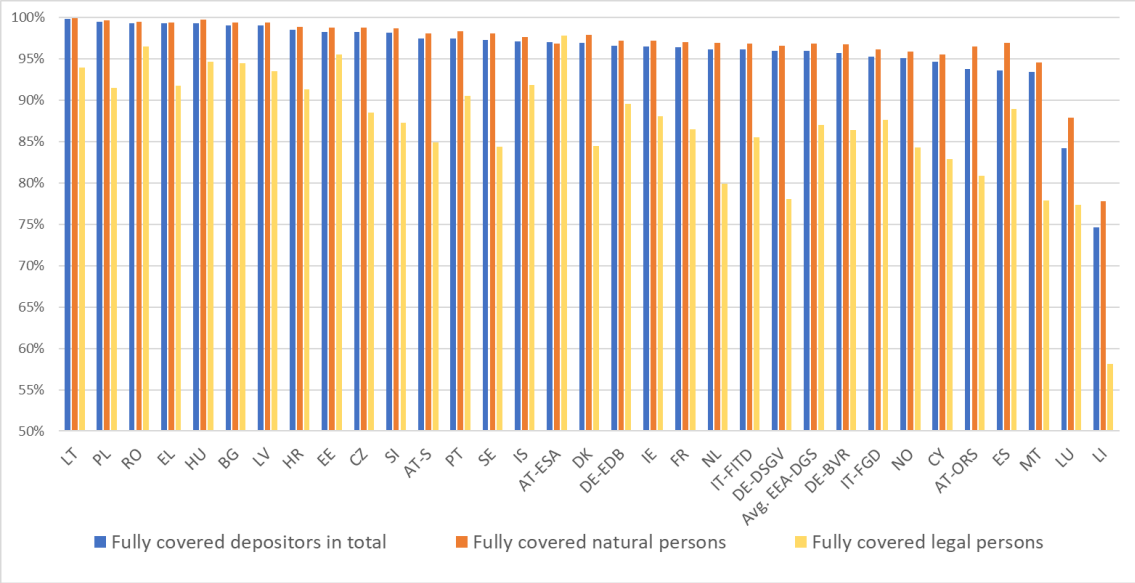
23. Figures 2 presents the total eligible deposits over the number of eligible depositors for each DGS held by legal persons. The figure shows that the average deposit held by legal persons ranges from 34,208 EUR and 775,926 EUR among the EEA DGSs with a median value at 101,839 EUR and an average across DGSs of 152,977 EUR. For half of the DGSs in the EEA countries, legal persons hold more than 100,000 EUR in their accounts on average.

Figure 2: Average deposit (total deposits over total depositors) held by legal persons (EUR), by DGS



24. Figure 3 presents the proportion of fully covered depositors across the EU, by DGSs, including the subsets by natural persons and legal persons. The vertical axis starts at 50% full coverage for better readability. It shows that the proportion of fully covered depositors ranges from 74.7% to 99.8% with the median at 97.0% and an average across DGSs of 95.9%. That means, that across all DGSs, the vast majority of depositors are fully covered and thus have in principle no incentive to withdraw their deposits should they have concerns about the viability of their bank, because their deposits are covered in their entirety and would therefore be fully reimbursed. The chart also shows that the proportion of natural persons that are fully covered (the median is 97.4% and on average 96.8%) is higher than that of legal persons (the median is 87.8% and the average is 87%), but that in both cases, the full coverage level is very high and thus the incentive to withdraw deposits is low.

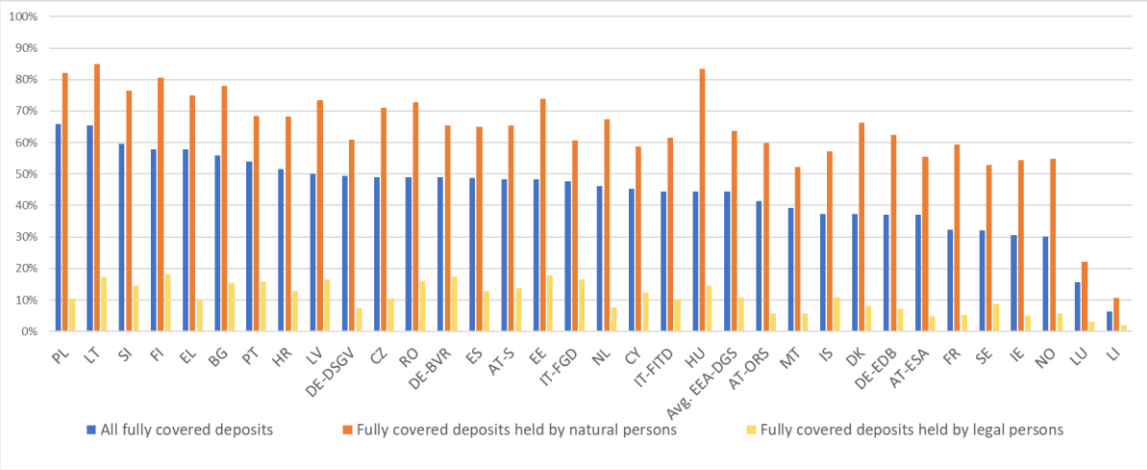
Figure 3: Fully covered depositors over total eligible depositors (%), by DGS and type of depositor



25. In terms of the amount of deposits that correspond to these fully covered depositors, Figure 4 below presents the proportion of all fully covered deposits over total eligible deposits, and a breakdown of fully covered deposits held by natural and legal persons. The proportions are measured over total eligible deposits considering the nature of the depositor (e.g. for natural persons, proportion of fully covered deposits held by natural person over eligible deposits held by natural persons). As can be seen across the blue bars in the figure, the proportion of fully covered deposits ranges from 6.3% in LI to 65.8% in PL. As can be seen across the orange bars, the proportion of fully covered deposits held by natural persons ranges from 10.6% in LI to 85% in LT. As can be seen across the yellow bars, the proportion of fully covered deposits held by legal persons ranges from 2% in LI to 18.2% in FI.

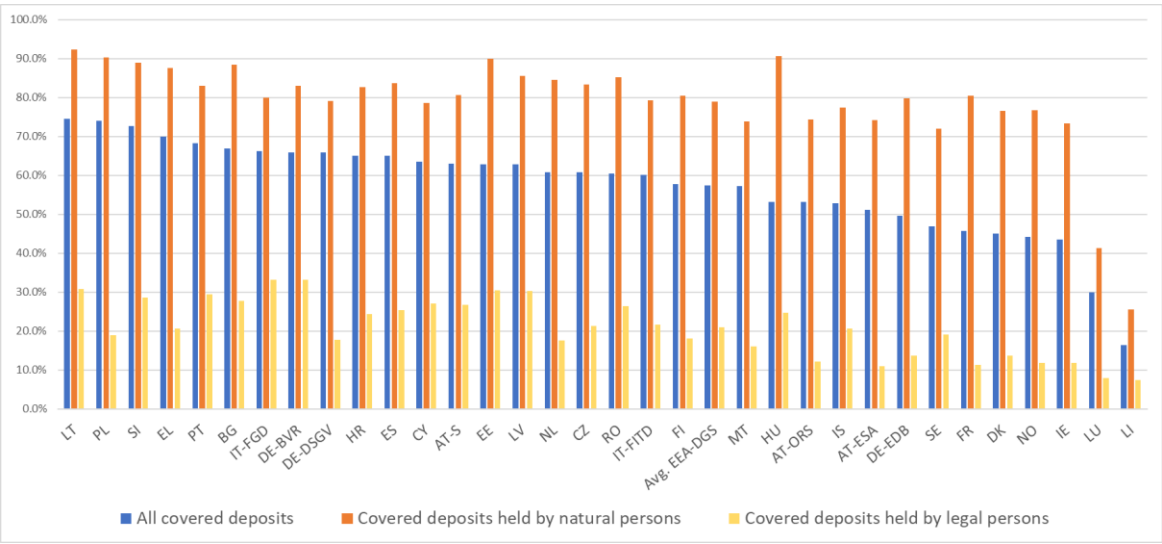
26. On average across DGSs, 44.4% of deposits are fully covered deposits (median: 47.8%), with 63.7% of deposits from natural persons (median: 65.3%) and 10.9% of deposits from legal persons (median: 10.4%) being fully covered. This suggests that on average, the few depositors that are not fully covered (as shown in Figure 3) hold over half the deposits that are not fully covered. As figure 4 shows, the share of fully covered deposits held by legal persons is lower than the share held by natural persons.

Figure 4: Fully covered deposits over total eligible deposits (%), by DGS and type of depositor



27. The proportion of covered deposits over eligible deposits, which is shown in Figure 5, is evidently higher than the proportion of fully covered deposits alone. On average, covered deposits amount to 57.4% of eligible deposits (median: 60.8%). The share of covered deposits of natural persons over their eligible deposits is on average 78.9% (median: 80.5%) and for legal persons 20.9% (median: 20.7%). This supports the observation made in connection with Figure 4, that the risk of a bank run stemming from legal persons is much higher than that of natural persons because the vast majority of their deposits are not covered.

Figure 5: Covered deposits over total eligible deposits (%), by DGS and type of deposit



28. Deposits differ in terms of maturity. While the maturity does not have an impact on coverage, it may impact on the likelihood of withdrawal in case a bank faces difficulties. That is the case because depending on the contractual terms, depositors may not be able to or may face barriers to withdrawing term deposits at short notice, in comparison to overnight deposits. European Central Bank publishes data for the Eurozone which provides the proportion of overnight deposits, and those with maturity of up to 3 months, over 3 months but below 2 years, and over 2 years. Table 1 shows that on average, term deposits over 3 months constitute a higher share of deposits held by corporates in comparison to those held by households.

Table 1: Proportion of deposits by maturity in the Eurozone, August 2023

	Overnight	Under 3 months	Over 3 months but under 2 years	Over 2 years
Deposits held by households	57.0%	25.70%	8.9%	7.7%
Deposits held by corporates	72.0%	3.9%	20.7%	3.3%

29. The results of the analysis using the data provided by DGSs can be compared with the results in the impact assessment performed by the EC in 2010, which was based on end-2007 data, and the results of similar assessment performed by the EBA in 2019 based on end-2017 data. The results presented in Table 2 below show that while the proportion of fully covered depositors remained stable, the proportion of covered deposits to eligible deposits decreased over the years.

Table 2: Average proportion of fully covered depositors and covered deposits across DGSs in the EEA

	End-2007 data	End-2017 data	End-2022 data
Unweighted average proportion of fully covered depositors across DGSs	95.4%	97.6%	95.9%
Unweighted average proportion of covered deposits over eligible deposits across DGSs	71.8%	64.5%	57.4%
Unweighted average proportion of fully covered deposits over eligible deposits across DGSs	N/A	N/A	44.4%

30. The results presented in the table should be interpreted carefully, because the end-2007 data used by the EC and the end-2017 data used by the EBA, for their respective assessment were based on different samples of DGSs. It matters, because for example, the sample of end-2017 data did not include some of the biggest Member States such as France and Germany, where the proportion of depositors with deposits above the coverage level and the average amount of eligible deposits held by large corporates is likely higher than in Member States with lower GDP per capita. Furthermore, the end-2007 and end-2017 data were not necessarily based on results for a full sample of banks that are members of each DGS. The end-2022 data is more robust in that regard and includes data from nearly all the DGSs in the EEA countries. Also, since the deposit coverage limit was introduced, the EU has implemented a comprehensive resolution framework via the Bank Recovery and Resolution Directive aiming to ensure smooth management of the failure of the most complex institutions. As of end of May 2023, 309 banks representing about 80% of EU RWAs have been earmarked for resolution as opposed to liquidation. These institutions have built-up resources (MREL) aimed to absorbed losses and facilitate recapitalisation in case of failure. Thus, it has minimised the risk of depositor losses in a bank failure. As of 1Q23, EBA estimate that together with own funds, these additional liabilities equate to EUR 2,563bn of which EUR 2,019.22bn is subordinated to deposits[7]. From 1 January 2024, all banks will be required to disclose their MREL position which should help increasing knowledge and understanding of the resolution.

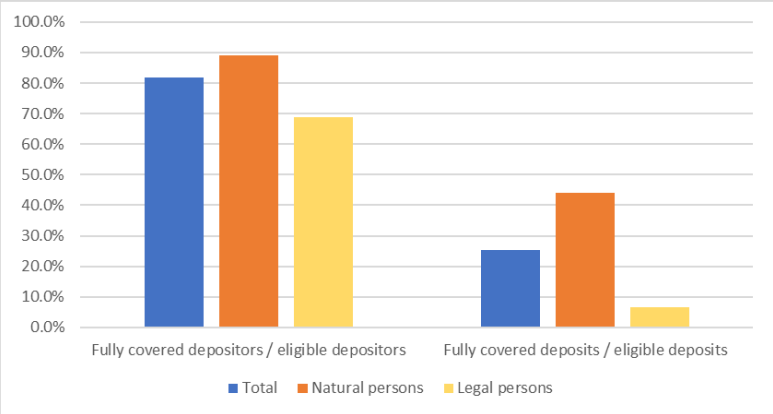
3.1.2 Findings for banks with the highest proportion of uncovered deposits

31. The figures in the previous section present aggregate results at DGS level. To complement it, the EBA also assessed if there are significant differences across banks within DGSs. For that purpose, the EBA analysed the banks in each DGS that are most exposed to a bank run because they have the lowest proportion of fully covered deposits in relation to total eligible deposits. DGSs provided the figures on full coverage of depositors and on fully covered deposits for the 10th percentile banks in their DGS for each of these metrics. The EBA collected that figure instead of the minimum, to exclude extreme outliers. It remains to note that the 10th percentile bank for each metric is a synthetic number between the two closest banks in DGSs that do not have exactly 11 banks or a multiple thereof as their membership base. For each metric, this can be a different bank of the DGS.

32. Figure 6 below provides the average across DGSs of the 10th percentile banks for the proportion of fully covered depositors, and for fully covered deposits, and the subsets for natural and legal persons. The analysis shows that even for banks that obtain their deposit-funding from depositors with large deposits, the majority of eligible depositors are still fully covered, both natural persons and legal persons. However, the proportion of fully covered deposits is low under the current coverage level. Hence, a run by not-fully covered depositors would be strongly destabilizing for such banks. However, as can be deducted from Figure 4, the same applies in principle for the average bank across DGSs.

[7] Data on MREL is available on EBA Risk Dashboard here.

Figure 6: Fully covered depositors over total eligible depositors and fully covered deposits over total eligible deposits (%) for the 10th percentile banks (average across DGSs)



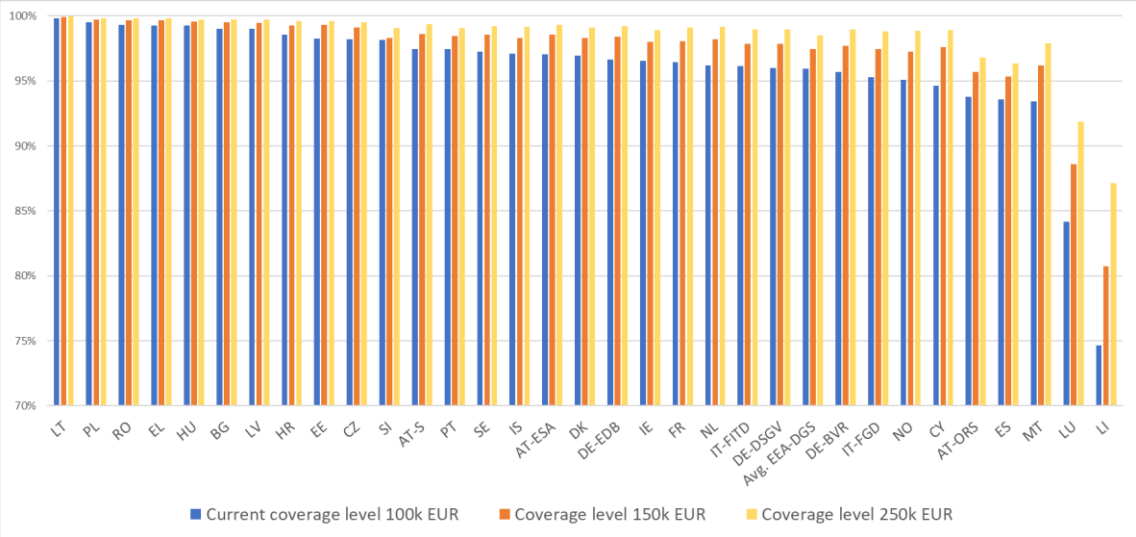
3.2 Impact of potential changes of coverage levels

33. The EBA assessed what would be the impact of the potential scenario of increasing the coverage level to EUR 150,000 and EUR 250,000. It also assessed the option of increasing the coverage level only for legal persons, up to EUR 1 million.

3.2.1 Overall impact on depositors of an increase in coverage levels

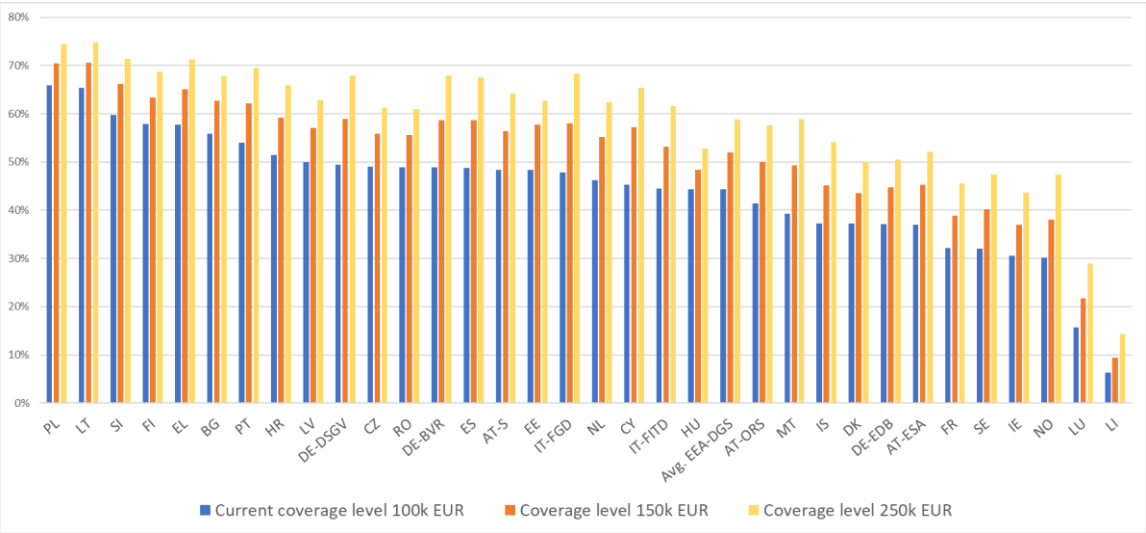
34. Figure 7 shows the impact of increasing the coverage level to EUR 150,000 and EUR 250,000 across all DGSs on the proportion of fully covered depositors over all depositors. The vertical axis starts at 70% full coverage for better readability. It shows that as a whole, such an increase would have very limited impact on the proportion of fully covered depositors since the level of full coverage is already very high, except in LI and LU, which have comparatively low full coverage levels. The breakdown by natural and legal persons provides similar results.

Figure 7: Impact of an increase of the coverage level on the share of fully covered depositors over total number of depositors (%), by DGS and coverage level



35. The potential impact of an increase of the coverage level is more pronounced in relation to the proportion of deposits that would be fully covered. Figure 8 provides the figures on the level of fully covered deposits as a proportion of all eligible deposits for all depositors. It shows that increasing the coverage level from EUR 100,000 (blue bar) to EUR 250,000 (yellow bar) would increase the full coverage level of deposits between 10 and 20 percentage points.

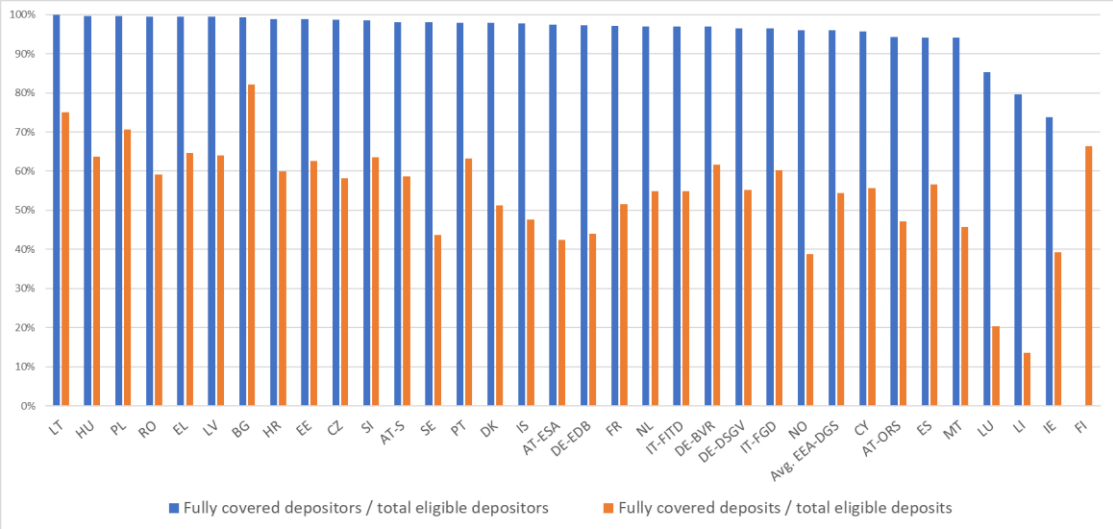
Figure 8: Fully covered deposits over total eligible deposits under various coverage levels (%), by DGS and coverage level



36. Figure 9 shows the proportion of fully covered depositors over total eligible depositors, and fully covered deposits over total eligible deposits under a scenario whereby natural persons are covered up to EUR 100,000 while only legal persons are covered up to EUR 1,000,000. It shows

that while in the majority of DGSs, that would mean full coverage for nearly 100% of depositors, the tiny fraction of depositors that would not be fully covered would still hold a significant amount of eligible deposits.

Figure 9: Fully covered depositors over total eligible depositors and of fully covered deposits over total eligible deposits (%) under coverage level of 1m EUR for legal persons only, by DGS



37. Table 3 summarises the averages for the full sample and presents the minimum, median, maximum and average levels across DGSs of depositors that are fully covered as well as their corresponding deposits over all eligible deposits for the various coverage levels. It also shows the amount of covered deposits over total eligible deposits under the various coverage levels. The table also provides the overview of the impact of the increased coverage level on fully covered depositors, their corresponding fully covered deposits and on covered deposits overall.

38. The table shows that increasing the coverage level would have a negligible effect on the share of fully covered depositors increasing it from current average of 95.9% to 97.5% under the EUR 150,000 coverage level (median: 97.0% to 98.3%), to 98.5% under the EUR 250,000 coverage level (median: 99.1%), and 95.9% when increasing the coverage level to EUR 1,000,000 for legal persons only (median: 97.6%). On the other hand, an increase of coverage level would have a noticeable effect on the amount of fully covered deposits and on covered deposits. The figures at the bottom of the table show that on average natural persons hold about two thirds of eligible deposits, consequently, the results are driven by the impact on natural persons.

Table 3: Impact on all eligible depositors of an increased coverage rate

Fully covered depositors	Minimum	Median	Maximum	Average (mean)
Current coverage level of 100k EUR	74.7%	97.0%	99.8%	95.9%
Coverage level 150k EUR	80.8%	98.3%	99.9%	97.5%
Coverage level 250k EUR	87.1%	99.1%	99.9%	98.5%
Coverage level 1mn EUR for legal persons	73.8%	97.6%	99.9%	95.9%
Fully covered deposits / total eligible deposits				
Current coverage level of 100k EUR	6.3%	47.8%	65.8%	44.4%
Coverage level 150k EUR	9.3%	55.9%	70.5%	51.9%
Coverage level 250k EUR	14.4%	62.4%	74.8%	58.8%
Coverage level 1mn EUR for legal persons	13.5%	56.6%	82.1%	54.4%
Covered deposits / total eligible deposits				
Current coverage level of 100k EUR	16.5%	60.8%	74.4%	57.4%
Coverage level 150k EUR	20.9%	65.7%	77.6%	62.3%
Coverage level 250k EUR	27.3%	70.4%	80.9%	67.3%
Coverage level 1mn EUR for legal persons	27.9%	71.3%	91.9%	68.6%
Share of total eligible deposits from natural persons / total eligible deposits	43.2%	64.7%	78.4%	63.1%

3.2.2 Impact of the increase in coverage level on natural persons only

39. Table 4 illustrates the impact for the subset of natural person and shows that nearly all natural persons are already fully covered under the current coverage level. Increasing the coverage level of natural persons would only insignificantly increase the share of fully covered depositors. However, on average, under the current coverage level, the deposits of these fully covered depositors represent 63.7% of eligible deposits (median: 65.3%) and an increase in the coverage level would significantly increase the amount of fully covered deposits for the relatively small proportion of depositors that have become fully covered under the higher coverage level. In terms of overall covered deposits relative to total eligible deposits from natural persons, most deposits from natural persons are already covered and an increase of the coverage level would increase the share of covered deposits significantly, but less strong than the share of fully covered deposits.

Table 4: Impact on natural persons of an increased coverage rate

Fully covered natural persons	Minimum	Median	Maximum	Average (mean)
Current coverage level of 100k EUR	77.8%	97.4%	99.9%	96.8%
Coverage level 150k EUR	83.8%	98.8%	100.0%	98.3%
Coverage level 250k EUR	89.9%	99.6%	100.0%	99.2%
Fully covered deposits of natural persons / total eligible deposits from natural persons				
Current coverage level of 100k EUR	10.6%	65.3%	85.0%	63.7%
Coverage level 150k EUR	15.6%	76.1%	90.2%	73.6%
Coverage level 250k EUR	23.7%	84.8%	93.4%	81.8%
Covered deposits of natural persons / total eligible deposits from natural persons				
Current coverage level of 100k EUR	25.5%	80.5%	92.2%	78.9%
Coverage level 150k EUR	31.9%	86.6%	94.4%	84.1%
Coverage level 250k EUR	40.6%	91.4%	96.1%	88.8%

3.2.3 Impact of the increase in coverage level on legal persons only

40. The following Table 5 presents the corresponding figures for legal persons. Under the current coverage level, on average, 87% of legal persons are fully covered (median: 87.8%). Increasing the coverage level to EUR 250,000 would increase that share by about 7 percentage points to 93.5% (median: 94.5%), while a tenfold increase of the coverage limit to EUR 1,000,000 would lead to the situation where nearly all legal persons were fully covered. In terms of coverage level of their deposits, while the increase in full coverage is significant, that would not represent a fundamental paradigm shift as on average there would still be less than half of eligible deposits fully covered, even where the coverage level were to be EUR 1,000,000. The covered deposits too would increase significantly, but not enough to represent a paradigm shift as about half of them would still not be covered. On average, 2% of depositors would hold approximately more than 60% of eligible deposits from legal persons. Taking into account that legal persons hold a third of eligible deposits, that means that if these 2% of legal persons were to start a bank run, a bank would lose on average about 20% of its total eligible deposits with impacts on its financial soundness.

41. Table 5 also shows that the average amount of deposits held by legal persons is EUR 152,977 (median: EUR 101,839). For eligible legal persons with deposits above EUR 100,000 only, and thus those that are currently not fully covered, the average deposit is EUR 985,355 (median: EUR 846,161).

Table 5: Impact of potential increase in coverage level on legal persons

Fully covered legal persons	**Minimum**	**Median**	**Maximum**	**Average (mean)**
Current coverage level of 100k EUR	58.1%	87.8%	97.8%	87.0%
Coverage level 150k EUR	64.8%	90.9%	98.4%	90.3%
Coverage level 250k EUR	72.6%	94.5%	98.8%	93.5%
Coverage level 1mn EUR for legal persons	89.3%	98.5%	99.9%	98.0%
Fully covered deposits of legal persons / total eligible deposits from legal persons				
Current coverage level of 100k EUR	2.0%	10.4%	18.2%	10.9%
Coverage level 150k EUR	3.0%	13.9%	23.6%	14.5%
Coverage level 250k EUR	5.0%	19.4%	32.2%	19.6%
Coverage level 1mn EUR for legal persons	16.4%	36.2%	91.1%	38.8%
Covered deposits of legal persons / total eligible deposits from legal persons				
Current coverage level of 100k EUR	7.4%	20.7%	33.3%	20.9%
Coverage level 150k EUR	9.8%	25.2%	40.4%	25.3%
Coverage level 250k EUR	13.3%	31.3%	50.0%	31.3%
Coverage level 1mn EUR for legal persons	27.7%	51.0%	100.0%	52.3%
Average deposit of an eligible legal person	34,208	101,839	775,926	152,977
… of which only those with eligible deposits above 100k EUR	495,762	846,161	2,011,928	985,355

3.2.4 Impact on banks most exposed to uncovered deposit funding

42. The aim of the following assessment is to inform of the potential effects of an increased coverage level on those banks across DGSs that have amongst the lowest levels of fully covered depositors or fully covered deposits. To that end, Table 6 below shows the median and the average value of fully covered depositors and of fully covered deposits for banks that are at the

10th percentile in terms of fully covered depositors or fully covered deposits within their DGS. For each metric, this can be a different bank.

43. Table 6 shows that even for those banks with a low share of fully covered depositors, the vast majority of natural persons as well as legal persons are fully covered under the current coverage level. Increasing the coverage level would increase the level of full coverage, even to about 89.5% (median: 96.2%) in the case of legal persons when their coverage level is EUR 1,000,000. However, the amount of fully covered deposits from legal persons remains in all circumstances low for the average of the 10th percentile of banks across DGS, ranging on average between 6.5% and 27.1% (median: 6.5% to 26.7%).

44. For natural persons, the level of fully covered deposits ranges on average from 44% to 64.7% (median: 50.1% to 73.6%), depending on the coverage level, and thus far lower than the average values across DGSs. Consequently, overall increasing the coverage level would per se not help to reduce the destabilising impact a bank run would have on such banks.

Table 6: 10th percentile banks' figures on full coverage across DGSs

Banks most susceptible to a run: low ten percentile of fully covered depositors and of fully covered deposits	**Median across DGS**	**Average across DGS**
Current coverage level: 100k EUR		
Fully covered depositors / eligible depositors	89.9%	81.8%
Fully covered natural persons / eligible natural persons	93.7%	89.2%
Fully covered legal persons / eligible legal persons	77.2%	69.0%
Fully covered deposits / eligible deposits	28.5%	25.3%
Fully covered deposits of natural persons / eligible deposits of natural persons	50.1%	44.0%
Fully covered deposits of legal persons / eligible deposits of legal persons	6.5%	6.5%
Coverage level: 150k EUR		
Fully covered depositors / eligible depositors	95.3%	85.5%
Fully covered natural persons / eligible natural persons	97.5%	93.7%
Fully covered legal persons / eligible legal persons	82.8%	74.5%
Fully covered deposits / eligible deposits	36.1%	31.2%
Fully covered deposits of natural persons / eligible deposits of natural persons	62.0%	55.2%
Fully covered deposits of legal persons / eligible deposits of legal persons	9.8%	9.0%
Coverage level: 250k EUR		
Fully covered depositors / eligible depositors	97.8%	88.7%
Fully covered natural persons / eligible natural persons	98.9%	96.0%
Fully covered legal persons / eligible legal persons	88.0%	79.5%
Fully covered deposits / eligible deposits	43.4%	36.7%
Fully covered deposits of natural persons / eligible deposits of natural persons	73.6%	64.7%
Fully covered deposits of legal persons / eligible deposits of legal persons	13.8%	12.4%
Coverage level: 1mn EUR for legal persons		
Fully covered legal persons / eligible legal persons	96.2%	89.5%
Fully covered deposits of legal persons / eligible deposits of legal persons	26.7%	27.1%

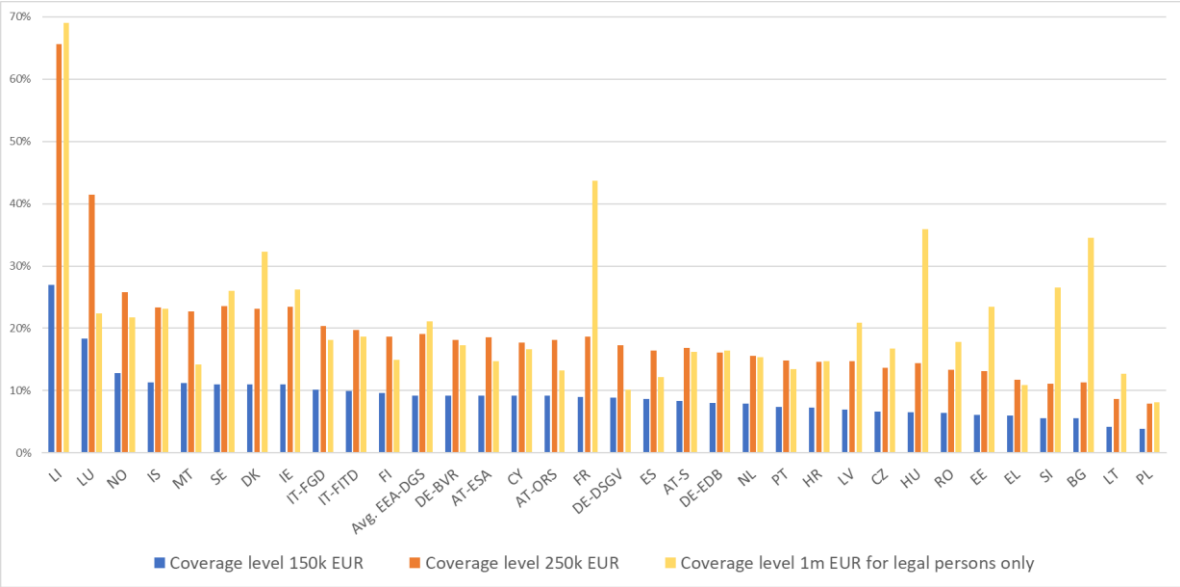
3.2.5 Impact of increasing coverage level on the DGS funds

45. In addition to the above-presented results of the analysis, the collected data also allows to simulate the increase in overall covered deposits and thus of the size of the DGS funds under the various coverage levels. As shown in the following Table 7, an increase of the coverage level to EUR 250,000 would lead to an estimated average increase of 19.1% in the amount of covered deposits across the DGSs (median: 17.3%), with an estimated maximum increase of 65.6%. Under the scenario where there is an increase of coverage level to EUR 1,000,000 only for legal persons, the amount of covered deposits is estimated to increase on average by 21.2% while the median increase would be only 17.2%. The differences in the impact of the potential increases in the coverage level on different DGSs, pictured in Figure 10, reflect the varying economic fundamentals across EEA countries, such as average wealth of depositors, savings rates, or the structure of the banking system. Even where the coverage level is tenfold for legal persons, the amount of covered deposits would not double for any DGS.

Table 7: Percentage increase in covered deposits under higher coverage levels

Increase of volume of covered deposits and thus the DGS fund relative to the current coverage level	Minimum	Median	Maximum	Average (mean)
Coverage level 150k EUR	3.9%	8.8%	27.0%	9.2%
Coverage level 250k EUR	8.0%	17.3%	65.6%	19.1%
Coverage level 1mn EUR for legal persons only	8.2%	17.2%	69.0%	21.2%

Figure 10: Percentage increase of covered deposits as a result of increasing the coverage level beyond €100k, by DGS



46. Table 8 shows the estimated increased costs to reach the minimum target level of usually 0.8% of covered deposits for the DGS funds under the various coverage levels. The data is based on the covered deposits for the end of 2022 reported to the EBA and the growth rates estimated under Figure 10. It applies the applicable minimum target level and disregards whether the DGS funds already have the necessary funds to cover the extra expenses, for instances when their target level exceeds the minimum target level. The figures are provided in thousands of Euros. In sum, only from the perspective of the impact on the size of the DGS funds, increasing the coverage level to 150,000 EUR could be estimated to cost the banking sector for the included DGSs more than 5 bn EUR while increasing it to 1mn EUR for legal persons only could be estimated to cost more than 11 bn EUR.

47. The increase in covered deposits would also lead to a significant increase of the target level of the national resolution funds and the Single Resolution Fund. However, these costs are beyond the scope of the analysis in this report.

Table 8: Increased size of DGS fund at minimum target level (figures in thousands of Euros) based on end 2022 data

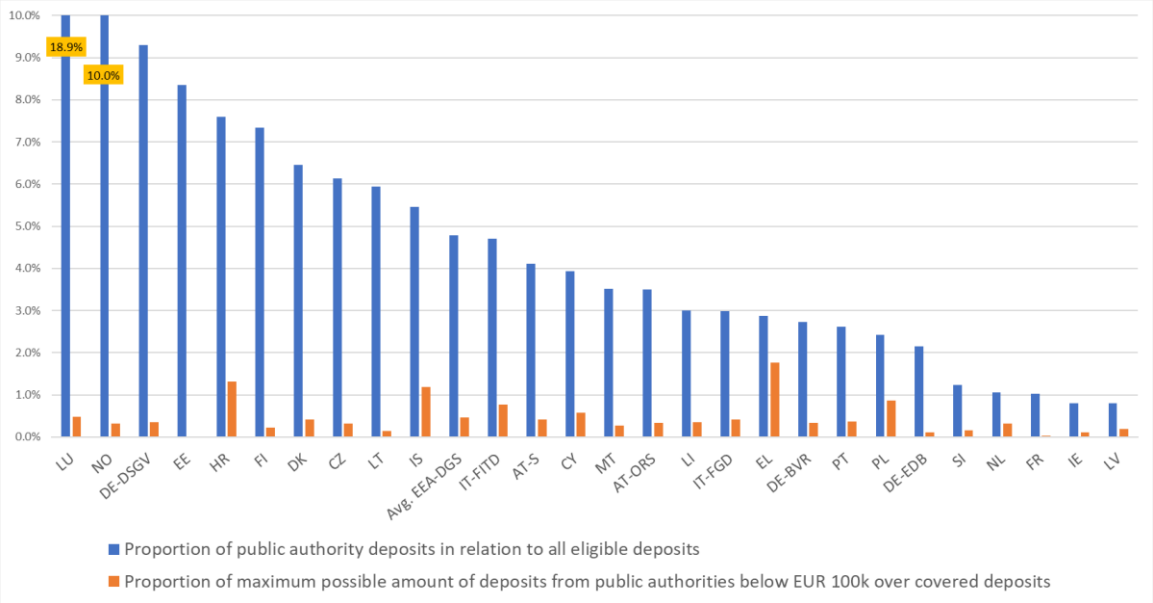
	Covered deposits	Minimum target level	Increased cost under new coverage level		
			150k EUR	250k EUR	1mn EUR for legal persons
AT-ESA	101,453,978	0.8%	74,427	150,663	119,525
AT-ORS	93,213,197	0.8%	68,254	135,461	98,762
AT-S	65,587,983	0.8%	43,659	88,340	84,991
BG	40,129,194	0.8%	17,898	36,488	110,814
CY	27,422,685	0.8%	20,095	38,931	36,417
CZ	137,742,891	0.8%	73,661	151,068	184,588
DE-BVR	616,120,611	0.8%	452,334	895,454	849,455
DE-DSGV	846,094,559	0.8%	598,471	1,172,755	686,944
DE-EDB	710,884,888	0.8%	456,370	913,794	933,037
DK	113,595,779	0.8%	100,291	210,249	293,492
EE	19,706,792	0.8%	9,675	20,711	37,024
EL	134,034,631	0.8%	64,438	125,876	116,350
ES	884,542,600	0.8%	611,297	1,161,101	863,380
FI	152,799,464	0.8%	117,510	228,445	182,045
FR	1,466,621,229	0.5%	657,974	1,365,285	3,200,872
HR	34,618,272	0.8%	20,047	40,491	40,727
HU	37,795,227	0.8%	19,648	43,501	108,423
IE	136,213,461	0.8%	120,106	256,010	285,574
IS	8,106,145	0.8%	7,350	15,154	14,973
IT-FGD	121,431,348	0.8%	99,049	198,014	175,872
IT-FITD	746,613,677	0.8%	593,953	1,178,614	1,113,149
LI	5,365,168	0.8%	11,575	28,171	29,616
LT	26,272,391	0.8%	8,874	18,310	26,774
LU	38,194,931	0.8%	56,176	126,649	68,504
LV	10,574,080	0.8%	5,849	12,498	17,707
MT	15,769,443	0.8%	14,164	28,613	17,916
NL	586,423,063	0.8%	371,369	731,888	721,687
NO	137,759,410	0.8%	141,338	284,217	239,793
PL	228,191,326	0.8%	71,524	145,541	149,024
PT	178,482,574	0.8%	106,161	212,331	192,022
RO	54,611,407	0.8%	28,233	58,382	78,067
SE	205,963,799	0.8%	182,004	387,662	428,508
SI	25,327,685	0.8%	11,373	22,459	53,805
Sum	8,007,663,886		5,235,147	10,483,129	11,559,839

3.3 Deposits from public authorities

48. The following section on public authorities' deposits aims to inform the discussion on the extension of coverage to all public authorities' deposits, which are currently not eligible deposits. The impact of the extension is estimated under the current coverage level of 100,000 EUR. The following numbers capture those deposits from public authorities that are placed with DGS member banks, not those with state banks or the central bank that are not members of the DGS. The results are based on data submitted by 27 DGS from 23 EEA countries and it is thus representative enough to offer robust insights.

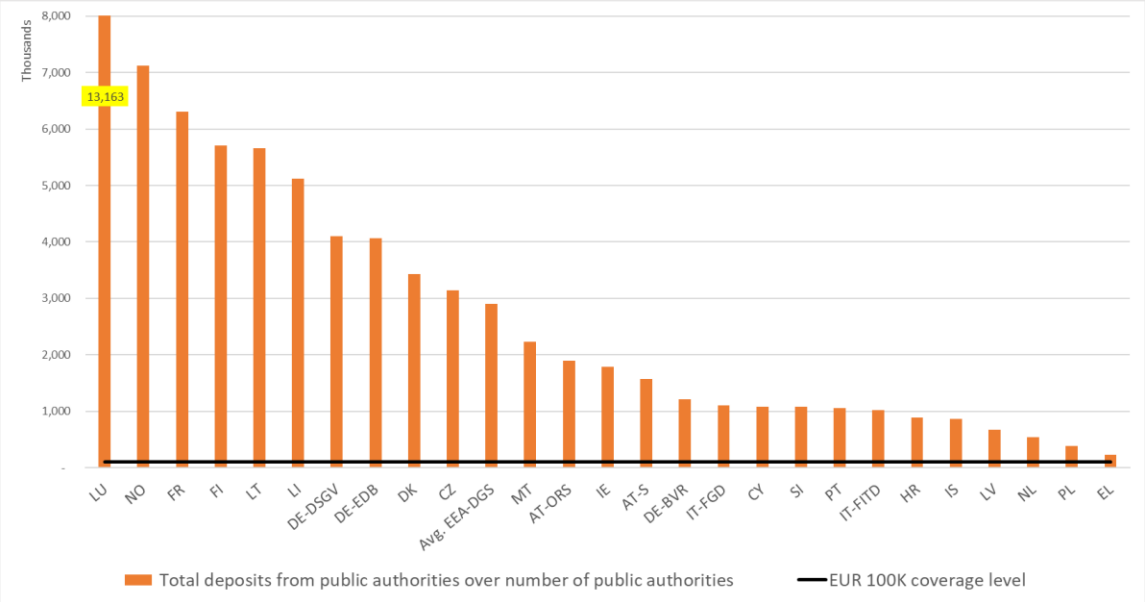
49. Figure 11 shows the proportion of deposits placed by public authorities across DGSs in relation to current eligible deposits, which on average across DGSs is 4.8% (median: 3.5%). This indicates by how much eligible deposits would grow if public authorities became eligible depositors under the current coverage level. Figure 11 also shows what would be the case if all local authorities were eligible depositors, and all had a deposit of at least EUR 100,000. That figure, represented with the orange columns, shows the maximum proportion by which the overall amount of covered deposits would increase if all public authorities were eligible for coverage and represents an overestimation as it assumed that every public authority has a deposit of at least EUR 100,000 which is very unlikely to be the case. On average, that figure is 0.5% (median: 0.3%) across the DGSs in the sample. The blue columns are significantly higher than the orange columns because on average across DGSs, public authorities hold in excess of EUR 100,000.

Figure 11: Deposits from public authorities, by DGS



50. The data covers deposits from 208,014 public authorities holding a total of EUR 408 bn. Taking the deposits of public authorities over the number of public authorities, the range goes from EUR 233,904 to EUR 13,163,202, with an average across DGS at EUR 2,901,613 and the median at EUR 1,680,717 as pictured in Figure 12. This means that on average, for all DGSs, public authorities hold deposits well above the EUR 100k current coverage level, which is represented by a black line in Figure 12 and which should not be confused with the x-axis.

Figure 12: Average deposit from public authorities, by DGS



51. Arguably, if coverage was extended to public authorities, they would have an incentive to open further bank accounts to increase their coverage even further. At the same time, as they are currently not covered, they have an incentive to open more bank accounts for risk diversification, which may be diluted if they were covered.

4. Policy implications

52. As part of the analysis required by the EC, the EBA analyzed the data collected and compared the results with those of the impact assessment conducted by the EC in 2010 using end-2007 data, and with a similar assessment performed by the EBA in 2019 using end-2017 data. In addition, the EBA assessed the impact of the extension of the coverage to public authorities based on the data provided by DGSs across the EU.

4.1 Coverage level

53. In its request to the EBA, the EC referred to recent bank failures, which have led several jurisdictions to announcing their intention to reconsider the relevance of the coverage level. Consequently, as mentioned above in the report, for the purpose of this analysis, the impact of potential changes to the coverage level is first and foremost assessed from the financial stability perspective and the impact potential changes would have on the likelihood of a bank run.

54. To complement the above, the EBA also assessed the impact of potential changes from consumer protection, moral hazard, and costs for the banking sector perspectives.

55. The EBA emphasizes that the analysis applies a static approach and does not consider the possible reactions by depositors to an increasing coverage level as well as aspects other than coverage level which may affect bank runs, including behavioural ones.

4.1.1 Financial stability

56. In general, the core banking activity is collecting short-term deposits and using these funds to offer longer-term loans. Because of this maturity transformation, banks are not able to return all the deposits it collected at the same time. This inherent instability becomes important in case of crisis, when depositors worried about the financial situation of their bank may run on the bank to withdraw their deposits, which in itself can lead to the bank's failure. Deposit protection contributes to financial stability mainly by reducing the incentive for depositors to withdraw deposits in case of crisis. In consequence, financial stability benefits all banks, as avoiding a run on one bank, avoids the risk of contagion spreading to other banks.

57. The coverage level is a key element of the deposit protection regime as it influences how many depositors and what proportion of deposits are fully covered. In consequence, an adequate level of coverage is essential. However, the incentive to withdraw funds in a crisis, and thus contribute to a bank run does not depend only on the coverage level, but also other factors, including behavioural ones, which are beyond the scope of this analysis. For the purposes of the assessment about the coverage level, the impacts on financial stability are best measured by assessing the proportions of depositors that are fully covered and of deposits that are covered or fully covered as these would have a low incentive to run.

58. Concerning fully covered depositors, the data collected from the DGSs across the EU, and as demonstrated in detail in Figures 3 and 7 and Tables 2, 3, 5 and 6 show that:

    a. overall, the proportion of fully covered depositors is very high across the EU at the current coverage level of EUR 100,000;

    b. overall, increasing the coverage level to EUR 250,000 would increase the proportion of fully covered depositors from currently 95.9% to 98.5%, i.e. by only 2.6 percentage points on average across DGSs. For banks with the lowest proportion of fully covered depositors, that proportion would increase from 81.8% to 88.7%, i.e. by 6.9 percentage points on average across DGSs;

    c. increasing the coverage level tenfold for legal persons only would increase the proportion of fully covered legal persons from 87% to 98%. In banks with the lowest proportion of fully covered legal persons, that proportion would increase from 69% to 89.5%;

    d. comparing the results of the analysis using end-2007, end-2017 and 2022-2023 data, it is clear that the proportion of fully covered depositors remained almost identical despite inflation eroding the value of EUR 100,000 across the EU. The EBA emphasizes that the end-2007 data used by the EC and the end-2017 data used by the EBA, for their respective assessment were based on different samples of DGSs and therefore the comparison should be interpreted carefully.

59. Concerning the level of covered and fully covered deposits, the data collected from the DGSs across the EU, and as demonstrated in detail in Figures 4, 5, 8 and 9 and Tables 2, 3 and 5 show that:

    a. overall, less than half of eligible deposits are fully covered while the proportion exceeds the 50%-threshold for eligible deposits that are covered, fully or partially;

    b. overall, increasing the coverage level to EUR 250,000 for all depositors would increase the proportion of fully covered deposits from 44.4% to 58.8% and of covered deposits from 57.4% to 67.3%, thus a significant share of deposits would remain not fully covered or uncovered. In banks with the lowest proportion of fully covered deposits, the proportion would increase from 25.3% to 36.7%;

    c. setting a coverage level for legal persons at EUR 1,000,000 would increase the proportion of fully covered deposits held by legal persons from 10.9% to 38.8% and of covered deposits held by legal persons from 20.9% to 52.3%. Even though the increase is noticeable, a significant share of deposits would remain not fully covered or uncovered;

    d. comparing the results of the analysis using end-2007, end-2017 and end-2022 data, the share of covered deposits has slightly declined over the years.

60. The analysis shows that increasing the coverage level would have negligible impact on the proportion of fully covered depositors, and a more noticeable impact on the proportion of covered and fully covered deposits, especially for those of legal persons. The analysis also shows that over the last 15 years the key metrics used in this analysis have not changed significantly. The results on the impact suggest that increasing the coverage level would not have a major impact on how many depositors have an incentive to run. It would to some extent impact the proportion of deposits that might be withdrawn at the point of crisis but even a tenfold increase of coverage for legal persons would not constitute a paradigm shift as 31.4% of all eligible deposits would remain uncovered. This finding is observed for both the whole set of EU banks and the subset of the EU banks which are most susceptible to a run. Furthermore, looking only at the Eurozone as an indication of wider trend across the EEA countries, the majority of corporate deposits are overnight deposits, which are more likely to run in comparison to term deposits. This suggests that increasing the coverage level would not contribute significantly to the mitigation of the risk of bank runs nor to the reduction of the impact a bank run and thus would have limited benefits in terms of financial stability.

4.1.2 Consumer protection

61. From the perspective of consumer protection, the proportion of fully covered depositors is a key metric because it shows the proportion of depositors that are fully covered and thus would be fully reimbursed in case of bank failure.

62. Concerning fully covered depositors, as mentioned earlier in the conclusions, overall nearly all eligible depositors are already fully covered under the current coverage level. Furthermore, that proportion remained almost identical compared to the data from the impact assessment performed by the EC and by the EBA in 2010 and 2019 respectively.

63. With a higher coverage level, the proportion of fully covered depositors would not increase significantly overall. This is the case especially when considering natural persons while for legal persons the increase is more significant. Indeed, the data collected from the DGSs across the EU, as demonstrated in detail in Figure 3 and 9 and Tables 4 and 5, show that:

    a. the proportion of fully covered natural persons is currently 96.8% and would increase by only 2.4 percentage points when setting the coverage level at EUR 250,000;

    b. the proportion of fully covered legal persons is currently 87% and would increase to 93.5% under a coverage level of EUR 250,000 and to 98% when setting the coverage level up to EUR 1m for legal persons only.

    It is also important to note that, depositors for whom the increased coverage level would matter are those with more than EUR 100,000 in deposits, and the framework already offers an opportunity for them to become fully protected if they spread their funds across several credit institutions.

64. Thus, the analysis shows that an increase of the coverage level would not have a significant impact on natural persons beyond a small number of wealthy individuals, as the current proportion is already very high and the increase would be small, but it would increase the proportion of companies that would be fully covered and could thus be seen as offering improved protection for that group of depositors.

4.1.3 Moral hazard

65. The two main reasons why there is no universal, unlimited deposit protection are 1) moral hazard and 2) the costs of unlimited protection. Within the data available, it is possible to shed some light on both aspects.

66. Concerning moral hazard, it can be argued that limited coverage ensures that depositors with deposits above EUR 100,000 monitor the health of their credit institution and choose where to place their deposits, taking into account the risk of bank failure. In doing so, depositors incentivize credit institutions not to take undue risks which could lead to a bank run.

67. Thus, for the assessment of the impact of any changes in coverage level on moral hazard, it is important to assess the impact on the proportion of depositors that are not fully covered.

68. As mentioned earlier in the conclusions, the proportion of fully covered depositors is currently high and would not increase significantly with a higher coverage level. Nevertheless, if, under a coverage level of EUR 250,000, the proportion of depositors that are not fully covered decreased from 4.1% to 1.5%, it means that the relatively small group of depositors incentivized to exercise their market monitoring function would decrease significantly and so an increase in coverage level would have some impact on moral hazard.

4.1.4 Costs for the banking sector

69. The increase of the coverage level would generate an increase in the size of the DGS and resolution funds and thus of the contributions paid by member banks. The analysis of the impact on the DGS funds shows that an increase of the coverage level for the assessed scenarios would lead to, ceteris paribus, an estimated increase of 5.2 – 11.6 bn in costs for credit institutions across the EU, depending on the scenario.

70. The increase in the costs varies across DGSs, reflecting the varying economic fundamentals across EEA countries. The analysis shows that the cost for banks would be significant, especially under the scenarios with coverage levels of EUR 250k and EUR 1m. From the perspective of a cost-benefit analysis, the increased cost can be compared with the increase in the proportions of fully covered depositors. Thus, as demonstrated in detail in Tables 4, 5 and 8, an increase of the coverage level to:

    a. EUR 150,000 would cost the industry 5.2 bn, while increasing the proportion of fully covered natural persons by 1.5 percentage points and the proportion of fully covered legal person by 3.3 percentage points;

b. EUR 250,000 would cost the industry 10.5 bn, while increasing the proportion of fully covered natural persons by 2.4 percentage points and the proportion of fully covered legal person by 6.5 percentage points;

c. EUR 1,000,000 for legal persons only, would cost the industry 11.6 bn, while increasing the proportion of fully covered legal person by 11 percentage points.

71. The increased costs related to the Single Resolution Fund are beyond the scope of the analysis in this report, but would be significant, too.

72. The increased cost should be assessed also from the perspective of the impacts on the financial health of the banks, which may depend on different factors, e.g. a transitional period to reach the increased target level. The assessment is however beyond the scope of the analysis. Moreover, it may be argued that banks could pass down at least some of the increased costs to their customers, including depositors.

4.1.5 Conclusion

73. Based on the static analysis performed in this report, the EBA is of the view that there is no need to change the current coverage level of EUR 100,000. This conclusion is based on the findings that any of the assessed potential increases in coverage, while being costly, would have positive but limited impact on financial stability and consumer protection, and a somewhat negative impact on moral hazard. It should nonetheless be noted that coverage level is one of a number of important elements of the crisis management and deposit insurance framework and the assessment of the adequacy of each of these elements in this context requires a holistic assessment which is beyond the scope of this report.

4.2 Extension of the coverage to deposits held by public authorities

74. In the Opinion on the eligibility of deposits, coverage level and cooperation between DGSs, published in 2019, the EBA proposed to amend the DGSD extending DGS coverage to the public authorities, whose deposits are currently out of the scope of protection. The EBA considered the following arguments in favor of the extension:

a. in some Member States, public authorities include entities such as hospitals, schools and municipal services such as swimming pools, which are not sophisticated investors, and so should not be considered akin other companies of the financial sector which are also excluded from coverage. The EBA considered that, if deposits made by corporates were to be covered, deposits by public authorities should be covered too;

b. including public authorities would be operationally easier and decrease the administrative costs for credit institutions and DGSs allowing to overcome the difficulties with the application of some definitions and provisions of the DGSD about public authorities;

c. in the event of failure of a credit institution, and public authorities losing their funds, there might be an impact on financial stability, particularly given the weak position that ineligible deposits have in the creditor hierarchy;

d. the increase in covered deposits would probably be immaterial because the number of public authorities should not be high in comparison with the total number of depositors, and the coverage per public institution will be limited to EUR 100 000, notwithstanding that the amount of eligible deposits of public authorities might be higher. This reflected a similar argument that was applied to support the extension of eligibility from only SMEs to all enterprises, which was introduced in the DGSD.

75. In the Opinion, the EBA also mentioned that further analysis of the impact of such an extension might be warranted. The analysis of the data collected from the DGSs now allows to estimate the impact of the recommended extension.

76. The analysis shows that in the sample used in the analysis there were 208,014 public authorities holding, in total, EUR 408bn in deposits. Public authorities hold on average a deposit which is highly in excess of the EUR 100,000 threshold and, consequently, even if eligible for the protection, they may have the incentive to withdraw their deposits in case of a bank crisis. Therefore, the extension of coverage to public authorities with a coverage level of EUR 100,000 would have a limited impact on strengthening financial stability.

77. The analysis also shows that the proportion of deposits placed by public authorities in relation to current eligible deposits is 4.8% while the maximum proportion by which covered deposits would increase in response to the extension of coverage to public authorities can be estimated to be 0.5%, which, as outlined earlier in the analytical section, is almost certainly an overestimation. This suggests that the impact of the extension on covered deposits and therefore on DGS funding should be limited.

78. The analysis above complements the assessment made by the EBA in the Opinion on the eligibility of deposits, coverage level and cooperation between DGSs, where the extension was recommended based on different arguments. The EBA concludes that the recommended extension would have a limited impact on the DGS funding.

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