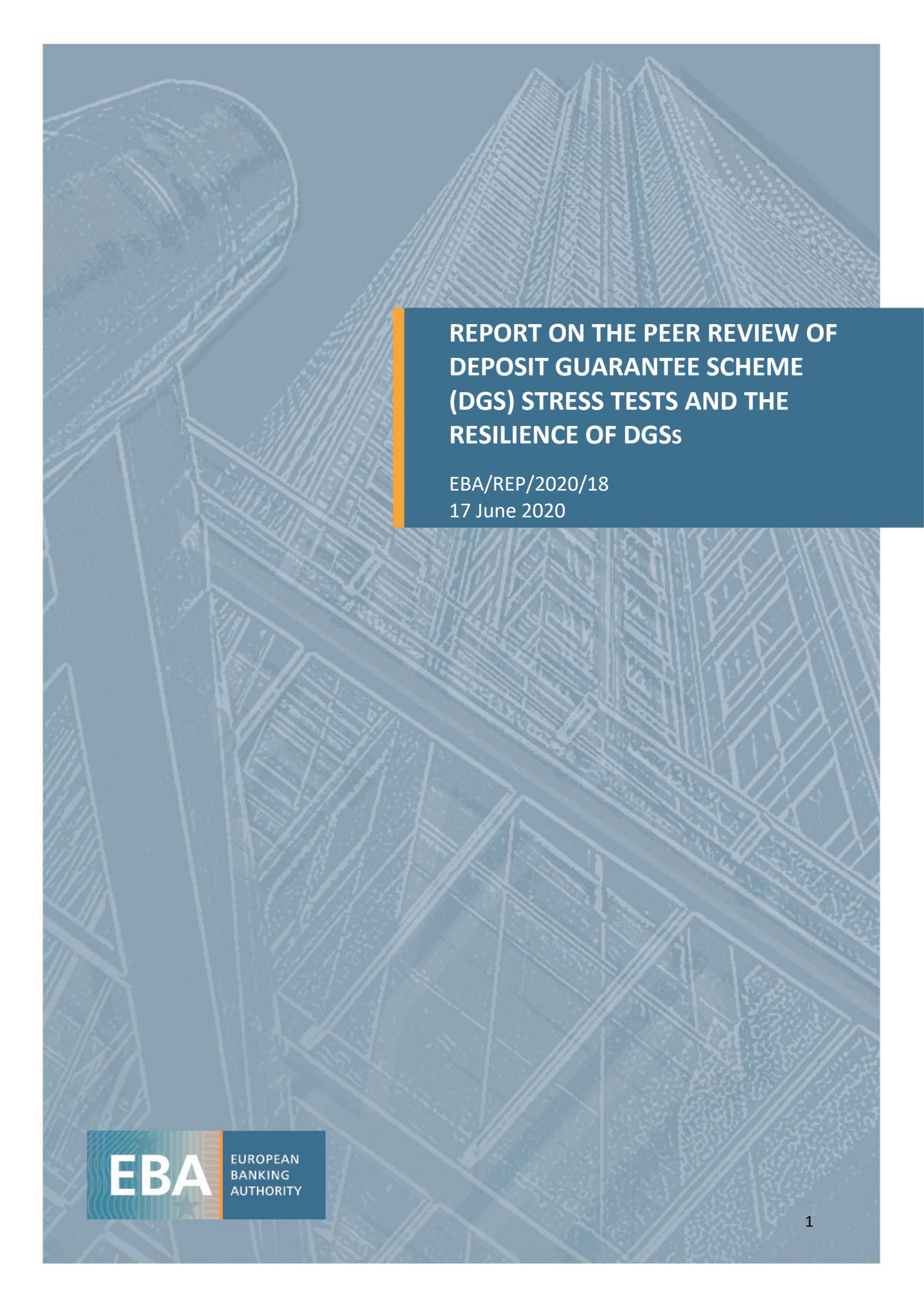




REPORT ON THE PEER REVIEW OF DEPOSIT GUARANTEE SCHEME (DGS) STRESS TESTS AND THE RESILIENCE OF DGSs

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Executive summary

The Deposit Guarantee Schemes Directive (DGSD) requires Member States to ‘ensure that DGSs [deposit guarantee schemes] perform stress tests of their systems’. In 2016, the European Banking Authority (EBA) issued Guidelines on stress tests of DGSs that set out the scope and principle-based requirements of DGS stress tests and a list of four ‘priority tests’ that DGSs are required to perform and report on to the EBA by 3 July 2019, by means of a predefined reporting template. The DGSD, in turn, requires the EBA to use these reports to conduct a peer review of all DGSs across the EU, and to do so at least every 5 years.

This report presents the EBA’s conclusions on the first peer review. The purpose of the peer review was twofold: to assess the resilience of DGSs based on the results of the DGS stress tests and to identify good practices and areas for improvement. Based on the findings, the report also provides early indications of the areas in which the EBA Guidelines on stress tests of DGSs could be amended in the future, with a view to providing further clarifications. Since the work on this first peer review was performed during the transition to the revised peer review methodology resulting from the European Supervisory Authorities’ review, the assessment criteria and self-assessment phase had already been defined in the EBA Guidelines on stress tests of DGSs, and the peer review stemmed from a Level 1 obligation, the EBA followed, to the extent possible, the process outlined in Article 30 of the amended EBA Regulation and EBA peer review methodology, with some marginal differences, which are outlined in the methodology section of this report.

In total, the EBA received the results of 135 DGS stress tests, which were performed by 32 DGSs from 27 EU Member States. The priority tests included testing DGSs’ operational and funding capabilities, credit institutions’ single customer view (SCV) files containing depositor information to prepare for a DGS payout, and cross-border cooperation between DGSs for branches.

Based on the number of tests that DGSs had performed, the EBA concluded that such tests have become an established tool for preparing for DGS interventions. Furthermore, using the grading system outlined in the Guidelines on stress tests of DGSs, the EBA arrived at the view that the overall resilience of DGSs across the EU was ‘fair’, which is the second best result, after ‘optimal’. This means that most DGSs have identified areas for improvement on the basis of the tests, that the shortcomings are isolated and/or can easily be addressed by the DGSs at the point of failure, and are unlikely to affect the ability of DGSs to perform their tasks in line with the DGSD.

Of the four priority tests performed by DGSs and in turn used by the EBA to assess DGSs’ resilience, all DGSs tested their operational capabilities to repay customers and ran SCV files tests that assessed the quality of the information submitted by credit institutions necessary to prepare for a DGS payout. All but one DGS executed funding capability tests and approximately half of the DGSs performed cross-border cooperation tests relevant for DGSs where there are banks with cross-border branches. In general across the EU, of the four priority tests, the qualitative scores for operational capability tests were slightly better than the scores for the other tests, followed by

cross-border cooperation tests and funding capability tests. A large number of DGSs identified shortcomings in relation to most aspects tested in SCV files tests, which could be explained by the fact that a number of DGSs executed stress tests while implementing changes to their SCV files systems to gradually reach the shorter repayment deadline in line with the DGSD.

The EBA also concluded that the divergence in the type of exercises performed and in the way outcomes were reported made it difficult to compare the tests between DGSs with the desired consistency. The EBA therefore provides early indications of 45 areas in which the DGS stress testing framework could be improved to enhance comparability for future peer reviews and thus strengthen the framework. In relation to the COVID-19 pandemic, the report includes an early indication of how to improve the framework by exploring how to incentivise DGSs to perform ‘special’ tests that allow them to assess scenarios resulting in severe business continuity problems, such as a pandemic, power outages or significant operational disruptions. The report also identifies 20 good practices that were deployed by a number of DGSs; these can be considered advice for other DGSs to take note of (see Table 1 for a summary).

Table 1: Summary of areas for improvement and good practices identified in the peer review of DGS stress tests and the resilience of DGSs

	Early indications of areas for improvement <i>The DGS stress testing framework could be improved by:</i>	Good practices <i>DGSs could consider:</i>
Designing and executing tests (category 1)	- providing more clarity on what should be assessed and how to report on each of the priority tests and a large number of indicators - considering incentivising DGSs to test ‘special’ scenarios with increased complexity resulting from business continuity issues in addition to tests of ‘standard’ scenarios - developing the Guidelines on stress tests of DGSs further to strike the right balance between clarifying what each DGS should aim to achieve in each priority stress test and what constitutes a ‘successful’ stress test - considering defining minimum performance or achievement levels in line with the DGSD aims for each indicator (where relevant and possible)	- taking into account the particular set-up of the DGS when involving a third party in the design, execution and evaluation of stress tests, mindful of the need to comply with national provisions on professional secrecy and DGS oversight - performing multiple granular tests, in case one comprehensive test is not suitable to assess all indicators
Reporting to the EBA (category 2)	- recalibrating the meaning of the scores A-D, for example by setting minimum performance levels to determine the qualitative score, and aiming to encourage DGSs to discover aspects that could be improved while testing and subsequently addressing those aspects - improving the reporting template in terms of content and format	providing additional information that explains the reported qualitative scores and quantitative results
Systems and processes of DGSs (category 3)	DGSs considering one area for improvement in the category ‘systems and processes’ for SCV files tests	good practices with regard to their systems and processes in the area of SCV files, operational and funding capabilities, and contributing to other intervention scenarios

List of abbreviations

AFA	alternative funding means or arrangements
AFM	available financial means
AML	anti-money laundering
BRRD	Bank Recovery and Resolution Directive
CA	competent authority
CI	credit institution
DGS	deposit guarantee scheme
DGSD	Deposit Guarantee Schemes Directive (2014/49/EU)
DGSDA	deposit guarantee scheme designated authority
EBA	European Banking Authority
ECB	European Central Bank
Eddies	European DGS to DGS Information Exchange System
EEA	European Economic Area
EFDI	European Forum of Deposit Insurers
ESA	Einlagensicherung Austria (Austrian DGS)
FAQ	frequently asked question
FTE	full-time equivalent
ICT	information and communication technology
ID	identification document
IPS	institutional protection scheme
IT	information technology
LSI	Less significant institution
MFT	managed file transfer
MI	member institution
MoU	memorandum of understanding
NCA	national competent authority
NRA	national resolution authority
OCT	Operational capability test
PIF	payment instruction file
PR	public relations
Q&A	question and answer
QL	qualitative
QN	quantitative
RA	resolution authority
SCV	single customer view
SEPA	Single Euro Payments Area
SFTP	secure file transfer protocol
THB	temporary high balance

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1 Background and rationale

1. Article 4(10) of the DGSD (2014/49/EU) provides that Member States shall ensure that DGSs perform stress tests of their systems and that the DGSs are informed as soon as possible in the event that the competent authorities detect problems in a credit institution that are likely to give rise to the intervention of a DGS. The DGSD requires that such tests shall take place at least every 3 years and more frequently where appropriate.
2. The DGSD continues by stating that, based on the results of the stress tests, the EBA is required to conduct, at least every 5 years, peer reviews pursuant to Article 30 of Regulation (EU) No 1093/2010 (the EBA Regulation) in order to examine the resilience of DGSs.
3. The meaning of peer reviews is set out in Article 30(3) of the EBA Regulation, which provides that such peer reviews have to include an assessment of, but are not limited to:
 - the adequacy of resources, the degree of independence and the governance arrangements of the competent authority, with particular regard for the effective application of the legislative acts referred to in Article 1(2) and the capacity to respond to market developments;
 - the effectiveness and the degree of convergence reached in the application of Union law and in supervisory practice, including regulatory technical standards and implementing technical standards, guidelines and recommendations adopted pursuant to Articles 10 to 16, and the extent to which the supervisory practice achieves the objectives set out in Union law;
 - the application of best practices developed by competent authorities whose adoption might be of benefit for other competent authorities;
 - the effectiveness and the degree of convergence reached with regard to the enforcement of the provisions adopted in the implementation of Union law, including the administrative sanctions and other administrative measures imposed against persons responsible where those provisions have not been complied with.
4. In 2016, the EBA issued Guidelines on stress tests of DGSs (EBA/GL/2016/04 – the Guidelines), which specify the minimum principles and content of stress tests that DGSs must perform. The Guidelines specify the methodological principles that DGSs should apply to assess whether the operational and funding capabilities of DGSs are sufficient to ensure deposit protection in the event of a bank failure. The Guidelines specify that DGSs should perform ‘priority tests’ and report results to the EBA by 3 July 2019.
5. The final report on the Guidelines states that stress tests ‘verify whether the operational and funding capabilities of DGSs are sufficient to ensure deposit protection within the conditions of

the DGSD in times of increased pressure, thereby contributing to the continuous improvement of DGSs’.

6. The Guidelines specify that DGS stress test exercises should cover two main risk areas:
 - (i) operational risks (i.e. the risks that the DGS cannot meet its obligations due to inadequate or failed internal processes or inadequate staffing and systems);
 - (ii) funding risks (i.e. the risks that the funding sources provided for in Article 10 of the DGSD (regular contributions, extraordinary contributions and alternative funding arrangements) are insufficient to enable the DGS to meet its potential liabilities or to meet them within the time periods required by national or Union law).
7. More specifically, paragraph 59 of the Guidelines specifies that stress tests ‘should cover various stages of a DGS intervention, ranging from pre-failure planning to preparation upon failure, to execution of intervention, including repayment, contribution to resolution, etc.’.
8. The purpose of this peer review is to examine the resilience of DGSs by assessing the results of the first round of priority stress test exercises reported by DGSs by July 2019. To further contribute to improving DGSs’ resilience, the peer review also identifies early indications of ways to further strengthen the DGS stress testing framework. It does so by outlining good practices and early indications of areas for improvement with regard to the following: (i) the execution of stress test exercises, (ii) reporting to the EBA and (iii) DGSs’ systems and processes, identified through a desk-based analysis and discussions with DGS designated authorities (DGSDAs) and/or DGSs. Eventually, the early indications of areas for improvement and good practices could be used by the EBA to make further improvements to the Guidelines for future rounds of testing.

2 Methodology

9. The peer review is conducted in line with the EBA peer review methodology outlined in the EBA decision of 28 April 2020 adopting a methodology for the conduct of peer reviews (which also includes the four aspects specified by Article 30(3) of the EBA Regulation), based on the results of the DGS stress tests conducted in accordance with Article 4(10) of the DGSD and the specifications outlined in the Guidelines.

2.1 EBA peer review methodology

10. The four aspects of peer reviews specified by Article 30(3) of the EBA Regulation are reflected in this peer review report. Firstly, the EBA Regulation requires EBA peer reviews to cover ‘the adequacy of resources, the degree of independence, and governance arrangements of the competent authority, with particular regard to the effective application of the legislative acts referred to in Article 1(2) and the capacity to respond to market developments’. For the particular purpose of the peer review of DGS stress tests, the EBA fulfilled this requirement by applying a number of indicators, which are specified in the Guidelines.

11. More specifically, on the adequacy of resources:

- For the subset of operational capabilities, the adequacy of resources will be measured by indicators i6 (the adequacy of existing staff, budget and other resources that would be available in a real-life scenario) and i7 (the adequacy of extra staff, budget and other resources that would be available at short notice when needed).
- For the subset of funding capabilities, the adequacy of resources will be measured by indicators i20 (the adequacy of *ex ante* funds to cover the funding need) and i22 (the adequacy of *ex post* and alternative funding means).

The relevant findings are presented in Section 3.2 of this report.

12. Regarding the degree of independence, the Guidelines specify that DGSs should make arrangements to ensure objectivity in the definition of assumptions for the stress test, the running of the test and the elaboration of unbiased conclusions. However, DGSs did not have to report on this aspect in their stress test reports. Therefore, this aspect is not included in the scope of the resilience assessment unless a DGS explicitly reported this information.

13. On the adequacy of governance arrangements:

- For the subset of operational capabilities, the governance arrangements will be measured by indicators i2 (a quality assessment of the arrangements in place for requesting and obtaining SCV files) and i5 (the quality of the arrangements in place

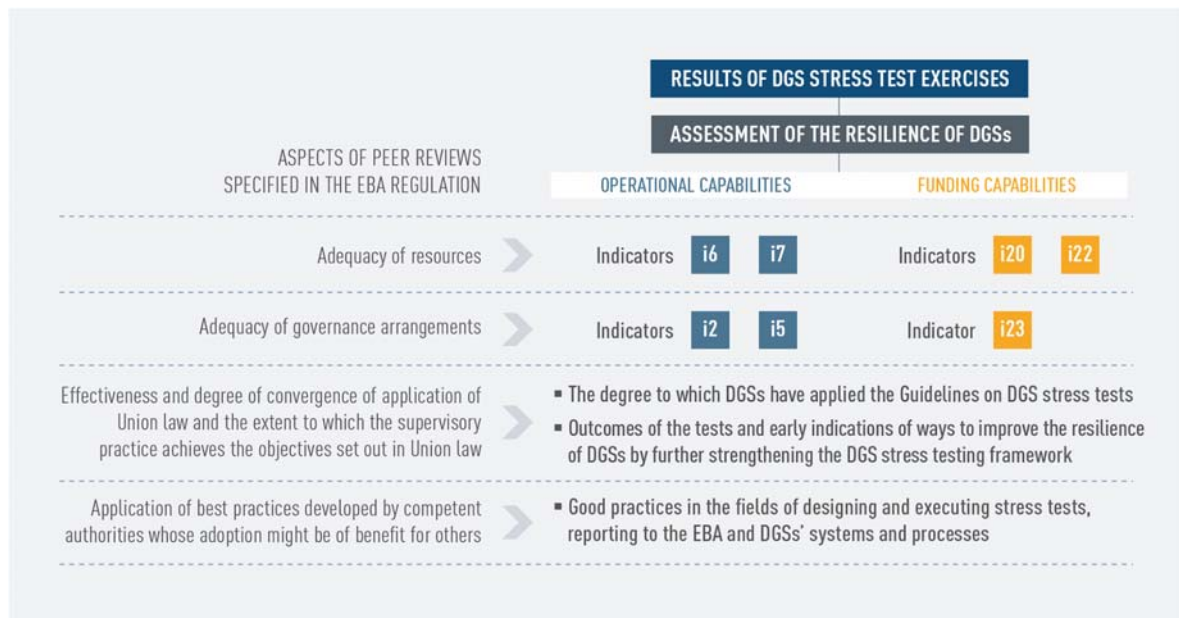
for obtaining information from competent or resolution authorities on problems detected at a credit institution that could give rise to a DGS intervention).

- For the subset of funding capabilities, the governance arrangements will be measured by indicator i23 (a quality assessment of the arrangements in place for accessing alternative funding means).

The relevant findings are presented in Section 3.2 of this report.

14. Secondly, the EBA Regulation requires peer reviews to cover 'the effectiveness and the degree of convergence reached in the application of Union law and in supervisory practice, including regulatory technical standards and implementing technical standards, guidelines and recommendations adopted pursuant to Articles 10 to 16, and the extent to which the supervisory practice achieves the objectives set out in Union law'.
15. For the purpose of the peer review of DGS stress tests, the EBA fulfilled this requirement by measuring the extent to which DGSs have complied with the Guidelines and by identifying ways to improve the resilience of DGSs by outlining early indications of proposals to further strengthen the DGS stress testing framework. The relevant findings are presented in Chapters 3 and 4 of this report.
16. Thirdly, the EBA Regulation requires peer reviews to cover 'the application of best practices developed by competent authorities whose adoption might be of benefit for other competent authorities'. For the purpose of the peer review of DGS stress tests, the EBA fulfilled this requirement by identifying 'good practices' on the basis of the DGS stress test reports submitted by DGSs to the EBA. These good practices can be considered advice that the DGSs should take note of. Since good practices are DGS-, stress test- and time-specific, they are not shared with the intention that they should be made mandatory.
17. Finally, the EBA Regulation requires peer reviews to cover 'the effectiveness and the degree of convergence reached with regard to the enforcement of the provisions adopted in the implementation of Union law, including the administrative sanctions and other administrative measures imposed against persons responsible where those provisions have not been complied with'. These aspects are typically assessed in the context of peer reviews on the supervision by competent authorities and are not applicable to DGSs.
18. Figure 1 summarises the application of the EBA Regulation to the peer review of DGS stress tests.

Figure 1: The application of the four aspects of peer reviews to the peer review of DGS stress tests and the resilience of DGSs



19. The EBA peer review methodology¹ describes the process of conducting peer reviews and states that a peer review exercise normally comprises a self-assessment conducted by the competent authority followed by a review by peers. The complete process can be broadly classified into six phases.

20. However, the peer review of DGS stress tests is a unique case, owing to the following characteristics:

- It stems from a Level 1 obligation (Article 4(10) of the DGSD).
- The EBA has issued guidelines defining the assessment criteria (the DGS stress test indicators) and the self-assessment phase (DGSs must fill in the outcomes of their tests in the reporting template).
- Work on the peer review was performed during the transition to the revised peer review methodology resulting from the European Supervisory Authorities' review.

21. Therefore, the six phases of EBA peer reviews are applied as follows:

¹ Revised peer review methodology as a result of the European Supervisory Authorities' review, adopted by the EBA Board of Supervisors on 28 April 2020.

- (i) **the establishment phase:** the establishment of the ad hoc peer review committee for this particular peer review mandated in Article 4(10) of the DGSD (Q1 2020), using the existing committee structure of the EBA;
- (ii) **the preparatory phase:** the development and publication of the Guidelines (EBA-GL-2016-04) in May 2016, outlining the priority tests, the indicators (serving as the assessment criteria) and the reporting template (serving as the self-assessment questionnaire);
- (iii) **the self-assessment phase:** the design, execution and evaluation of stress tests by the DGSs and the reporting of the outcomes to the EBA via the reporting template that was annexed to the Guidelines (May 2016 to July 2019), followed by an assessment of the reports received, reflected in a draft summary report (October 2019 to March 2020);
- (iv) **the review by peers phase:** a discussion of the findings in the draft summary report by the ad hoc peer review committee (March 2020), followed by consultation of the peer review report with the EBA Management Board (May 2020) and of the written procedure with the EBA Board of Supervisors (June 2020);
- (v) **the follow-up measures phase:** to be determined;
- (vi) **the follow-up report phase:** to be determined.

2.2 Specifications set out in the Guidelines

22. The Guidelines set out the preparatory and self-assessment phases of the peer review, by specifying the minimum principles and content of stress tests that DGSs should perform, including the elements described in this section.

2.2.1 Priority tests

23. For the first EBA peer review, DGSs needed to perform the above-mentioned four priority tests and report on such tests to the EBA by 3 July 2019. These four priority tests, which are outlined in detail in paragraph 96 of the Guidelines, as follows:

- (i) SCV file tests;
- (ii) an operational capability test;
- (iii) an operational cross-border cooperation test;
- (iv) a funding capability test.

24. DGSs were allowed to conduct the four priority tests jointly and/or to run one or more tests separately.

2.2.2 Indicators

25. In order to assess the priority tests, the Guidelines specify that DGSs should use both quantitative and qualitative indicators, as set out in Table 2.

Table 2: Indicators per priority stress test as outlined in the Guidelines

Indicator	Description
SCV file tests	
i1	Overall quality assessment of the SCV files resulting from the tests, main shortcomings, main reasons for shortcomings, expectation of future developments (qualitative)
i2	Qualitative assessment of arrangements in place for requesting and obtaining SCV files (qualitative)
i3	Time to obtain transmission of SCV files, from request to institution (quantitative)
i4	Share of substandard entries (missing, inaccurate, or not containing the data necessary for treatment and payment) (quantitative)
Operational capabilities	
<i>Information on problems that are likely to give rise to the intervention of a DGS</i>	
i5	Quality of the arrangements in place for obtaining information from competent or resolution authorities on problems detected at a credit institution which could give rise to DGS intervention, including whether they ensure receiving timely information on early deterioration of an institution's financial situation (qualitative)
<i>Staff and other operational resources</i>	
i6	Adequacy of the existing staff, budget and other resource that would be available in a real-life scenario (quantitative and qualitative)
i7	Adequacy of extra staff, budget and other resources that would be available at short notice when needed (quantitative and qualitative)
<i>Communication with depositors and the wider public</i>	
i8	Time to set up call centres and ad hoc websites or webpages (quantitative)
i9	Capacity of websites or call centres in terms of number of connections or calls (quantitative)
<i>Payment means</i>	
i10	Review of payment instruments available for payout scenarios (qualitative)
i11	Adequacy when applied to a high number of payments, as defined in the scenarios (qualitative)
<i>Repayment and contribution periods</i>	
i12	For repayment scenarios, time from the determination of unavailability of deposits to the moment when the repayable amount is made available (quantitative)
i13	Where temporary high balances or beneficiary account are earmarked on a continuous basis as described in paragraph 69 of the Guidelines on DGS stress tests, time elapsed from the determination of unavailability of deposits to the moment when the repayable amount is made available (quantitative)
i14	For resolution scenarios, time elapsed from the resolution authority's request to the payment of the contribution (quantitative)
Operational cross border cooperation test	

Indicator	Description
i15	Ability to extract earmarked SCV information on depositors at branches set up by their affiliated credit institutions in other Member States (qualitative)
i16	Time to produce and transmit to host authorities payment instruction files, from the transmission of SCV files by institution (quantitative)
i17	Quality assessment of channels for the transmission of payment instruction files
i18	Confirmation from host DGSs that the payment instruction files would be adequate for repaying depositors
i19	Ability to meet the deadlines laid down in the Guidelines on cooperation arrangements between deposit guarantee schemes
Funding capability test	
i20	Adequacy of <i>ex ante</i> funds to cover the funding need (shortfall in absolute value and as a share of the need)
i21	Qualitative assessment of the DGS's ability to liquidate assets invested as part of the available financial means within the deadline
i22	Adequacy of <i>ex post</i> and alternative funding means to cover the funding needs not covered by <i>ex ante</i> funds (shortfall remaining after exhausting <i>ex post</i> and alternative funding means) (quantitative)
i23	Quality assessment of arrangements in place for accessing alternative funding means (reliability, quantity) (qualitative)

2.2.3 Intervention scenarios

26. For the purpose of the peer review, and as part of the priority tests, the following intervention scenarios as set out in the Guidelines had to be applied:

- a 'repayment function', to compensate depositors in the event of a credit institution's insolvency pursuant to Article 11(1) of the DGSD;
- a 'contribution to resolution function', to finance the resolution of credit institutions in order to preserve continuous access to deposits pursuant to Article 11(2) of the DGSD and Article 109 of Directive 2014/59/EU.

27. In addition, DGSs may also run targeted exercises independently of any scenario, for example regular checks of SCV files of a given institution. Furthermore, the Guidelines set out that where, pursuant to Article 11(3) of Directive 2014/49/EU, a DGS is allowed to use funds for the prevention of failure of a credit institution, it should perform at least two types of tests:

- "failure prevention function", to use the available financial means for alternative measures in order to prevent the failure of a credit institution, if allowed under the law of the Member State where the DGS is established, pursuant to Article 11(3) of Directive 2014/49/EU; and
- "contribution to insolvency scenario": to use the available financial means to finance measures to preserve the access of depositors to covered deposits in the context of national insolvency proceedings, if allowed under the law of the Member

State where the DGS is established, pursuant to Article 11(6) of Directive 2014/49/EU.

2.2.4 Reporting template

28.Paragraph 98 of the Guidelines provides that ‘DGSs should report results on the above priority tests to the designated authorities and the EBA using the template in Annex 1’. The reporting template can be found in Annex 2 of this report.

29.The reporting template should be completed with general information about the DGS, descriptions of the stress test exercises performed, and qualitative and quantitative results for the indicators. Whenever a qualitative assessment is needed, the DGS should provide both a literary judgement of the quality of the area that is being assessed and a qualitative assessment using the following scores:

- A – optimal: the area measured requires no improvement;
- B – fair: the area presents weaknesses but these are isolated and/or can easily be addressed at the point of failure, and are unlikely to affect the ability of the DGS to perform its tasks under the conditions of the DGSD;
- C – poor: the area presents weaknesses that are likely to complicate the ability of the DGS to perform its tasks under the conditions of the DGSD, and requires improvement (in this case, the measures that have been taken or are scheduled must be outlined);
- D – very poor: the area presents grave shortcomings that are likely to prevent the DGS from performing its tasks under the conditions of the DGSD, and requires immediate remedy (in this case, the measures that have been taken or are scheduled must be outlined)².

2.3 Information sources for the peer review and their limitations

30.The main source of information used for the purpose of this report are the reports on DGS priority stress tests that were submitted by DGSs to the EBA by 3 July 2019. The EBA received reports from 32 DGSs from 27 Member States (including two non-EU European Economic Area (EEA) countries – for the purpose of this report, non-EU EEA countries are also referred to as Member States). The EBA did not receive reports from DGSs from Iceland, Liechtenstein³ or Slovakia. Although all DGSs should perform all priority tests and apply all indicators, this was not

² Due to a typo, the reporting template that was made available to DGSs referred to ‘E’ instead of ‘D’, which has been amended for the purposes of this report.

³ The DGS in Liechtenstein did not submit any priority stress test results by 3 July 2019, since it transposed the DGSD in summer 2019. Instead, the DGS submitted its stress test programme for 2020-2022 to the EBA in December 2019.

always the case, which is why the number of DGSs is reported separately for each indicator in this report.

31. A significant limitation of these priority stress test reports is that DGSs interpreted the indicators and scores of the Guidelines in different ways, which can be explained to a large extent by the design of the Guidelines and reporting template. In addition, DGSs in the EU have different characteristics in terms of legal status, governance, operational systems and procedures and are affected to some extent by different national legislation and market conditions. The differences in these characteristics resulted in different features of tests performed by the DGSs, which, in turn, had an impact on how the outcomes of those tests were reported to the EBA. Therefore, when analysing the reports for the purpose of this peer review, the EBA aimed to identify those differences in addition to common elements in the reporting. In addition, any conclusions presented in this report should be interpreted with caution.

3 Main findings

3.1 General assessment of the stress test exercises performed

3.1.1 Overview of the stress test exercises performed

32. The EBA received the results of 135 DGS stress tests performed by 32 DGSs from 27 EU Member States. Eleven real-life cases were reported as DGS stress tests, in line with the provision in the Guidelines that '[w]here a real-life intervention occurred during the cycle and enabled a DGS to assess the resilience of some or all of the test areas and/or intervention scenarios planned for testing under the programme, the DGS may amend the programme to reflect that the real-life-based test will substitute the originally envisaged test'. Table 3 provides an overview of the number of priority tests performed and reported to the EBA in the first round of stress testing as specified by the Guidelines. These results served as the basis for the analysis in this report. The table does not include the non-priority scenarios 'contribution to insolvency' and 'failure prevention'. The contribution to insolvency scenario was not assessed by any DGS, whereas the failure prevention function scenario was tested by only one DGS.

Table 3: Overview of the first round of priority tests reported to the EBA

Member State	DGS	SCV files tests ⁴	Operational capability tests	Cross-border cooperation tests	Funding capability tests	Contribution to resolution scenario ⁵	Real-life cases reported ⁶
AT	Uniform Deposit Guarantee Scheme of Austria (ESA) ⁷	465 institutions – yes	4	0	0	0	0
	Deposit Guarantee Scheme for the Savings Bank Sector (s-H)	49 institutions – yes	3	0	2	1 (operational)	0
BE	Guarantee Fund for Financial Services	34 institutions – yes (real-life case)	1	1	1	0	1
BG	Bulgarian Deposit Insurance Fund	19 institutions – yes	3	1	1	0	0
CY	Deposit Guarantee Fund for Banks, Deposit Guarantee Fund for CCIs	1 institutions (real-life case) – yes	1	0	1 (partial)	0	1
CZ	Financial Market Guarantee System	32 institutions – yes	1	1 (part of operational capability test)	2	0	0
DE	Deposit Guarantee Scheme for German Private Banks GmbH (EdB)	175 institutions – yes	2	1	1	0	1
	Deposit Guarantee Scheme for German Public Banks GmbH (EdÖ)	17 institutions – yes	3 (1 resolution scenario)	0	3 (1 resolution scenario)	1 (operational and funding)	0
	Protection Scheme of the German Savings Banks Association (DSGV)	406 institutions – yes	1	1	1 (resolution scenario)	1 (funding)	0
	Protection Scheme of the Cooperative Banks GmbH (BVR)	981 institutions – yes	2	1 (part of operational capability test)	1	1 (operational)	0
DK	Guarantee Fund	144 institutions – yes	3 (including real-life resolution cases)	0	1	1 (operational)	2 (resolution cases)
EE	Guarantee Fund	9 institutions – yes (real-life case)	1	1	1	0	1

⁴ In this column, two types of data are provided: firstly, the number of institutions of which a DGS has tested SCV files, reported under section B of the reporting template and, secondly, whether or not a DGS has reported having assessed indicators i1-i4 (SCV files tests) as part of a wider operational capability tests (if this was found to be the case, a DGS might have selected one credit institution with which it performed the operational capability test or, for example, created a fictional SCV file based on a fictional bank).

⁵ Tested as part of the operational or funding capability tests.

⁶ These real-life cases were reported as part of the priority tests included in this table (in accordance with paragraph 20 of the Guidelines).

⁷ The Uniform DGS of Austria (ESA) only reported on SCV files tests and operational capability tests, since it was established only 6 months before the deadline for reporting to the EBA. The EBA was informed that its predecessors (four DGSs) had conducted DGS stress tests in the period before 1 January 2019. Any such tests are not included in the table. In addition, as part of the DGS's early warning system, the DGS performs a quarterly stress test in coordination with the national competent authority in order to check the financial capabilities of the solvent member banks. The resulting information is reported to the national competent authority.

Member State	DGS	SCV files tests ⁴	Operational capability tests	Cross-border cooperation tests	Funding capability tests	Contribution to resolution scenario ⁵	Real-life cases reported ⁶
EL	Hellenic Deposit and Investment Guarantee Fund	20 institutions – yes	1	0	1 (resolution scenario)	1 (funding)	0
ES	Deposit Guarantee Fund of Credit Institutions	112 institutions – yes	4	2	2 (1 resolution scenario)	1 (funding)	0
FI	Finnish Financial Stability Authority	10 institutions – no	1	1	1	0	0
FR	Deposit Guarantee and Resolution Fund	264 institutions – no	1	6	1	0	0
HR	State Agency for Deposit Insurance and Bank Resolution	2 institutions – yes	2	0	2	0	0
HU	National Deposit Insurance Fund of Hungary	43 institutions – yes	2 (1 real-life payout case)	0	1 (real-life payout case)	0	1
IE	Irish Deposit Guarantee Scheme	287 institutions – yes	3 (1 real-life payout case)	2	1	0	1
IT	Depositors' Guarantee Fund of Credit Cooperative Banks (FGD)	269 institutions – yes	3	0	1	0	0
	Interbank Deposit Protection Fund (FITD)	111 institutions – yes	3	2	2	0	0
LT	Deposit and Investment Insurance	71 institutions – yes	3 (1 resolution scenario)	1	1 (resolution scenario)	1 (operational and funding)	0
LU	Fonds de garantie des dépôts Luxembourg	131 institutions – yes	1	1	1	0	0
LV	Financial and Capital Market Commission	5 institutions – yes	3 (1 real-life case)	1	1	0	1
MT	Depositor Compensation Scheme	3 institutions – no	1	0	1	0	0
NL	Dutch Central Bank, Deposit Guarantee Fund	43 institutions – yes	3	3	3	0	1
NO	The Norwegian Banks' Guarantee Fund	26 institutions – no	3	1 (partial)	1	0	0
PL	Bank Guarantee Fund	633 institutions – no	1	0	3 (1 resolution scenario)	1 (funding)	0
PT	Deposit Guarantee Fund	35 institutions – yes	1	0	1	0	0
RO	Bank Deposit Guarantee Fund	28 institutions – yes	1	0	1	0	0
SE	Swedish National Debt Office	108 institutions – yes	2	1	1	0	1
SI	Bank of Slovenia	14 institutions – yes	1	0	1	0	0
27 Member States	32 DGSs	4 547 institutions' SCV files tested	65 operational capability tests	28 cross-border cooperation tests	42 funding capability tests	9 contribution to resolution scenarios tested	11 real-life cases reported

33. The way a DGS has designed its stress test exercises, as well as how the exercises were evaluated, is to a large extent related to the characteristics of that DGS, in terms of governance, operational systems and procedures, national legislation and market circumstances. Thus, differences among the tests are to be expected. The following aspects may have influenced the execution and evaluation of the stress test exercises of each DGS:

- **governance:** for example, whether or not a DGS is also the national resolution authority (NRA), national competent authority (NCA) and/or central bank in the Member State, whether or not a DGS is a private organisation and the chosen funding structure (which alternative funding arrangements are in place);
- **operational systems and procedures:** for example, the payment method(s) used by the DGS, the level of outsourcing/use of external service providers and the implementation of new payment procedures and/or information technology (IT) systems with the aim of reducing the repayment period;
- **national legislation:** for example, the applicable repayment period in the Member State, pursuant to Article 8(1) and 8(2) of the DGSD, and whether or not the law of the Member State allows the use of available financial means for alternative measures (Article 11(3) of the DGSD) and/or to finance measures in the context of insolvency proceedings (Article 11(6) of the DGSD);
- **market circumstances:** for example, whether or not a DGS has to act as a home or host DGS in the context of cross-border cooperation, whether or not a DGS has experienced real-life cases during the reporting period and the number of significant and less significant institutions in the Member State.

34. Two of these characteristics – the number of institutions that are members of the DGS and the repayment periods applicable to the DGS – were explicitly included in the reporting template annexed to the Guidelines⁸. On the other hand, other characteristics were not explicitly included in the template, for example the repayment method used by the DGS and whether a DGS has to act as a host for a branch located in its Member State or as a home because it has credit institutions' branches in other Member States (pursuant to Article 14 of the DGSD). In the latter case, some DGSs provided the information in the explanations of the results reported for the individual indicators, while in other cases it had to be inferred from other responses. In a number of cases, the information was not provided at all in the report.

35. Information regarding the characteristics of a DGS enabled the EBA to understand the context in which a DGS had designed, executed and evaluated the stress test exercises. For that reason, such contextual information could be requested in a more concise and specific way in the reporting template for the next round of reporting of DGS stress tests to the EBA.

⁸ The information reported on the number of member institutions and the applicable repayment periods is described in Annex 1 of this report, under SCV files tests and operational capability tests, respectively.

3.1.2 General assessment of the resilience of DGSs and DGS stress tests

a. Assessment of the resilience of DGSs

36. Article 30(3)(b) of the EBA Regulation requires that EBA peer reviews cover ‘the effectiveness and the degree of convergence reached in the application of Union law and in supervisory practice, including regulatory technical standards and implementing technical standards, guidelines and recommendations adopted pursuant to Articles 10 to 16, and the extent to which the supervisory practice achieves the objectives set out in Union law’. For the particular purpose of the peer review of DGS stress tests, the EBA fulfilled this requirement by assessing (i) the degree to which DGSs have applied the Guidelines and (ii) ways to improve the resilience of DGSs by further strengthening the DGS stress testing framework.

(i) The degree to which DGSs have applied the Guidelines

On the degree to which DGSs have applied the Guidelines and have performed the priority tests, the EBA observed that 32 DGSs from 27 Member States reported that they performed priority stress tests as specified by the Guidelines. Three DGSs from three Member States did not report any stress test results to the EBA by 3 July 2019, for which one DGS provided an explanation. The EBA is of the view that, given the high number of priority tests performed and the fact that most DGSs followed the instructions set out in the Guidelines, the Level 1 obligation to perform DGS stress tests and the specifications of such tests in the Guidelines proved to be very effective to incentivise DGSs to perform stress test exercises as a means to enhance their resilience. As a result, stress tests have become an established tool of DGSs in preparing for crisis situations.

(ii) Ways to improve the resilience of DGSs by further strengthening the DGS stress testing framework

The EBA analysed each of the priority stress tests and indicators. This assessment is covered in subsequent chapters of this report. In general, the EBA arrived at the view that the divergence in the reported types of tests performed and the way the outcomes of the tests were reported makes it difficult to compare the tests and draw robust and comprehensive conclusions regarding the resilience of DGSs. Therefore, the conclusions on the different elements tested need to be interpreted with caution. To deal with these divergences, the EBA identified a number of early indications of how to improve the current DGS stress testing framework (‘areas for improvement’) and enhance the comparability of the results for future peer reviews.

37. Regarding aspect c) of Article 30(3) of the EBA Regulation – the application of ‘best practices developed by competent authorities whose adoption might be of benefit for other competent authorities – the assessment of the stress tests in general provides insight into a number of good practices that can be considered advice for DGSs to take note of. These good practices are described in the subsequent section.

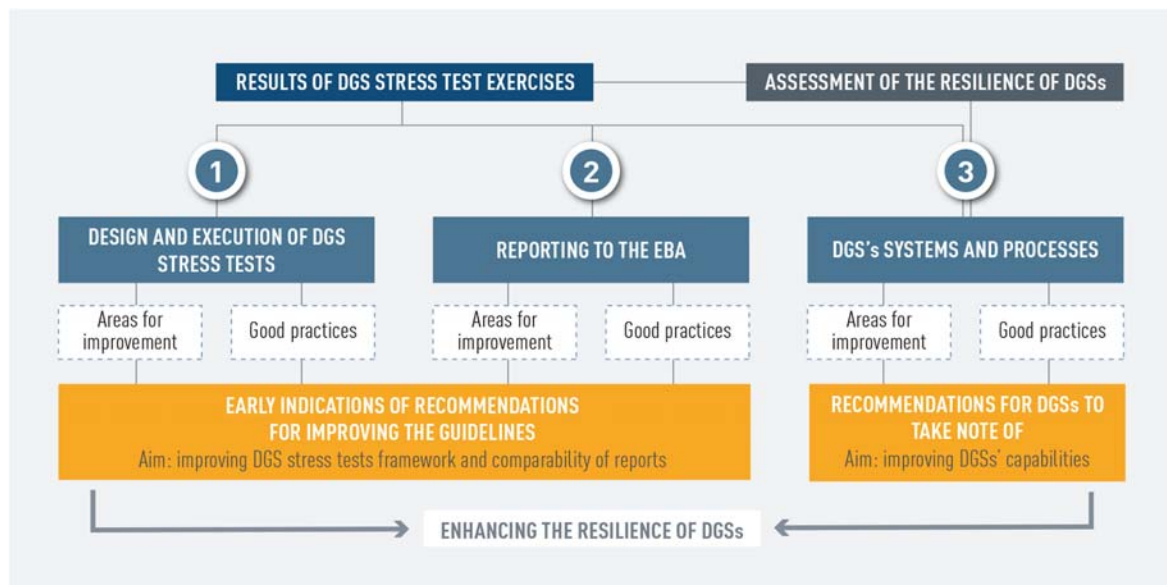
b. Areas for improvement and good practices

38. Based on the assessment of the DGS stress test reports that were submitted by DGSs and on discussions with DGSDAs/DGSs, the EBA has identified areas for improvement and good practices. 'Areas for improvement' describe the issues that were identified and early indications of how to address those issues by improving the DGS stress testing framework, including by potentially amending the Guidelines. The early indications of proposals made in this report for improving the DGS stress testing framework should be viewed as input for the EBA to consider if and when the EBA revises the existing Guidelines in line with the normal procedures for amending EBA guidelines (which will also include a public consultation). Good practices can be considered advice for other DGSs to take note of, as well as positive suggestions for improving the DGS stress testing framework. The EBA recognises that the good practices are DGS-, test- and time-specific. Therefore, the good practices shared in this report are not proposed to be obligatory for all DGSs. In general, good practices are addressed to DGSs, whereas 'areas for improvement' are applicable to the DGS stress testing framework.

39. The good practices and areas for improvement are presented in this report in the following three categories (see Figure 2):

- (i) Category 1: the design and execution of the stress test exercises (i.e. how a DGS designs and runs the exercises). Early indications of proposals in this category aim to improve the guidance on what aspects to include in the stress tests and how to test these aspects.
- (ii) Category 2: reporting to the EBA (i.e. how the DGS could/should report the results of the stress test exercises to the EBA). Early indications of proposals in this category aim to improve the consistency and robustness of the DGS stress test reports submitted to the EBA.
- (iii) Category 3: in some instances, the reports on the priority DGS stress tests also provided insight into the DGSs' systems and processes that were subject to the tests, and potential good practices in this category (i.e. 'how' a DGS is organised and executes its tasks, and the day-to-day management). Early indications of proposals in this category aim to facilitate learning from other DGSs and improve the operational procedures and thus the resilience of DGSs.

Figure 2: Structure of the assessment in this peer review report



Design and execution of stress test exercises in general (category 1)

40. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following early indications of *areas for improvement* regarding the design and execution of the stress test exercises:

- A large number of the indicators in the Guidelines were interpreted in a slightly different way by the DGSs, leading to different types of tests and subsequently different results that were reported to the EBA. Therefore, in the Guidelines, more clarity on specific indicators should be provided. This report provides further details on individual indicators in the subsequent sections.
- Indicators i2, i5 and i23 included a 'qualitative assessment of the arrangements in place' (see Table 2 for a full description of the indicators). However, the reports submitted showed that the phrase 'arrangements in place' has been interpreted in different ways and how this aspect can be tested. Therefore, in the Guidelines, the meaning of 'arrangements in place' could be clarified further for future rounds of testing.
- One DGS shared that its stress test plan contains not only tests that assess the areas of the Guidelines, but also other tests, based on a risk-based approach. For example, the DGS also tests 'special' cases other than the ones described in i13 (on temporary high balances and beneficiary accounts). Therefore, in the next round of testing, the Guidelines and reporting template could specify that DGSs may also report on additional areas relevant to specific DGSs.

- DGSs appear to have different interpretations of what constitutes ‘stress’ when it comes to stress testing; for example, some consider ‘stress’ to imply circumstances more challenging than what they would expect in a ‘standard’ payout case, while others consider the very fact of a payout event as ‘stress’. This might be explained by the differences in the number of occurrences of real-life payout events in the Member States. While both approaches have their merits, the Guidelines might merit a review aimed at providing further clarity by defining more clearly the concept of ‘stress testing’ for future rounds of testing – complementing what is currently specified in Sections 6.3 and 7.2 of the Guidelines.
- In addition to further defining the concept of ‘stress tests’, the Guidelines could also incentivise DGSs to test scenarios with increased complexity resulting from issues that affect the business continuity of the DGS, such as the extent to which a DGS is able to perform a payout during a power failure, information and communication technology (ICT) problems, a strike or a pandemic. These circumstances would create additional stress for DGSs and would require them to come up with flexible solutions in order to reimburse depositors on time. It would be up to the DGS to choose the business continuity issue that it would like to test. Such events are not completely unthinkable, considering that, at the time of drafting this peer review report, one of the DGSs in Europe, Einlagensicherung Austria (ESA), had to reimburse depositors because of a failed bank, while the world was faced with a global pandemic. Box 1 provides further details on this case. Therefore, for future rounds of testing, DGSs could be incentivised to test such ‘special’ scenarios in addition to testing ‘standard’ scenarios, in line with the Guidelines’ concept of a progressive build-up of the level of sophistication and complexity of the tests over time. For example, when a DGS has achieved a certain level of confidence based on the standard scenarios, the number of tests and the complexity of testing could be increased, or such tests could be undertaken when a DGS is of the view that a test of a certain special scenario is of particular relevance. The Guidelines could be amended accordingly.
- The Guidelines outline what areas ought to be tested and state that, whenever a qualitative score is required, the evaluation forms require a grade (score A-D) of the outcome. However, the Guidelines currently do not explicitly outline what results should be achieved. Thus, the interpretation of the success of the results differed between DGSs. The goal of each test is the basis for designing and executing the test. To alleviate this lack of a harmonised understanding of the goals of the tests, the EBA considered the possibility of improving the Guidelines (or improving the DGS stress testing framework by other means) by setting an ambition or minimum achievement level in line with the DGSD aims for each indicator (where relevant and possible). Setting an ambition applicable to all DGSs could be quite complex given the different approaches used in practice. Therefore, this idea should be explored further. Since the goal of a test is reflected in what a

DGS should report to the EBA, further tentative proposals are made under ‘Reporting to the EBA on DGS stress testing in general (category 2)’.

Box 1: Lessons learnt from the Anglo Austrian AAB Bank AG payout case during the COVID-19 pandemic

With effect from 7 February 2020, the European Central Bank (ECB) withdrew the licence of Anglo Austrian AAB Bank AG (‘the bank’) as a credit institution. The main reason given for the withdrawal was a continuous violation of key rules of banking regulatory requirements since 2010, in particular the anti-money laundering (AML) provisions. At the request of the Austrian competent authority (the Financial Market Authority), the Executive Board of the bank was dismissed and two liquidators were appointed by the court. Following the failure of a draft out-of-court unwinding of the bank, the liquidators filed for insolvency due to bankruptcy and, on 2 March, the bank was declared insolvent.

At the time, the medium-sized bank had EUR 60 million in covered deposits, and 9 000 depositors, of which 80% resided in Austria and 20% in other countries – both within (mainly Germany) and outside the EU, especially in Eastern Europe and the Caribbean. The Austrian DGS (Einlagensicherung Austria – the ‘ESA’) started reimbursing depositors of the bank on 6 March 2020. At that moment, there were already some confirmed cases of COVID-19 in Austria, but the World Health Organization had not yet declared the spreading virus a pandemic and the Austrian authorities had yet not introduced any measures in response to the virus. In order to reimburse depositors, the ESA followed its standard procedure and sent a letter to the depositors using the data provided in the SCV file received from the bank. The letter included a personal access code for depositors to log on to an online compensation website where they could provide the IBAN of the target account to which the ESA could transfer the compensation amount.

In the first week of the reimbursement procedure (9-13 March 2020), based on media reports, it became apparent that the Austrian federal government would very soon impose restrictions in connection with the COVID-19 virus. In response, the ESA started to implement teleworking for its staff members. On 15 March, the first law on measures in response to the virus was passed. At the start of the second week of the payout, on Monday 16 March, a core team of six ESA employees was working in the ESA office on the compensation process. By the end of the second week, all staff had been moved to work from home. The core team had secure access from home to the SCV data and the online payment system. The compensation process was affected by national and international measures against COVID-19 in the following areas:

- The delivery of letters to depositors was partially affected, especially in relation to customers not residing in Austria. Transport slowed down noticeably and many letters were deposited at the competent delivery post office where customers were often unable to turn up for collection due to national lockdowns. The ESA addressed this problem by helping depositors via a hotline (using the call centre) or by email. Depositors received a letter with one part of the log-in data for the payout website. The second part of the log-in data was provided by text message after depositors provided a copy of their identification document (ID).
- The external call centre service provider had to stop its services after 5 days because of the restrictions imposed by the government. Since the ESA’s audit team had to pause its on-site SCV inspection activities as a result of the virus, staff members from the audit team were asked to run the call centre from their homes. The technical requirements were coordinated with the external service provider.

- In the first few days of the payout process, the ESA set up a physical service centre at the bank's premises to assist depositors who had problems with the online payout procedure or who did not have any internet access. Due to governmental restrictions with regard to personal contact with customers, this service centre had to be closed after the first week. As a solution, call centre employees offered real-time guidance by phone to depositors facing problems with the online payout process. For depositors who did not have access to the internet at all, missing data (such as a new bank account number, registration of bearer saving books held by depositors who had other accounts with the bank, identification of holders of bearer savings books who had no other bank account with the bank, and the proof of power of representation with companies) was completed after checking the depositor's identity.

While the outbreak of the COVID-19 pandemic affected the operational aspects of the payout, funding aspects were not affected, because the DGS had sufficient *ex ante* funds, which were available from the second day after the determination that the institution was insolvent.

It has proven to be extremely helpful that the ESA has worked intensively both off site and several times on site with the bank's staff to improve the quality of the SCV in the nearly 4 weeks between the withdrawal of the banking licence and the opening of insolvency proceedings. This brought the data set to a level that meant it could be used as a basis for the payout procedure. Although further adaptations were necessary on an ongoing basis, the ESA was able to make these during the ongoing compensation process.

Overall, this shows that good data quality of the SCV is crucial for any payout case. Although a DGS can possibly still make quality improvements in the SCV of a relatively small bank such as Anglo Austrian AAB Bank AG during the payout process, this would be impossible in the case of a larger bank, which would have a massive impact on the workflow and speed of the payout procedure. Complicating circumstances, such as the restrictions in connection with COVID-19, can then result in a partial standstill of the payout procedure, because the improvement of the data quality, which often requires the involvement of employees of the failing bank, is not possible in the short term. It highlights the importance of robust SCV file testing.

The ESA reported to the EBA that it was impossible to predict the level of disruption caused by the pandemic and so existing contingency plans, which did not envisage such a scenario, were of limited use. Furthermore, the ESA reported that good cooperation with the AML authority proved very helpful, given the need to find ways to identify depositors amid the disruption. Finally, the ESA reported that the COVID-19 pandemic overshadowed the payout case in terms of media coverage, which meant that there may have been less interest in the payout than there would have been otherwise. Consequently, the ESA considered that the communication via the regularly updated home page of the DGS proved to be sufficient.

41. The EBA considered that Article 8(2) of the DGSD allow Member States to introduce the 7 working day payout period in stages. Thus, some DGSs in Member States that implemented the transitional payout periods executed stress tests while implementing changes to their systems to progressively reach the shorter repayment deadline. Examples of such changes include implementing new payout systems, introducing new SCV requirements and/or

developing other policies in relation to the implementation of the recast DGSD. This affected the types of tests performed; some DGSs did not test all aspects, while others only tested aspects to the extent the changes were implemented. For example, some DGSs did not assess SCV files according to the new SCV file requirements because they were not fully implemented by the credit institutions. On the other hand, a good practice in this context is that some DGSs used the stress tests to test their systems while they were under development, creating opportunities to further improve their systems while constructing them. For future rounds of testing, this observation will be less relevant, since the transition to the 7 working day repayment period will be finalised.

42. In addition to the above-mentioned areas for improvement, the EBA observed that DGSs performed a variety of different types of exercises to meet the Guidelines' specifications to perform a number of priority tests, as the Guidelines were not prescriptive about which type of exercises a DGS should perform. The reports on DGS stress tests showed that there are significant differences in the way DGSs have designed, executed and evaluated their tests. As a result, one specific priority test was assessed by means of different types of exercises. Although not explicitly reported on by DGSs, the following (non-exhaustive) types of exercises were identified from the DGSs' stress test reports:

- desk-based reviews, for example for assessing the *quality of arrangements in place for requesting and obtaining SCV files* (i2) or for *obtaining information from the competent or resolution authorities on problems detected at a credit institution* (i5) or on the *adequacy of ex ante funds to cover the funding need* (i20);
- dry-runs or 'walk-throughs', for example to outline and go through the processes of a (fictional) payout event from beginning to end, to assess a number of areas;
- on-site inspections, for example visits by DGSs or their service providers to credit institutions in order to assess the quality of their SCV files;
- simulations, for example the transmission of a payment instruction file from a home to a host DGS (indicators i15-i19), the transfer of an amount of *ex ante* funding (i21, *the ability to liquidate assets*), drawing on a credit line (i23, *the assessment of the quality of the arrangements in place for accessing funds via alternative funding means*) or an end-to-end simulation of a payout event;
- real-life cases, for example to assess operational and funding capabilities.

43. Furthermore, not all DGSs performed all priority tests and, within the tests, the aspects that were assessed varied. These differences may stem from the fact that DGSs differ in terms of governance, operational systems and procedures, national legislation and market structures. For the purpose of this peer review, the EBA preliminarily assessed whether the DGS stress tests should be harmonised further, in order to enhance comparability of the stress tests and their outcomes among DGSs.

44.To deal with the early indications of areas for improvement identified in the field of the design and execution of DGS stress tests in general, the EBA considered the following arguments in favour of further harmonisation of the stress tests (i.e. including, in the Guidelines, more precise specifications regarding the types of exercises to be performed to conduct the priority stress tests, aspects to be assessed, scenarios to be chosen and results to be reported):

- It would ensure a sufficiently robust minimum threshold for what is to be tested and the performance levels that DGSs should aim to achieve to conclude that they have performed a 'successful' stress test. Ultimately, this would ensure not only that different aspects have been tested, but also that the results have shown that DGSs are prepared to perform their function at the point of intervention.
- It would minimise the risk of different interpretations of the tests to be performed and indicators to be assessed outlined in the Guidelines and thus help the DGSs in conducting effective stress tests.
- It would allow for better comparability of the stress tests performed by the DGSs for the purpose of future EBA peer reviews. The Guidelines aim to provide a sufficient level of quality and consistency necessary for DGS stress tests to be credible assessment tools and for the EBA peer reviews to be based on comparable data. Amending the Guidelines or improving the DGS stress testing framework by other means could enhance the achievement of this goal further, because it would be easier to identify good practices and areas for improvement applicable to many, if not all, DGSs.

45.However, the EBA considered the following arguments against further harmonisation:

- The aim of the peer review of DGS stress tests is to examine the resilience of DGSs and ultimately the aim of stress testing is to improve the resilience of DGSs. Therefore, the goal of a DGS's stress test programme should be to stimulate and show improvement of the DGS's resilience over time. From this perspective, comparing the DGSs' reports over time could be more relevant than comparing the reports between different DGSs. This might require improvement of the reporting template to ensure that a DGS can report on whether or not improvements were made since previous tests (i.e. 'action plans'). In addition, DGSs should be encouraged to increase the complexity of the stress tests over time.
- The Guidelines should not incentivise DGSs to run tests in which the single most important aim is to get an optimal score from the perspective of the Guidelines. Instead, stress test exercises are performed to identify areas for improvement/shortcomings for every single DGS, which should be addressed by the DGS by implementing improvements and, at a later stage, should be tested again.

- Given the different characteristics of the DGSs, there should be sufficient flexibility for DGSs to tailor the stress tests to their needs, national situations and the risks that they would like to assess.
- In addition, it will be difficult to fully harmonise the stress tests performed by DGSs because of the differences between DGSs. A more feasible solution could be to harmonise reporting further, to be able to identify those differences more efficiently and facilitate learning between DGSs.

46. On balance, in order to address the areas for improvement identified in the field of the design and execution of DGS stress tests in general and based on the arguments outlined above, the EBA identifies early indications of how to further develop the Guidelines to strike the right balance between clarifying what each DGS should aim to achieve in each priority stress test and what constitutes a successful stress test. Furthermore, the Guidelines should also be amended to further incentivise DGSs to focus on identifying areas for further improvement and to develop challenging scenarios as opposed to pursuing a 'pass' mark. Such changes would also need to be reflected in the design of the reporting template. In addition, the Guidelines could be improved by providing more clarity regarding the types of tests to be performed, aspects to be assessed, scenarios to be chosen and results to be reported, where necessary and where possible, for which specific early indications of possible proposals are made for each priority test and specific indicators in the remainder of this report.

47. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following practices that it considers as *good practices* for designing and executing DGS stress test exercises:

- The Guidelines specify that 'DGSs should make arrangements to ensure objectivity in the definition of assumptions for the stress test, the running of the test and the elaboration of unbiased conclusions', for example by providing for 'the participation of external observers of the process'. Although the reporting template did not explicitly ask DGSs to report on this matter, one DGS reported that the national competent authority was in charge of designing, running and evaluating the stress test exercises performed. In addition, an external auditing firm was also involved in different stages of the test. Another DGS shared that there is a risk that the costs exceed the benefits of hiring an external consultancy firm, since it might be difficult to find consultancy firms with sufficient knowledge about the functioning of the DGS. The DGS decided to involve the internal risk department to support it in the stress testing. Based on these examples, the EBA is of the view that a good practice is to take into account the particular set-up of the DGS when involving a third party in the performance of these tasks, mindful of the need to comply with national provisions on professional secrecy and DGS oversight, which may be an obstacle to sharing information with third parties.

- Some DGSs reported having performed multiple granular tests, in addition to or instead of one comprehensive test, in order to be able to assess all the indicators. This appeared to be because the reporting template allowed for a maximum of three tests per priority test. This approach can be considered a good practice because it allows DGSs to perform in-depth assessments of specific aspects of their operations, in case an overall test did not, or would not, yield sufficiently detailed results. In addition, it increases the feasibility of performing stress tests in terms of the time and resources needed to perform the test. Furthermore, it reduces the risk that a test has to be interrupted because the failure of one step of the process led to the subsequent steps not being able to be carried out. Finally, performing multiple granular tests also allows DGSs to build up the complexity of the test scenarios over time. Comprehensive tests that assess a whole chain of steps of a payout process certainly also have their benefits, since they provide insight into the interconnectedness of the different aspects and the time it takes to execute the whole payout process.

Reporting to the EBA on DGS stress testing in general (category 2)

48. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following early indications of *areas for improvement* regarding reporting to the EBA⁹:

- DGSs interpreted the grading scores A, B, C and D differently. This can, on the one hand, be explained by the fact that DGSs were performing a self-assessment. On the other hand, the current definitions of the scores, which were included in the Excel file with the reporting template, may not have been realistic. For example, in practice, the current meaning of the score 'A – optimal' is not possible, since a test resulting in 'the area measured requires no improvement' is not possible: if a test is sufficiently challenging, there are always lessons to be drawn from it. Therefore, for future rounds of testing, if the grades were to be retained, the meaning of the scores should be recalibrated and described in the Guidelines, for example in the following ways:
 - o Asking DGSs to assess (and grade) two elements: (i) the extent to which a DGS has confidence in its capabilities based on the result of the stress test and (ii) the extent to which the test provided the DGS with insights into areas for improvement. This would encourage DGSs to strike a balance between executing realistic tests that, on the one hand, contribute to the DGS's operational confidence and at the same time are sufficiently challenging and so are aimed at identifying areas for improvement.

⁹ These areas for improvement are not limited to 'reporting to the EBA', but will contribute to improving the broader DGS stress testing framework and provide a more solid basis for future peer reviews.

- o Setting a minimum performance level for future rounds of testing. When setting such a minimum achievement level, different approaches could be taken into account for quantitative and qualitative indicators. For quantitative indicators, a measurable, numerical or statistical minimum performance level may be appropriate, while, for qualitative indicators, defining the elements that need to be assessed may be more relevant. In addition, for qualitative indicators, minimum performance levels for such elements could be used to determine the qualitative score. These ideas could be discussed further in the context of revising the Guidelines.
 - o Shifting the focus of the grading away from how ‘successful’ a test was to the extent to which the DGS has addressed the outcomes (areas for improvement) resulting from the previous tests.
- When assessing the reports, the EBA identified some limitations to the reporting template, which could be resolved for future rounds of reporting. More specifically, DGSs filled in the reporting template in different ways, which led to inconsistencies in the reporting and incomparable data, such as in the following situations:
 - o Some DGSs did not include a qualitative score for qualitative indicators where that was requested in the instructions (score A-D) and other DGSs did not include a quantitative assessment for quantitative indicators where requested. Some DGSs did not provide a general assessment when having performed more than one test. Some only reported ‘not applicable’ for certain indicators without further explanation, for example regarding whether or not a test was performed or an indicator was assessed because the area was not applicable to the DGS or because the DGS did not have sufficient time or resources to perform the test. If grades were to be retained for future rounds of reporting, the reporting templates might be designed to require such information to be completed, when feasible, and so that the file could not be saved without this input, accompanied by an explanation (e.g. by means of a drop-down menu plus extra mandatory fields for text).
 - o Some DGSs provided a very extensive description of the characteristics of the tests performed, while others provided very limited information. The reporting template could provide further guidance on the minimum extent of detail required.
 - o For quantitative indicators, different measurements were used (e.g. for time periods: hours, days, etc.) and the reference points differed. The reporting template could clarify the measures to be used.

- The data provided in the reporting were difficult to compare, partly because DGSs differ in their characteristics and performed different types of tests, but also to some extent because the Guidelines and the reporting template left room for interpretation. Therefore, the comparability of the reports could be improved and further harmonised by amending the reporting template in terms of, among others, the following aspects:
 - o When analysing the reports for the purpose of the peer review, different practices of DGSs in terms of governance, operational systems and procedures, national legislation and market structures have to be taken into account. Of these characteristics, only the number of credit institutions that were members of the DGS and the repayment periods applicable to the DGS were included in the reporting template. Therefore, the reporting template could be improved by asking for a description of the key characteristics of the DGS (e.g. payout method, repayment period, real-life cases (yes/no), home-host relations (yes/no) and, if yes, the number of such relations, and if the use of available financial means is allowed for the purpose of Article 11(3) and 11(6) of the DGSD). This would, among other things, enhance the EBA's understanding of why a DGS performed a priority test in a certain way.
 - o A description of the type of exercise performed (desk-top review of procedure, simulation, technical or scalability reviews, real-life cases, etc.) would be beneficial and the Guidelines could provide a list of different types of tests to facilitate this. The EBA considered that different tests may lead to different outcomes; for example, a simulation is likely to be more challenging than a desk-top exercise. An optimal score for a simulation could therefore be interpreted differently from that for a desk-top exercise. This could be addressed by creating more transparency in the types of tests performed in the reporting.
 - o A description of how a certain degree of objectivity was ensured, and if/how third parties were involved, could be provided;
 - o The timing of each test could be clarified by providing the dates when the tests were performed.
 - o DGSs could be encouraged to consider conducting both a self-reflection by the participants of the test (usually the staff members of the DGS) and an assessment by the steering team and/or external observers. Such a self-reflection would be intended for the internalisation of the outcomes of the participants in the test (learning purposes) and could be used as a starting point for the assessment by the steering team and/or external observers.

- o The reporting template should also allow for DGSs to comment on if/how they ensured a progressive build-up of complexity and sophistication of tests over time.
- o To facilitate the assessment of the improvement of a DGS's resilience over time, a field for reporting on the improvements made after the previous round of stress testing or, if applicable, after the previous test within the same reporting period could be included. As such, the reporting template would give recognition to the inherent 'feedback loop' and continuous learning cycle of stress testing. In addition, DGSs should be able, in the reporting format, to distinguish between recurring tests, for example the testing of SCV files, and 'one-off' stress tests, since the continuous improvement cycle is more inherent for recurring tests.
- o Only one reporting format (e.g. Excel) should be allowed and there should be only one report covering the whole period and all of the tests performed.

49. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following *good practices* regarding reporting to the EBA:

- Some DGSs provided additional information explaining the scores and quantitative results reported. These explanations were valuable for understanding the context, details of the tests and why a DGS chose a certain score (compared with reports that only provided a score), particularly when assessing the qualitative indicators. In fact, this was also specified by the reporting template, which asked for 'a literary judgement' when assessing qualitative indicators.

3.2 Assessment of the priority tests

50. This section presents the outcomes of the four priority tests and the 23 indicators that were reported by the 32 DGSs.

3.2.1 Assessment of the resilience of DGSs based on the specific priority tests

51. The assessment of each of the DGS priority stress tests gives insight into points (a), (b) and (c) of Article 30(3) of the EBA Regulation.

52. Aspect (a), ‘the adequacy of resources, the degree of independence, and governance arrangements of the competent authority, with particular regard to the effective application of the legislative acts referred to in Article 1(2) and the capacity to respond to market developments’, will be addressed in subsequent sections for specific indicators (i2, i5, i6, i7, i20, i22 and i23).

53. Regarding aspect (b), ‘the effectiveness and the degree of convergence reached in the application of Union law and in supervisory practice, including regulatory technical standards and implementing technical standards, guidelines and recommendations adopted pursuant to Articles 10 to 16, and the extent to which the supervisory practice achieves the objectives set out in Union law’, the assessment of the priority tests gives insight into two elements: (i) the degree to which DGSs have applied the Guidelines and (ii) the effectiveness of the DGS stress tests in improving the resilience of DGSs.

(i) The degree to which DGSs have applied the Guidelines

The EBA observed that, of the 32 DGSs from 27 Member States that reported on the priority stress tests:

- all DGSs performed the SCV files tests and operational capability tests;
- all but one DGS performed the funding capability tests;
- 18 DGSs performed the cross-border cooperation tests.

(ii) The effectiveness of the DGS stress tests in improving the resilience of DGSs

Figure 3 provides a summary of the outcomes reported by displaying a high-level overview of the qualitative scores reported for each priority test and the indicators. The figure shows the scores reported for (i) the overall quality assessment of each priority test, (ii) the qualitative indicators and (iii) the quantitative indicators. The figure does not take into account the quantitative results reported for quantitative scores.

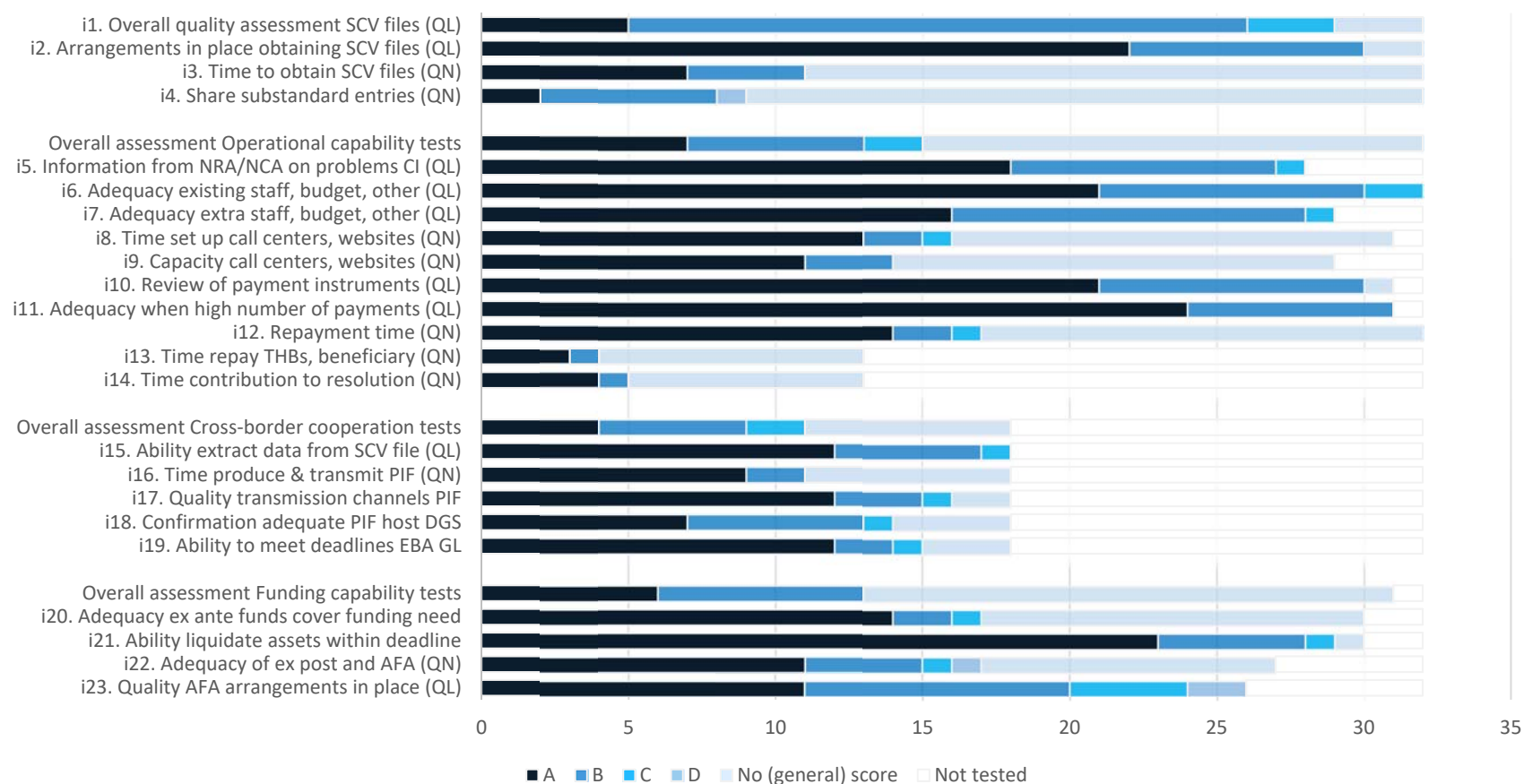
The figure shows that, based on the stress tests performed, most DGSs graded their operational capabilities generally slightly better than the other capabilities tested. In

general, DGSs reported higher scores for individual indicators than for the overall results of a particular priority test.

The figure also suggests that DGSs seemed to be more confident to grade areas that were more within their control with a score of 'A – optimal', such as for i2 (the arrangements in place for obtaining SCV files), i6 (the adequacy of existing staff, budget and other resources) and i21 (the ability to liquidate assets within the deadline), than areas that may have been more outside their control, such as for i1 (the overall quality assessment SCV files) and i23 (the quality assessment of the arrangements in place for accessing alternative funding means).

Given the divergence in the types of tests performed and the way the outcomes of the tests were reported, the EBA identified a number of early indications of how to improve the current DGS stress testing framework ('areas for improvement'), which are included in the following sections.

54. Regarding aspect (c) of Article 30(3) of the EBA Regulation, 'the application of best practices developed by competent authorities whose adoption might be of benefit for other competent authorities', the assessment of the priority tests gives insight into a number of good practices for each of the priority tests that can be considered advice for DGSs to take note of. These good practices are described in the subsequent sections.

Figure 3: Qualitative assessments of the priority DGS stress tests and indicators¹⁰

¹⁰ AFA: alternative funding arrangements, CI: credit institution, GL: Guidelines, QL: qualitative, QN: quantitative, PIF: payment instruction file, THB: temporary high balance.

3.2.2 SCV files tests

a. Outcomes of the tests

55. All 32 DGSs reported having performed SCV files tests. In total, DGSs tested SCV files of 4 547 institutions (out of the reported total of 4 797 member institutions, which were reported by DGSs in the general section of the reporting template). Two-thirds of the DGSs reported having tested SCV files of all their member institutions during the reporting period. One-third of the DGSs reported testing only some of their member institutions, for reasons varying from the characteristics of those credit institutions (e.g. no covered deposits) to an inability to test all institutions because of ongoing changes to IT systems. Two DGSs reported on real-life resolution cases instead of SCV files requested for the purpose of testing.

56. Even though the Guidelines allow samples, as opposed to entire SCV files, to be tested, most DGSs tested total SCV files and sampling was used for only a limited number of credit institutions. Twenty-eight DGSs reported having performed the SCV files test as part of the wider operational capability test (42 tests).

57. Regarding the SCV files tests, the reporting template annexed to the Guidelines specified that DGSs should report on four indicators:

- indicator i1: overall quality assessment of the SCV files resulting from the tests, main shortcomings, main reasons for shortcomings, expectation of future developments (qualitative);
- indicator i2: qualitative assessment of the arrangements in place for requesting and obtaining SCV files (qualitative);
- indicator i3: time to obtain transmission of SCV files, from request to institution (quantitative);
- indicator i4: share of substandard entries (missing, inaccurate, or not containing the data necessary for treatment and payment) (quantitative).

58. The reports showed that most DGSs perform regular tests of SCV files of all member institutions, on an annual basis or as part of a multi-year cycle. The way those regular tests are performed differs. Some DGSs prioritise testing the institutions on a risk basis, while others use a plan to test each institution every year. In addition to DGSs' assessment of the SCV files, some DGSs perform on-site inspections at the member institutions, while others rely on reports by internal/external auditors. Some DGSs notify the credit institutions in advance of upcoming SCV files tests, whereas others make ad hoc requests in order to mimic real-life scenarios and assess the time it takes for the institution to produce and submit the SCV file.

59. With regard to the *overall quality assessment of SCV files* (i1, qualitative (QL)), of the 32 DGSs that reported on this indicator, 24 DGSs from 23 Member States reported that the area presented weaknesses (score B or C). This was mainly to do with a lack of data accuracy and reliability. A number of DGSs also reported that they had identified shortcomings in their IT systems and a lack of clarity regarding national regulations and technical specifications among the member institutions. Five DGSs from five Member States reported an optimal score (score A) and three DGSs from three Member States provided a literary judgement or multiple qualitative scores.
60. The *qualitative assessment of the arrangements in place for requesting and obtaining SCV files* (i2, QL) showed higher scores: of the 32 DGSs that reported on this indicator, 22 DGSs from 20 Member States reported an optimal score. Eight DGSs from seven Member States reported that the area presented weaknesses. Two DGSs from two Member States did not report a qualitative score but instead reported a literary judgement or provided multiple qualitative scores. The DGSs that raised concerns regarding the arrangements in their reports highlighted the importance of the security of SCV files and the confidentiality of the data in the files.
61. The third indicator, the *time to obtain transmission of SCV files from request to institution* (i3, quantitative (QN)), was reported in several ways by the DGSs: minimum, maximum and average time periods were provided. The minimum time reported was 0.3 working days, whereas the maximum time reported was 44 working days. Of the DGSs reporting average times, the average was 3.5 working days. The EBA observed that the reported data had limitations, since it was unclear whether they covered the whole sample of a DGS's member institutions. In addition, since the report did not ask DGSs what deadline they gave their credit institutions for submitting the SCV files in order to pay out within 7 working days, it is not possible to determine if DGSs received the SCV files on time to be able to perform the payout within the legal deadline.
62. Finally, DGSs were asked to report on the *share of substandard entries* (i4, QN), which was also done in different ways. Half of the DGSs reported the share of substandard entries for individual institutions, which ranged between 0% and 100%. Three-quarters of the DGSs reported that the minimum share was less than or equal to 0.01%. The average share of substandard entries reported for single banks was 8.32%. In addition, these data seem to have limitations, since some DGSs reported data at the single-bank level, while others reported at an aggregate level (i.e. the whole sample of the credit institutions of which SCV files were tested).

Adequacy of governance arrangements

63. The assessment of SCV files stress tests gives insight into the 'adequacy of governance arrangements' (Article 30(3)(a) of the EBA Regulation). For SCV files tests, this element is reflected in indicator i2, the *qualitative assessment of the arrangements in place for requesting and obtaining SCV files*. In this area, the resilience of DGSs seems to be optimal, since the indicator was scored optimally by 22 of the 32 DGSs.

64. More detailed assessments of the reported SCV files tests and results can be found in Annex 1, 'SCV file tests'.

b. Areas for improvement and good practices

Design and execution of SCV files tests (category 1)

65. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following early indications of *areas for improvement* regarding the design and execution of SCV files tests:

- *Overall quality assessment of SCV files (i1)*: the reports showed that the meaning and purpose of this indicator was not entirely clear to DGSs and seemed to be overlapping with the other three indicators. This could be resolved for future rounds of testing by either removing the indicator or making it more clear what it covers. For example, the indicator could serve the purpose of aggregating and summarising the results of all SCV files tests that a DGS performed by providing one overall score for all tests. In addition, the aspect 'expectation of future developments' of the indicator proved to be difficult to interpret and assess for the DGSs. The Guidelines could be clarified further by explicating whether 'future developments' refer to follow-up actions taken by DGSs or credit institutions on the basis of the SCV files tests or whether other future developments, such as a material change in the DGS's SCV file or payout system, should also be reported.
- *Qualitative assessment of the arrangements in place for requesting and obtaining SCV files (i2)*: the reports exposed that it was not always clear what was meant by 'arrangements in place' and how this aspect could be tested. This could be solved by providing further explanation in the Guidelines. For example, the description may include aspects such as (i) how the DGS/member institution ensures the confidentiality of data and security in the transmission of files and (ii) the transmissions and communication channels used to exchange information and communicate with member institutions.
- Generally, two types of SCV files testing can be identified on the basis of the reports, which could potentially be included more specifically in the Guidelines, so that DGSs can more clearly report which type(s) of test(s) they performed:
 - Regular testing of SCV files of all member institutions, on an annual basis or a multi-year cycle. In the reporting to the EBA, DGSs would report on the way they perform regular testing of SCV files and the results of those tests for all SCV files of all institutions tested. The focus of these regular tests is the role of the credit institution in generating an adequate SCV file and the main aim of the tests is to review and improve the data quality of the SCV files.
 - A 'stress' test of obtaining an SCV file of a specific institution, potentially as part of the wider operational capability test. The focus of this test is the role of the DGS in

obtaining, receiving and processing the SCV file in order to perform a DGS payout and assessing the time it takes for DGS staff to process the SCV file and prepare the payout (linked to the current operational indicator i12). Here, the type of institution chosen plays a more significant role. 'Stress' elements can be added to the test, such as choosing a certain type of institution or simulating multiple failures at the same time.

- Finally, for testing and reporting on the quality of SCV files in general, the EBA discussed the possibility of setting a minimum performance level for future rounds of testing. Especially for quantitative indicators i3 (the *time to obtain transmission of SCV files*) and i4 (*share of substandard entries*), this idea could be explored further. For example, indicator i4 could outline that, within a given cycle of SCV files tests of all institutions, the number of substandard entries has to be decreased to a certain level (e.g. 2%). For this example, this also implies that the concept of a 'substandard entry' needs to be refined, which may be complex and requires further analysis (see also paragraph 67).

66. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following practices that it considers as *good practices* for designing and executing SCV files tests:

- Four DGSs from four Member States explained that they had developed an internal methodology on how to assess the SCV files. This methodology sets out the grading criteria for being scored A, B, C or D. Some of those DGSs then shared the methodology with the credit institutions, in order to inform them of the assessment criteria and encourage them to perform well. While this does not seem to be current practice, the EBA also discussed the idea of informing credit institutions of how well they have performed in relation to the industry average to incentivise further improvement among those who score below average.
- Some DGSs combine desk-top reviews of SCV files with on-site visits at the member institutions, which requires a methodology for the on-site reviews. Where appropriate, operationally possible and legally allowed, this approach could be considered a good practice for some DGSs, since the DGS reviews not only the data of the SCV files, but also the source systems in which a credit institution administers customer data and the process by which a credit institution compiles SCV files on the basis of the source administrations.

Reporting to the EBA on SCV files tests (category 2)

67. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following early indications of *areas for improvement* regarding reporting on SCV file tests:

- DGSs had to report the 'number of institutions which are members of the DGS' and the 'number of institutions tested'. The information provided by the DGSs does not

explain whether the latter means unique institutions or also includes institutions that have been tested more than once. The reporting template could be improved by explicating that the number of institutions tested means the ‘unique’ institutions tested.

- The indicator *time to obtain transmission of SCV files* (i3) could be improved by providing more guidance on what to report, namely (i) the minimum/average/maximum for the whole sample, (ii) the deadline for submitting an SCV file of sufficient quality for the DGS to be able to prepare for a payout within 7 working days¹¹, (iii) the number of credit institutions (and the percentage of the total) that delivered within that deadline and (iv) if the SCV file was requested on an ad hoc basis or if (and if so when) a DGS informed the credit institution in advance.
- The indicator *share of substandard entries* (i4) could be made more specific: it could be assessed to what extent it is possible to harmonise what is meant by ‘substandard entries’, for example by introducing a distinction between the number of depositors/deposits for which it is impossible to pay out within 7 working days as a result of the substandard entries in the SCV file, on the one hand, and the number of depositors/deposits that have substandard entries but for which performing a payout is not hindered, on the other hand. It may not be possible to find a common definition, since the exact data required to be able to perform a payout differ between DGSs, depending on their payout mechanism and how they structured the SCV file. Therefore, subject to further analysis, a solution could be to allow DGSs to provide in their reports an explanation of how they defined the concept ‘substandard entry’ and to harmonise what has to be reported (reporting per credit institution or over the overall sample, absolute numbers versus percentages, etc.).
- Overall, in addition to introducing the distinction between ‘regular testing of the quality of SCV files’ and ‘stress testing of obtaining an SCV file’, the reporting template could be amended to ensure that DGSs report for all SCV files/credit institutions tested.
- In addition, when a distinction is introduced between ‘regular testing of the quality of SCV files’ and ‘stress testing of obtaining an SCV file’, DGSs could be asked to explain more explicitly the process of regular testing of SCV files, for example how credit institutions are selected (each credit institution annually versus a risk-based approach), whether or not SCV file data are compared/checked with original data in the credit institution (e.g. through on-site inspections), ad hoc requests versus

¹¹ The EBA could also explore setting a deadline in the Guidelines, but this might be unrealistic, since DGSs maintain different deadlines, as the timing is dependent on the payout method and process used by the DGS.

announced testing, the degree of involvement of the credit institution in evaluating the quality (internal auditor), the degree of involvement of the external auditor, the level of automatisation of checking the quality of SCV files through the use of data models and validation scores, the follow-up process with the credit institution in case errors are identified, etc.

68. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified no *good practices* regarding reporting on SCV file tests.

SCV files systems and processes of DGSs (category 3)

69. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following early indications of *areas for improvement* regarding DGSs' SCV files systems and processes:

- A number of DGSs reported issues in relation to the interpretation of national requirements pertaining to the preparation of SCV files, in the context of implementing changes to the DGSs' systems and SCV requirements, the implementation of the DGSD or similar situations. For example, some DGSs reported a perceived lack of clarity and/or ambiguity in the requirements provided to credit institutions, such as the technical specifications relevant for the preparation of SCV files (including their format and content). A potential improvement measure could be for DGSs to provide more clarity about national regulations/technical specifications of the applicable SCV requirements to the credit institutions. In order to address this issue, DGSs could learn from each other and share good practices on how they interact with member institutions to ensure their national SCV requirements are well understood. During the development of this report, some DGSs shared practices such as providing frequently asked questions (FAQs) on the main SCV file issues or offering training sessions to credit institutions.

70. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified no *good practices* regarding DGSs' SCV files systems and processes.

3.2.3 Operational capability tests

a. Outcomes of the tests

71. All 32 DGSs submitted results of their operational capability tests; among them, 18 DGSs from 14 Member States reported on more than one such test. All DGSs assessed the operational capabilities in a repayment intervention scenario; among them, eight DGSs from eight Member States reported on the basis of real-life payout events. Some of these real-life payout events occurred early in the stress testing period, when DGSs were at the start of updating their payout systems to implement the DGSD. Some of these DGSs reported to the EBA that their systems had improved in the meantime, but such improvements were not reflected in the DGS stress

test reports submitted. Five DGSs from four Member States also tested the contribution to resolution scenario.

72. DGSs were asked to report on 10 indicators for the operational capability tests (see Table 4).

Table 4: Operational capabilities indicators¹²

Indicator	Description
<i>Information on problems that are likely to give rise to the intervention of a DGS</i>	
i5	Quality of the arrangements in place for obtaining information from competent or resolution authorities on problems detected at a credit institution which could give rise to DGS intervention, including whether they ensure receiving timely information on early deterioration of an institution's financial situation (qualitative)
<i>Staff and other operational resources</i>	
i6	Adequacy of the existing staff, budget and other resource that would be available in a real-life scenario (quantitative and qualitative)
i7	Adequacy of extra staff, budget and other resources that would be available at short notice when needed (quantitative and qualitative)
<i>Communication with depositors and the wider public</i>	
i8	Time to set up call centres and ad hoc websites or webpages (quantitative)
i9	Capacity of websites or call centres in terms of number of connections or calls (quantitative)
<i>Payment means</i>	
i10	Review of payment instruments available for payout scenarios (qualitative)
i11	Adequacy when applied to a high number of payments, as defined in the scenarios (qualitative)
<i>Repayment and contribution periods</i>	
i12	For repayment scenarios, time from the determination of unavailability of deposits to the moment when the repayable amount is made available (quantitative)
i13	Where temporary high balances or beneficiary account are earmarked on a continuous basis as described in paragraph 69 of the Guidelines on DGS stress tests, time elapsed from the determination of unavailability of deposits to the moment when the repayable amount is made available (quantitative)
i14	For resolution scenarios, time elapsed from the resolution authority's request to the payment of the contribution (quantitative)

73. On the information exchange between the competent authorities (CAs) or resolution authorities (RAs) and the DGS (i5, QL), of the 28 DGSs that reported on this indicator, 18 DGSs from 16 Member States reported an optimal score, whereas 10 DGSs from nine Member States reported that the area presented weaknesses (score B or C), for example because there are currently no

¹² Indicators i15-i19, addressing home-host cooperation as part of operational capability tests, are included in the assessment of cross-border cooperation tests.

formal agreements or internal procedures in place. Four DGSs from four Member States reported that they did not assess the area measured by this indicator.

74. On staff and other operational resources, DGSs reported results for two indicators. On *existing staff and other resources* (i6, QN and QL), 21 DGSs from 18 Member States reported an optimal score, for example because the test showed that existing staff were able to deal with the payout case tested. The other 11 DGSs reported that the area presented weaknesses, for example since public relations (PR)/communications budgets and human resources proved to be inadequate. Regarding *extra staff, budget and other resources* (i7, QN and QL), of the 29 DGSs that reported a score, 16 DGSs from 14 Member States reported an optimal score. Those DGSs explained that extra staff can be marshalled at short notice, for example because the DGS has contracted external service providers or because it is part of a larger organisation such as the national central bank. Thirteen DGSs from 13 Member States reported that the area presented weaknesses, highlighting, among others, challenges regarding the training of extra staff in a payout event. Three DGSs from three Member States did not assess the area measured by the indicator.

75. Regarding communication with depositors and the wider public, of the 23 DGSs that reported time periods for indicator i8, *time to set up call centres and websites* (QN), 13 DGSs from 11 Member States reported that they were able to set up a call centre within 1 day or in less than 1 day, whereas 10 DGSs from 10 Member States reported that they needed 2 to 5 days. Twenty-one DGSs from 17 Member States reported being able to set up ad hoc websites or web pages within 1 day, while two DGSs reported needing 2 and 10 days, respectively. Regarding *the capacity of websites and call centres* (i9, QN), DGSs used different criteria, such as the number of call centre operators or the number of lines. The capacity of websites was measured by the number of connections, visitors per day or pages viewed per minute.

76. The reporting on payment means provided insight into the payment instruments used by DGSs and the shortcomings of these instruments identified by DGSs. Twenty-one DGSs from 18 Member States reported an optimal score for the *review of payment instruments* (i10, QL), whereas nine DGSs from nine Member States reported that the area presented weaknesses. Two DGSs did not assess or report a qualitative score on the area measured by the indicator. The *adequacy when applied to a high number of payments* (i11, QL) showed a slightly higher score on an overall basis: 24 DGSs from 21 Member States reported an optimal score, while seven DGSs from seven Member States reported that the area presented weaknesses. Eight DGSs from eight Member States provided quantitative data to support the qualitative scores submitted and six DGSs from six Member States reported ongoing and planned measures to improve payment instruments. One DGS did not assess or report on the area measured by the indicator.

77. Regarding repayment and contribution periods, DGSs were asked to assess three indicators (i12-i14). Regarding the *time to make the repayable amount available* (i12, QN), 25 DGSs from 20 Member States reported 7 working days or less, while six DGSs from six Member States reported

time periods between 8 and 21 working days, in line with the transitional periods allowed by the DSGD. One DGS reported more than 21 working days for a real-life payout case in 2016. On the *time elapsed for the repayment of temporary high balances (THBs) and beneficiary accounts* (i13, QN), 19 DGSs from 17 Member States reported that they did not assess this indicator, often because those deposits were not earmarked in SCV files. The 13 DGSs from 12 Member States that assessed the indicator, mainly for THBs only, reported various time periods, ranging from immediately to 21 working days.

78. For resolution scenarios, on the *time elapsed from the resolution authority's request to the payment of the contribution* (i14, QN), 19 DGSs from 17 Member States reported that this area was not tested, for a variety of reasons; some DGSs reported that the tests performed did not include a resolution scenario, while others reported that this was 'not applicable' and one DGS explained that it reported on a real-life payout case. Of the 13 DGSs that assessed the time elapsed from the RA's request to the payment of the contribution, nine DGSs reported a quantitative result: 1 hour (two DGSs), 1-2 business days (five DGSs), 7 days (one DGS) and up to 2 months (one DGS). Six DGSs reported qualitative scores: optimal (five DGSs) and fair (one DGS).

79. In addition to indicator i14, the stress test reports submitted included analyses of tests conducted to assess the DGS's ability to contribute to resolution with respect to operational and financial capabilities:

- The focus of the operational capability to contribute to resolution ranges from the analysis of all defined indicators of the section operational capabilities (i.e. i1-i14) to the analysis of a selection of indicators (i.e. i5, i6, i7, i8 and i14).
- DGSs reported generally on all indicators (indicators i20-i23) to assess the financial capability to contribute to resolution.

80. Four DGSs from four Member States analysed the intervention scenario 'contribution to resolution' focusing on the area of funding capability. Three DGSs from three Member States reported a contribution to resolution scenario testing operational capabilities. Two DGSs from two Member States used a contribution to resolution test to assess both operational and funding capabilities.

Adequacy of resources and governance arrangements

81. The assessment of operational capability tests gives an insight into the elements 'adequacy of resources' and 'adequacy of governance arrangements' of aspect (a) of Article 30(3) of the EBA Regulation.

82. Regarding the adequacy of governance arrangements, indicator i5, '*the quality of the arrangements in place for obtaining information from competent or resolution authorities on problems detected at a credit institution which could give rise to DGS intervention*', was scored

optimally by 18 of the 32 DGSs. Ten DGSs reported that the area presented weaknesses and four DGSs did not assess the indicator. On the basis of these results, the EBA concluded that the resilience of DGSs in this area seems to be fair.

83. The assessment of indicator i6, ‘the *adequacy of existing staff, budget and other resource that would be available in a real-life scenario*’, and i7, ‘the *adequacy of extra staff, budget and other resources that would be available at short notice when needed*’, gives an insight into the adequacy of DGSs’ resources in an intervention scenario. Indicator i6 was scored optimally by 21 DGSs, while 11 DGSs reported that the area presented weaknesses, which implies that the resilience of DGSs in this area seems to be fair. For indicator i7, 16 DGSs reported an optimal score, 13 DGSs reported that the area presented weaknesses and three DGSs did not provide a score. On the basis of these results, the EBA concluded that the resilience of DGSs in the area of extra staff seems to be fair, but improvements need to be made.

84. More detailed assessments of the reported operational capability tests and results can be found in Annex 1, ‘Operational capability tests’.

b. Areas for improvement and good practices

Design and execution of operational capability tests (category 1)

85. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following early indications of *areas for improvement* regarding the design and execution of operational capability tests:

- Most DGSs seem to have performed a ‘desk analysis’ for the area measured by indicator i5 (*on the information exchange between CAs/RAs and DGSs*), while only a few used a simulation type of test. This could be explained by the fact that DGSs had different interpretations of the meaning of the indicator and/or DGSs struggled with designing an exercise that they considered appropriate for assessing the information exchange between relevant authorities. For the future rounds of testing, the meaning of the indicator could be further clarified by outlining which factors need to be taken into account, for example the type of information shared and the required timelines. In addition, DGSs could share with each other which types of tests are, in their view, effective in assessing this indicator and/or the Guidelines could provide more clarity in this regard.
- In relation to indicators i10 (*a review of payment instruments*) and i11 (*the adequacy of payment instruments applied to high number of payments*), the reports showed that the types of tests performed to assess these indicators varied a lot. This could be addressed by providing more clarity in the Guidelines regarding what is meant by a ‘review of the payout instruments available’ and what kind of tests can be performed to assess this aspect, depending on the chosen payout method. The aim should be to assess the DGS’s ability to effectively transfer the

repayment amounts to depositors. To that effect, the Guidelines could provide more guidance regarding which elements could be tested and how, for example the number of customers, where they are located and the level of security for depositors (to limit the extent to which persons other than the entitled depositors can receive the compensation as a consequence of errors, fraud or other misconduct). In addition, in the next rounds of testing, the cross-border element could be added to assess the adequacy of the payment instruments available (i.e. how a DGS deals with reimbursing customers living abroad). For indicator i11, further guidance could be provided on which elements of stress could be used to test the adequacy of the payment means.

- In addition to the existing operational capability indicators in the Guidelines, based on discussions with DGSDAs/DGSs, the EBA considered that assessing the DGS's IT capability, to the extent needed to effectively transfer the repayment amounts to depositors, could also be captured as well.
- A large number of DGSs did not assess indicator i13 (the *time to repay THBs and beneficiary accounts*) because beneficiary accounts and THBs were not earmarked in their SCV files. However, it could be explored if there is merit in testing these 'special' cases and how these aspects could be tested even if they are not earmarked in the SCV files. The assessment and repayment processes of such cases could be more complex than the process for 'normal' cases, because DGSs need to assess different types of information and, depending on the payout procedures, such assessments might require more resources. Therefore, the description of the indicator could be improved to incentivise DGSs to test such special cases even when they are not earmarked in the SCV files, taking into account the DGS's view of which special cases to test. For example, a DGS could choose a test design that allows the THB claim-handling process to be tested by using fictional THB claims specially created for the test. In addition, the indicator could also be extended to 'special cases' other than THBs and beneficiary accounts, and DGSs could be given the flexibility to test special cases that are relevant for their jurisdiction and report to the EBA on those tests (e.g. pledged or blocked accounts). For future rounds of testing, how such tests would fit in the overall DGS stress testing framework could be explored.
- As regards indicator i14 (the *time to make the payment of the contribution to resolution*), funding resources must be available faster in a resolution scenario than in a DGS repayment scenario, an element that is currently not reflected in the Guidelines. This is because the contribution of a DGS in resolution may need to be executed in a shorter time frame than the 7 working day window foreseen for making the repayable amount available to depositors. This element could be introduced by DGSs in future rounds of testing, in line with the idea of increasing the complexity of tests over time.

86. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following *good practices* regarding the design and execution of operational capability tests:

- On the *adequacy of the payment instruments when applied to a high number of payments* (i11), an example of a practice that could be considered a good practice is the performing of regular load and stress tests of the systems (and similar tests, such as security or hack tests) if a DGS uses web-based platforms for a payout.

Reporting to the EBA on operational capability tests (category 2)

87. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following early indications of *areas for improvement* regarding reporting on operational capability tests:

- Indicators i6 (*existing staff and other resources*) and i7 (*extra staff, budget and other resources*): the reports showed that DGSs interpreted the concepts of 'existing' and 'extra' differently. For the next round of testing, more clarity could be provided regarding what is meant by those concepts, in order to harmonise testing and reporting (i.e. whether 'external staff' includes, for example, external service providers or call-centre employees and, if a DGS is part of the NCA, if it includes colleagues from other departments).
- Indicators i8 (*the time to set up call centres and websites*) and i9 (*the capacity of websites and call centres*): in the reports, different units of counting were used when reporting on the quantitative indicators. In order to improve the assessment of indicator i8, the applicable timescales could be harmonised, as could the starting point for measuring the time (i.e. moment zero). Furthermore, in addition to quantitative information, DGSs have provided qualitative explanations (e.g. how it has organised the process to set up a call centre). The reporting template could be improved by allowing for a more structured way for a DGS to provide this background information.
- Indicators i10 (*review of payment instruments*) and i11 (*the adequacy of payment instruments applied to a high number of payments*): the reporting template could be improved by adding a dedicated field to ask more explicitly which payment instrument(s) is (are) used by the DGS.

88. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified no *good practices* regarding reporting on operational capability tests.

Systems and processes of DGSs (category 3)

89. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified no early indications of *areas for improvement* regarding DGSs' operational systems and processes.

90. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following *good practices* regarding DGSs' operational systems and processes:

- In the results reported for indicator i5, on *the information exchange between CAs/RAs and DGSs*, the DGSs shared a number of practices that could be considered good practices for obtaining information from NCAs or NRAs on problems detected at a credit institution that could give rise to a DGS intervention, and for ensuring that information on the early deterioration of an institution's financial situation is received in a timely manner. For example, some DGSs explained that they have memoranda of understanding (MoUs) or other agreements in place with relevant authorities. Other DGSs reported that information exchange and cooperation is required by national law or is ensured because of common areas of governance (e.g. the board of the DGS comprises board members of the authorities).
- In the results reported for indicators i6 and i7, on *existing and extra staff and other resources*, DGSs shared a number of practices that could be considered good practices for ensuring the adequacy of existing and extra staff, budget and other resources, for example ensuring that the evaluation of the budget for PR/communication is based on a strong methodology, preparing training material/questions and answers (Q&As) for the onboarding of extra staff in advance and, finally, preparing profiles for extra staff in advance to be shared with the contracted service provider so that extra staff can be recruited faster.
- In the results reported for the *time to set up call centres and websites* (i8), DGSs shared a number of practices that could be considered good practices when communicating with depositors and the wider public in a DGS payout event. For example, a good practice could be to have in place an agreement with a call-centre provider to ensure a call centre can be staffed on time. In addition, liaising with the call-centre providers on a regular basis in order to inform them of the DGS's operational needs can be considered a good practice.
- The results reported for indicators i10 and i11 (the *review of payment instruments* and the *adequacy of payment instruments applied to a high number of payments*) revealed that a number of DGSs have multiple payment instruments in place, for example electronic payment transactions and cheques. This could be explained by the fact that the availability of complementary payment mechanisms and communication mechanisms enables DGSs to cover residual cases. If the main

payment mechanism used by a DGS is not suitable for reimbursing all depositor groups in a similarly speedy manner (e.g. cheques that cannot be cashed by certain groups of depositors such as non-residents), the DGS could consider having a complementary payment mechanism in place. Similarly, if the main communication mechanism is not suitable for communicating with all depositor groups in a similarly speedy manner (e.g. when using a web portal for collecting a new bank account number (IBAN) that requires a type of identification that is not available to all groups of depositors), the DGS could consider having a complementary communication mechanism in place.

3.2.4 Cross-border cooperation tests

a. Outcomes of the tests

91. Nearly half of the DGSs did not report having performed cross-border cooperation tests, partly because they did not have any home-host relations under Article 14 of the DGSD. Eighteen DGSs from 16 Member States reported one or more cross-border cooperation tests, of which two DGSs performed the test as part of the wider operational capability test. Among them, eight DGSs from eight Member States reported having tested both home and host roles, whereas the others reported having tested just one of the two roles in home-host cooperation. DGSs reported on five indicators:

- indicator i15: the ability to extract earmarked SCV information on depositors at branches set up by their affiliated credit institutions in other Member States (qualitative);
- indicator i16: the time to produce and transmit to host authorities payment instruction files (PIFs), from the transmission of SCV files by institutions (quantitative);
- indicator i17: a quality assessment of channels for the transmission of payment instruction files;
- indicator i18: a confirmation from host DGSs that the payment instruction files would be adequate for repaying depositors;
- indicator i19: the ability to meet the deadlines laid down in the Guidelines on cooperation arrangements between DGSs.

92. Regarding *the ability to extract the branch data* (i15, QL), of the 18 DGSs that performed cross-border cooperation tests, 12 DGSs from 10 Member States reported an optimal score, while six DGSs from six Member States reported that improvements were needed for this area, mainly in their IT systems and the data provided by credit institutions in the SCV files.

93. On the quantitative indicator i16 (*the time to produce and transmit PIFs*, QN), 15 DGSs from 13 Member States reported the time taken to produce and transmit PIFs. Eight DGSs from seven Member States were able to produce and transmit the PIF within 1 working day, while seven others reported time periods of up to 5 working days.
94. The quality assessment of the *transmission channels for PIFs* (i17) was graded by 12 DGSs from 10 Member States with an optimal score, while four DGSs from four Member States reported that the area presented weaknesses. Two DGSs did not report a qualitative score for indicator i17, but instead gave a literary judgement.
95. On indicator i18 (*confirmation of adequate PIF by host DGSs*), seven DGSs from six Member States reported an optimal score, and seven DGSs from seven Member States reported that the area presented weaknesses. The main shortcoming identified was the need for manual processing because the necessary data were not included in the PIF received, since the home DGS did not collect this information via its SCV files. Five DGSs from five Member States (initially) did not report a score for this indicator, since the reporting template did not specify the need to provide a qualitative score.
96. Finally, the *ability to meet the deadlines laid down in the EBA Guidelines* (i19) was scored optimally by 12 DGSs from 10 Member States, and three DGSs reported that the area presented weaknesses. The reported weaknesses were similar to those for indicator i18: the lack of information required in the PIF meant the DGSs needed to use manual handling or find other solutions in order to be able to make the payout, which endangered their ability to meet the deadlines. Four DGSs (initially) did not report a score for indicator i19, since the reporting template did not specify the need to provide a qualitative score.
97. No specific elements of aspect (a) of Article 30(3) of the EBA Regulation were addressed by the assessment of cross-border cooperation tests.
98. More detailed assessments of the reported cross-border cooperation tests and results can be found in Annex 1, 'Cross-border cooperation tests'.

b. Areas for improvement and good practices

Design and execution of cross-border cooperation tests (category 1)

99. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following early indications of *areas for improvement* regarding the design and execution of cross-border cooperation tests:
- In the next round of testing, the aspects tested could be expanded. For example, in addition to exchanging PIFs, the exchange of other types of documents, such as communication templates, could also be tested. Partner DGSs could also practise their communication and cooperation, simulating (parts of) the cross-border

cooperation payout process. Another aspect that could be tested is the preparation of communication documents (templates) such as press releases and letters.

- As part of the design and execution process of cross-border cooperation tests, DGSs have to decide which DGS to perform the test with. For future rounds of testing, the Guidelines could provide more clarity to DGSs on how to select the partner DGS for the test. A risk-based approach would be most appropriate when choosing with which DGS to perform a cross-border cooperation test, as the number of cross-border branches may not in itself be the most suitable criterion. This change could also be reflected in the reporting template.

100. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following *good practices* regarding the design and execution of cross-border cooperation tests:

- Some DGSs reported using the tests to create and/or improve process manuals, crisis handbooks, templates, etc., with their partner DGSs.

Reporting to the EBA on cross-border cooperation tests (category 2)

101. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following early indications of *areas for improvement* regarding reporting on cross-border cooperation tests:

- DGSs could be requested to provide a little more context regarding home-host cooperation in order to analyse the reported test results, for example by describing more clearly in the report the number of home-host relations it has (i.e. the number of host DGSs and home DGSs with which it may cooperate), the multilateral/bilateral agreements signed so far, with which partner DGS(s) they performed the test, and which role the DGS played in the test (home, host or both). In addition, if the above-mentioned risk-based approach for selecting a partner DGS for the test was introduced, an explanation could be given of why those DGSs were selected as partners for the cross-border tests, mindful of the potential confidentiality of such information.

102. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified no *good practices* regarding reporting on cross-border cooperation tests.

Systems and processes of DGSs (category 3)

103. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified no early indications of *areas for improvement* or *good practices* regarding DGSs' cross-border cooperation systems and processes.

3.2.5 Funding capability tests

a. Outcomes of the tests

104. Among 32 DGSs in the sample, 31 DGSs reported results of funding capability tests. Among them, four DGSs reported having performed two tests and three DGSs performed three tests. The reports submitted displayed a wide variety of scenarios chosen and types of tests performed.

105. Regarding funding capability tests, DGSs were asked to report on four indicators:

- indicator i20: the adequacy of *ex ante* funds to cover the funding need (the shortfall in absolute value and as a share of the need);
- indicator i21: a qualitative assessment of the DGS's ability to liquidate assets invested as part of available financial means (AFM) within the deadline;
- indicator i22: the adequacy of *ex post* and alternative funding means to cover the funding needs not covered by *ex ante* funds (the shortfall remaining after exhausting *ex post* and alternative funding means) (quantitative);
- indicator i23: a quality assessment of the arrangements in place for accessing alternative funding means (reliability, quantity) (qualitative).

106. With regard to the *adequacy of ex ante funds* (i20), the reporting template was not clear about whether DGSs should report qualitative or quantitative results. As a result, DGSs reported the results in different ways: 17 DGSs provided qualitative scores, some DGSs provided percentages (which could be interpreted as *ex ante* funds as a percentage of the funding need) and some DGSs provided a literary judgement. Although the reporting template did not ask for a qualitative score, 14 DGSs from 13 Member States reported an optimal score, while three DGSs from three Member States reported that the area presented weaknesses. The optimal scores reported could be interpreted as DGSs reporting that they considered the *ex ante* funds adequate. Thirteen DGSs did not provide a qualitative score, as it was not requested by the template. Of these DGSs, six provided a literary judgement or a percentage. Two DGSs did not assess the area measured by the indicator. The outcomes of the tests submitted seemed to be dependent of the type of scenario chosen, influencing the amount of funding needed and whether or not the scenario envisaged a shortfall of AFM. Thus, in total, the results could be interpreted as showing that 14 DGSs considered their *ex ante* funds to be adequate, three considered that the area presented weaknesses and for 13 DGSs stated that it was not clear.

107. For the *DGS's ability to liquidate invested assets* (i21), the reporting template was not clear about whether DGSs should report qualitative or quantitative results. However, 29 DGSs provided qualitative scores. Twenty-three DGSs from 21 Member States reported an optimal score for the area measured by this indicator. Among these DGSs, some DGSs reported having:

- simulated the liquidation of their investment portfolio (one DGS) or government debt (three DGSs);
- simulated the sale of shares of the investment fund (one DGS);
- based their result on a real-life case (one DGS).

Although not requested in the reporting template, some DGSs reported the time needed to liquidate funds in working days. It is not clear for all DGSs whether or not they based their reported result on the simulation of the process or on theoretical expectations. Six DGSs from five Member States reported weaknesses in this area, one DGS provided a literary judgement and three DGSs did not assess the area measured by the indicator.

108. Regarding indicator i22, *the adequacy of ex post funds and alternative funding arrangements (AFA)* (QN), 27 DGSs provided literary judgements with varying explanations and 16 DGSs reported an additional qualitative score even though it was a quantitative indicator. Of the DGSs that reported a qualitative score, 11 DGSs from 11 Member States reported an optimal score, six DGSs from six Member States reported that the area presented weaknesses and 10 DGSs from nine Member States did not include a qualitative score for this indicator. Of these DGSs, six DGSs from five Member States reported that the shortfall could be easily absorbed by *ex post* contributions and AFAs. Five DGSs from five Member States did not report any assessment of the area measured by the indicator. The information in the reports indicates that the scenario chosen for the test might have influenced the outcome of the tests. Some DGSs reported an optimal score or reported that the indicator was ‘not applicable’ because the scenario did not include a shortfall of AFM. Two DGSs reported an optimal score based on a simulation to obtain funding from a commercial credit facility. Other DGSs reported not having AFAs in place.

109. Finally, regarding the *assessment of the quality of the arrangements in place for accessing funds via AFAs* (i23, QL), five DGSs reported testing this area in a resolution scenario. Seven DGSs used a scenario where the amount needed was equal to the target level. Other DGSs simulated drawing on a commercial credit line. Eleven DGSs from 10 Member States reported an optimal score. Of the 15 DGSs from 14 Member States that reported weaknesses in this area (score B, C or D), nearly half reported that their arrangements for AFAs still needed to be (or were being) implemented at the time of reporting. Six DGSs did not assess the area measured by the indicator.

Adequacy of resources and governance arrangements

110. The assessment of funding capability tests gives insight into the elements ‘adequacy of resources’ and ‘adequacy of governance arrangements’ of aspect (a) of Article 30(3) of the EBA Regulation.

111. On the adequacy of resources, DGSs reported on indicators i20 and i22. For indicator i20, the *adequacy of ex ante funds to cover the funding need*, the results reported differed as a result of the lack of clarity in the reporting template: a number of DGSs provided qualitative scores, some DGSs provided percentages (which could be interpreted as *ex ante* funds as a percentage of the funding need) and other DGSs provided literary judgements. In addition, the outcomes of the tests submitted seemed to be dependent of the type of scenario chosen, influencing the amount of funding needed and whether or not the scenario envisaged a shortfall of AFM. Because tests were performed in different ways and a wide variety of results were reported, the EBA reported the results of individual assessments made by DGSs, but it was difficult to compare and generalise the results for DGSs across the EU.
112. For indicator i22, the *adequacy of ex post and AFAs*, 10 DGSs reported an optimal score, six DGSs reported that the area presented weaknesses and 11 DGSs did not report a qualitative score for this indicator. Five DGSs did not report any assessment of the area measured by the indicator. Based on these results, the EBA is of the view that DGSs' resilience in this area is fair, but improvements need to be made.
113. On the adequacy of governance arrangements, the assessment of indicator i23, a *quality assessment of the arrangements in place for accessing AFAs*, is relevant. Since, of the 26 DGSs that provided a score, 15 DGSs reported that the area presented weaknesses and 11 DGSs reported an optimal score, the EBA concludes that the resilience in this area is fair, but improvements need to be made.
114. More detailed assessments of the reported funding capability tests and results can be found in Annex 1, 'Funding capability tests'.

b. Areas for improvement and good practices

Design and execution of funding capability tests (category 1)

115. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following early indications of *areas for improvement* regarding the design and execution of funding capability tests:

- When testing indicator i21, the ability to liquidate assets, based on the reports submitted, the EBA observed that:
 - o Some DGSs simulated the liquidation of part of their invested assets, whereas others simulated the liquidation of all assets. Potentially, in terms of the time required to obtain the funds and/or the price that the DGS could obtain, the scenario of the sale of all of its investments may have offered a different result from the scenario used for the purposes of the test.

o A diverse range of market scenarios was applied by DGSs. The EBA considered whether or not it was possible to assess the DGS's ability to liquidate assets invested as part of the AFM within the deadline under stressed market conditions as prescribed in paragraph 92 of the Guidelines. DGSs usually plan a stress test in advance and have to perform the test under the conditions that are applicable to the market at the moment of the execution of the test. However, a potential solution shared by one of the DGSs is to assess the portfolio under (stressed) observed scenarios in recent financial crises.

Therefore, the requirements for assessing indicator i21 could be further improved in the Guidelines.

- In the reports, some DGSs justified not reporting on indicators i22 (the *adequacy of ex post funds and AFAs*) and i23 (the *assessment of the quality of the arrangements in place for accessing funds via AFAs*) by stating that their chosen scenario did not envisage a shortfall of AFM – as allowed under the Guidelines. However, given the importance of ensuring that the DGS has access to adequate funding, indicators i22 and i23 should be tested by all DGSs. Thus, the Guidelines could be amended to specify that DGSs should test their funding capability also in a scenario where there is a shortfall of AFM and they are required to raise *ex post* contributions and access funds by means of AFAs.
- In general, the EBA observed that the current specifications in the Guidelines, and specifically the description of indicators, resulted in a wide variety of interpretations and made the stress test more of a 'calculation exercise' than a test, especially for the quantitative indicators. The Guidelines could be clarified by stating that, in general, three elements should be assessed:

o the adequacy of funds available as *ex ante* funds, *ex post* funds and AFAs in relation to the pool of DGS member institutions;

o the DGS's ability to access *ex ante* funds (i.e. liquidate assets invested as part of the AFM) within the required deadline;

o the DGS's ability to access *ex post* and alternative funding means in time.

These elements could be assessed by performing the following tests, which could be executed jointly or separately:

- (i) A desk-top calculation exercise of the adequacy of *ex ante* funds, *ex post* funds and AFAs in relation to the overall pool of member institutions, for example annually (based on the year-end reporting), if data are available, taking into account significant institutions/less significant

institutions and potentially adding complexity by assuming a scenario of two credit institutions failing within a certain time range (covering the current indicators i20 and i22 on *the adequacy of ex ante funds, ex post funds and AFAs*).

- (ii) A simulation exercise of liquidating the *ex ante* funds, including assessing the time needed to liquidate funds, depending on the set-up of the DGS, for example a simulation of a fire sale of invested funds (including a clear outline of the assumptions made) or transferring an amount of money from the central bank to the DGS if funds are placed with the central bank (covering the current indicator i21, on *the ability to liquidate assets*). The scenario (the amount of funding needed and whether or not there is a shortfall) is of lesser importance if it is specified that all *ex ante* funds need to be liquidated.
- (iii) A simulation exercise of accessing *ex post* funds and AFAs based on a scenario with a shortfall of AFM, including assessing the time needed to raise the necessary additional funds. This could be done, for example, by simulating drawing an amount of funding from a credit facility and/or simulating the calculation of the level of *ex post* contributions needed and the decision-making process and issuing fictional invoices for *ex post* contributions (covering the current indicator i23) and collecting some (minimal) amounts from credit institutions within the designated period. The scenario of the test (including the required amount of funding) does play a role here (shortfall needed).

To conclude, the EBA is of the view that the Guidelines could be amended to further improve the quality of the funding capability tests performed by DGSs.

116. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following *good practices* for designing and executing funding capability tests:

- To assess the *DGS's ability to liquidate invested assets* (i21), some DGSs reported that they (i) simulated the liquidation of all, not only some, of the invested assets, as it was a more realistic scenario in terms of the time needed to access the funds and the pricing, and (ii) used market prices when liquidating invested assets, also under stressed market conditions, to have a reference of the cash that would be effectively available (in line with the specifications in paragraph 92 of the Guidelines).
- In relation to the *adequacy of ex post funds and AFAs* (i22), some DGSs shared that they performed tests of the governance framework and decision-making process

with the institutions involved in the process (such as competent authorities and/or credit institutions) to ensure clear roles and clear responsibilities.

- In relation to the *assessment of the quality of the arrangements in place for accessing funds via AFAs (i23)*, some DGSs shared that they included tests to assess the time required to effectively access funding from existing AFAs.
- To ensure that all indicators were assessed, especially those regarding accessing *ex post* contributions and AFAs, some DGSs performed multiple tests, which had different funding scenarios such as a scenario with a shortfall.

Reporting to the EBA on funding capability tests (category 2)

117. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following early indications of *areas for improvement* regarding reporting on funding capability tests:

- To facilitate the analysis of the stress tests reported, the reporting template could include fields for general information about the DGS's funding structure, for example the applicable target level percentage (2024), the current level of AFM, whether or not funds are placed with central bank (yes/no, all/percentage), funds placed with state (yes/no), credit facility in place (yes/no, number), etc.
- Currently, the scenarios that may be selected by DGSs vary a lot, as DGSs are free to choose. To be able to compare stress testing results, the options for scenarios could be limited in the Guidelines and/or highlighted in the stress testing reporting. A possible way to reflect this would be for the reporting template to contain a 'tick box' to indicate which scenario is chosen (if there is not one scenario that is mandatory). In addition, it could be useful to add a reporting field for a clear description of the market conditions and assumptions applicable to the tests performed.
- Reporting on the 'amount of funds required by the intervention' should include not only absolute amounts, but also the percentage of covered deposits.
- Indicator i20 (the *adequacy of ex ante funds*) could be reported in a quantitative manner, to facilitate comparability. Grading could be aligned by describing, for instance, intervals for shortfalls measured in percentages. However, this cannot be done without first clearly defining a standardised scenario.
- Indicator i23, on the *assessment of the quality of the arrangements in place for accessing funds via AFAs*, could also include a specification to report on the time in which the AFAs can be drawn upon (from the moment of activating the AFA until the funding is in the DGS's account) and could potentially make a link with the

repayment deadline (i.e. in order to pay out within 7 working days, when should the DGS have the money in its account?).

118. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified one *good practice* regarding reporting on funding capability tests: some DGSs provided in their reports detailed information about the set of assumptions used.

Systems and processes of DGSs (category 3)

119. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified no early indications of *areas for improvement* regarding DGSs' funding systems and processes.
120. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified one *good practice* regarding DGSs' funding systems and processes: to take preparatory action and establish contacts with different counterparties in advance when considering repos (in relation to the *ability to liquidate assets*, i21).

3.3 Assessment of non-priority tests

3.3.1 Tests of other interventions (failure prevention, insolvency proceedings)

a. Outcomes of the tests

121. DGSs could also test their ability to use their AFM (i) for alternative measures in order to prevent the failure of a credit institution and/or (ii) to finance measures to preserve the access of depositors of covered deposits in the context of national insolvency proceedings, both only if allowed under the law of the Member State. In the reports submitted, only one DGS reported having performed a test of the use of financial means for failure prevention. The overall score reported for this test was optimal. No DGS tested the 'contribution to insolvency proceedings'.
122. Not all DGSs reported tests of other intervention scenarios, for multiple reasons:
- Not all Member States have implemented Article 11(3) and 11(6) of the DGSD.
 - Some DGSs explained that they prioritised performing the priority tests before 3 July 2019, but plan to test other interventions in 2020 or later as part of their multi-annual stress test plan.
 - The Guidelines were not sufficiently clear on whether or not tests of other interventions needed to be included in the DGS's report on priority stress tests, and how reporting should occur.
123. No specific elements of aspect (a) of Article 30(3) of the EBA Regulation were addressed by the assessment of tests of other interventions.

124. More detailed assessments of the reported tests of other interventions and results can be found in Annex 1, 'Tests of other interventions: failure prevention and contribution to insolvency'.

b. Areas for improvement and good practices

Design and execution of tests of other interventions (category 1)

125. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following early indication of an *area for improvement* regarding the design and execution of tests of other interventions:

- For some DGSs, for example institutional protection schemes (IPSS), other intervention scenarios such as the failure prevention function are of higher relevance than the repayment and contribution to resolution scenarios. The Guidelines could be improved to account for such instances, by providing more flexibility for DGSs to define which test scenarios should be performed as priority stress tests, if justifiable by the role and legal mandate of a particular DGS.

126. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified no *good practices* regarding the design and execution of tests of other interventions.

Reporting to the EBA on tests of other interventions (category 2)

127. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following early indications of *areas for improvement* regarding reporting on tests of other interventions:

- A more structured method could be provided in the reporting template to report the results of such additional tests, as the reporting template did not have a dedicated section for reporting on such tests.
- The Guidelines could be more specific on what has to be assessed and how, for example by including a separate list of indicators (optional) to provide more guidance, including indicators regarding funding and cooperation with relevant authorities (similar to indicators i5, i14 and i20-i23) but then including them separately in the report to make the assessment for the peer review easier.

128. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified no *good practices* regarding reporting on tests of other interventions.

Systems and processes of DGSs for other interventions (category 3)

129. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified no early indications of *areas for improvement* regarding DGSs' systems and processes for executing other interventions.
130. Based on the assessment of the reports submitted and discussions with DGSDAs/DGSs, the EBA identified the following *good practice* regarding DGSs' systems and processes for executing other interventions: have in place mechanisms to ensure timely and coordinated actions among authorities/entities (see also indicator i5).

4 Conclusions

131. This report outlined the first peer review of 135 DGS stress tests performed by 32 DGSs from 27 Member States, reported to the EBA by 3 July 2019. Through desk-based analyses and discussions with DGSDAs/DGSs, the EBA conducted a factual assessment of the reports submitted, assessed the resilience of DGSs by evaluating the stress tests, and identified 45 areas for improvement and 20 good practices in different categories: (i) the design and execution of stress test exercises, (ii) reporting to the EBA and (iii) DGSs' systems and processes (see Tables 6-11).
132. The EBA arrived at the view that, given the number of tests that DGSs have performed in the past years, stress tests have become an established tool for DGSs in preparing for DGS interventions. The report provides an insight into which tests DGSs have performed and how they executed such tests. Of the four priority tests, all DGSs ran SCV files tests and operational capability tests. Approximately half of the DGSs (18) performed cross-border cooperation tests and all DGSs but one executed funding capability tests.
133. The assessment of DGSs' resilience was performed based on Article 30(3) of the EBA Regulation and included aspects such as the adequacy of DGS resources and governance arrangements, the degree to which DGSs have applied the Guidelines on DGS stress tests and ways to improve the resilience of DGSs by further strengthening the DGS stress testing framework. Table 5 provides a summary of the outcomes reported. Using the grading system outlined in the Guidelines, the EBA arrived at the view that the overall resilience of DGSs across the EU is 'fair', which is the second best result after 'optimal'. This means that most DGSs have identified areas for improvement on the basis of the tests and the shortcomings are isolated and/or can easily be addressed by the DGSs at the point of failure and are unlikely to affect the ability of DGSs to perform their tasks in line with the DGSD. These are not unexpected results, since one of the aims of stress testing is to identify on which points DGSs can further improve their resilience by taking corrective actions.

Table 5: Summary of the assessment of the resilience of DGSs based on the priority stress tests

Aspect (Article 30(3) of the EBA Regulation)	Assessment of the resilience of DGSs based on the priority stress tests
(a) 'the adequacy of resources, the degree of independence, and governance arrangements of the competent authority, with particular regard to the	Adequacy of resources: Operational capabilities: i6 (the adequacy of existing staff, budget and other resources that would be available in a real-life scenario): <i>fair</i>

Aspect (Article 30(3) of the EBA Regulation)	Assessment of the resilience of DGSs based on the priority stress tests
effective application of the legislative acts referred to in Article 1(2) and the capacity to respond to market developments'	- i7 (the adequacy of extra staff, budget and other resources that would be available at short notice when needed): <i>fair, but improvements needed</i> Funding capabilities: - i20 (the adequacy of <i>ex ante</i> funds to cover the funding need): <i>since tests were performed in different ways and a wide variety of results were reported, the EBA reported the results of individual assessments made by DGSs, but it was difficult to compare and generalise the results for DGSs across the EU</i> - i22 (the adequacy of <i>ex post</i> and alternative funding means): <i>fair, but improvements needed</i> Degree of independence: <i>not applicable</i> Adequacy of governance arrangements: - i2 (a quality assessment of the arrangements in place for requesting and obtaining SCV files): <i>optimal</i> - i5 (the quality of the arrangements in place for obtaining information from competent or resolution authorities on problems detected at a credit institution which could give rise to a DGS intervention): <i>fair</i> - i23 (a quality assessment of the arrangements in place for accessing alternative funding means): <i>fair, but improvements needed</i>
(b) 'the effectiveness and the degree of convergence reached in the application of Union law and in supervisory practice, including regulatory technical standards and implementing technical standards, guidelines and recommendations adopted pursuant to Articles 10 to 16, and the extent to which the supervisory practice achieves the objectives set out in Union law'	The degree to which DGSs have applied the Guidelines on DGS stress tests: 32 DGSs from 27 Member States (out of 35 DGSs from 30 Member States) reported that they performed the priority stress tests as specified by the Guidelines. The EBA arrived at the view that, given the number of tests that DGSs have performed in the past years, DGS stress tests have become an established tool for DGSs in preparing for DGS interventions. Outcomes of the tests and early indications of how to improve the resilience of DGSs by further strengthening the DGS stress testing framework: the stress test results reported reveal that most DGSs graded their operational capabilities generally slightly better than the other capabilities tested. In general, DGSs reported higher scores for individual indicators than for the overall results of a particular priority test. The outcomes also suggest that DGSs seemed to be more confident to grade areas that were more within their control. Given the divergence in the types of tests performed and the way the outcomes of the tests were reported, the EBA identified early indications of how to improve the current DGS stress testing framework ('areas for improvement'), which are included in Tables 6-11 in this chapter.
(c) 'the application of best practices developed by competent authorities whose adoption might be of benefit for other competent authorities'	Nineteen 'good practices' were identified in the fields of designing and executing stress tests and DGSs' systems and processes (included in Tables 6-11). These good practices can be considered advice for the DGSs to take note of, on the basis of the assessment of the priority stress test reports submitted.

134. The EBA considered that the divergence in the reported types of tests performed and the way the outcomes of the tests were reported makes it challenging to compare the tests with the desired consistency and draw robust and comprehensive conclusions regarding the resilience of all DGSs. Therefore, the conclusions on the outcomes of the tests in this report need to be interpreted with caution. Nevertheless, the EBA identified 45 shortcomings of the current DGS stress testing framework ('areas for improvement') and described, throughout the report, early indications of how to enhance the comparability of the results for future peer reviews.
135. Regarding the DGS stress testing framework, the EBA identified 25 early indications of areas for improvement in the area of designing and executing stress tests, which also need to be reflected in the design of the reporting template. These areas for improvement could be addressed in the context of revising the Guidelines – following the EBA's standard procedures for amending Guidelines – or improving the DGS stress testing framework by other means. To address the areas for improvement identified in the field of the design and execution of DGS stress tests, the EBA includes the early indication to review and develop further the Guidelines to strike the right balance between clarifying what each DGS should aim to achieve in each priority stress test and what constitutes a successful stress test, which would also require a more robust definition of DGS stress tests. Furthermore, the Guidelines could also be amended to further incentivise DGSs to focus on identifying areas for further improvement, and to develop challenging scenarios as opposed to incentivising DGSs to merely aim for a 'pass' mark.
136. Another early indication of how to improve the DGS stress testing framework is to introduce more flexibility to allow DGSs to choose to perform tests of interventions other than repayment or contribution to resolution interventions as priority tests, if justifiable by the role and legal mandate of a particular DGS. In addition, a distinction could be introduced between 'standard' scenarios, in which a DGS has to intervene under normal conditions, and 'special' scenarios, where there are additional business continuity challenges. In addition, the Guidelines could be improved by providing more clarity for certain priority tests regarding the types of tests to be performed, aspects to be assessed and scenarios to be chosen, where necessary and where possible, for which specific ideas are included for each priority test and indicator in this report.
137. The EBA also found 19 areas for improvement in the area of reporting stress test results to the EBA, which have resulted in early indications of how to improve the reporting template. Finally, the EBA also identified one area for improvement regarding DGSs' systems and processes, which DGSs may consider when making improvements to their systems as part of the follow-up process of stress testing.
138. Tables 6-11 provide an overview of the early indications of areas for improvement and good practices that were identified for each of the priority tests and indicators throughout this report.

Table 6: Areas for improvement and good practices for DGS stress testing in general

	Early indications of areas for improvement <i>The DGS stress testing framework could be improved by:</i>	Good practices <i>DGSs could consider:</i>
Designing and executing tests (category 1)	- providing more clarity on what should be assessed and how to report, by providing more detailed and precise information about specific indicators - further clarifying the meaning of 'arrangements in place', which is part of indicators i2, i5 and i23 - allowing DGSs to report on additional areas relevant to specific DGSs, for example 'special cases' other than THBs or beneficiary accounts, and relevant in a certain jurisdiction - providing further clarity on what defines 'stress' when stress testing - considering incentivising DGSs to test 'special' scenarios with increased complexity resulting from business continuity issues in addition to tests of 'standard' scenarios - considering defining minimum performance or achievement levels in line with the DGSD aims for each indicator (where relevant and possible) - developing further the Guidelines to strike the right balance between clarifying what each DGS should aim to achieve by each priority stress test and what constitutes a 'successful' stress test	- taking into account the particular set-up of the DGS when involving a third party in the design, execution and evaluation of stress tests, mindful of the need to comply with national provisions on professional secrecy and DGS oversight - performing multiple granular tests, in case one comprehensive test is not suitable to assess all the indicators
Reporting to the EBA (category 2)	- recalibrating the meaning of the scores A-D, for example by setting minimum performance levels to determine the qualitative score, and aiming to encourage DGSs to discover aspects that could be improved while testing and subsequently addressing those aspects - improving the reporting template in terms of content and format, such as (i) when grading is required, making this a mandatory field in the template, (ii) clarifying the extent of detail required	providing additional information that explains the reported qualitative scores and quantitative results

when filling in the reporting template, (iii) clarifying which unit of measure should be used for quantitative indicators; (iv) add fields for additional contextual information regarding both how the test was designed/executed and the characteristics of the DGS, (v) encouraging DGSs to conduct both a self-reflection and an assessment by the steering team and/or external observer and (vi) incorporating a 'feedback loop' on how a DGS has progressed compared with previous similar tests

Table 7: SCV files tests – areas for improvement and good practices

Indicators	Early indications of areas for improvement	Good practices
SCV files tests in general	On the design and execution of tests (category 1), the EBA included an early indication of how to: (i) distinguish between (i) regular testing of SCV files of all institutions and (ii) a stress test of obtaining an SCV file, potentially as part of wider operational capability test (ii) explore setting a minimum performance level On reporting (category 2), the EBA included an early indication of how to: • ensure that DGSs report on the number of unique credit institutions tested • ensure that DGSs report results for all SCV files and credit institutions tested • provide room for DGSs to report how they organised the regular SCV file testing On DGSs' systems and processes (category 3), to address issues in relation to the interpretation of national requirements pertaining to the preparation of SCV files, DGSs could share with each other good practices on how they interact with credit institutions to ensure that national SCV requirements are well understood	On the design and execution of tests (category 1), DGSs could consider: (iii) creating a methodology for assessing and grading SCV files (iv) combining desk-top reviews of SCV files with on-site visits at credit institutions, where appropriate and legally allowed
i1. An overall quality assessment of the SCV files resulting from the tests, the	On the design and execution of tests (category 1), the EBA included an early indication of the need to clarify the meaning of indicator i1, since it currently	–

Indicators	Early indications of areas for improvement	Good practices
main shortcomings, main reasons for shortcomings, expectation of future developments (qualitative)	overlaps with aspects reflected in indicators i2-i4	
i2. Qualitative assessment of arrangements in place for requesting and obtaining SCV files (qualitative)	On the design and execution of tests (category 1), the EBA included an early indication of the need to clarify the definition of 'arrangements in place' and how to test this aspect	–
i3. Time to obtain transmission of SCV files, from request to institution (quantitative)	On the design and execution of tests (category 1), the EBA included an early indication of the need to explore setting a minimum performance level for the time to obtain transmission of SCV files On reporting (category 2), the EBA included an early indication of the need to provide clearer instructions on what to report	–
i4. Share of substandard entries (missing, inaccurate, or not containing the data necessary for treatment and payment)	On the design and execution of tests (category 1), the EBA included an early indication of the need to explore setting a minimum performance level for the share of substandard entries On reporting (category 2), the EBA included an early indication of the need to further harmonise reporting, by potentially defining 'substandard entries'	–

Table 8: Operational capability tests – areas for improvement and good practices

Indicators	Early indications of areas for improvement	Good practices
Operational capability tests in general	On the design and execution of tests (category 1), the EBA included an early indication of the need to consider including an assessment of a DGS's IT capability in relation to its payout function	–
i5. Quality of the arrangements in place for obtaining information from competent or	On the design and execution of tests (category 1), the EBA included an early indication of the need to clarify the meaning of the indicator and	On DGSs' systems and processes (category 3), DGSs could consider ensuring that information on the early deterioration of an institution's

Indicators	Early indications of areas for improvement	Good practices
resolution authorities on problems detected at a credit institution which could give rise to DGS intervention, including whether they ensure receiving timely information on early deterioration of an institution's financial situation (qualitative)	explore which types of tests are effective to assess this indicator	financial situation is received in a timely manner, having MoUs or other types of agreements in place, and/or that national law or the DGS's governance requires/facilitates cooperation between the relevant authorities
i6. Adequacy of the existing staff, budget and other resources that would be available in a real-life scenario (quantitative and qualitative)	On reporting (category 2), the EBA included an early indication of the need to provide more clarity on the distinction between 'existing' and 'extra' staff, budget and other resources	On DGSs' systems and processes (category 3), DGSs could consider ensuring that the evaluation of the budget for PR/communication is based on a strong methodology
i7. Adequacy of extra staff, budget and other resources that would be available at short notice when needed (quantitative and qualitative)	–	On DGSs' systems and processes (category 3), DGSs could consider: (v) ensuring that the evaluation of the budget for PR/communication is based on a strong methodology (vi) preparing training material/Q&As and profiles for extra staff in advance, to ensure that extra staff are up to speed as quickly as possible
i8. Time to set up call centres and ad hoc websites or webpages (quantitative)	On reporting (category 2), the EBA included an early indication of the need to harmonise the applicable timescales and the starting point for measuring the time, and add a field for explanation	On DGSs' systems and processes (category 3), DGSs could consider ensuring that a call centre can be set up and staffed on time, having in place a contract or other agreement with a call-centre provider
i9. Capacity of websites or call centres in terms of number of connections or calls (quantitative)	On reporting (category 2), the EBA included an early indication of the need to clarify which units of counting could be used for reporting and the need to add a field for explanation	–
i10. Review of payment instruments available for payout scenarios (qualitative)	On the design and execution of tests (category 1), the EBA included an early indication of the need to provide clarity on what is meant by 'review the payout instruments available' and of how to test this effectively	On DGSs' systems and processes (category 3), DGSs could consider having at their disposal complementary payment mechanisms, in case the main payout mechanism is not suitable for reimbursing and/or communicating

Indicators	Early indications of areas for improvement	Good practices
	On reporting (category 2), the EBA included an early indication of the need to provide room to report on the payment instrument(s) used by DGSs	with all depositors in a similar manner
i11. Adequacy when applied to a high number of payments, as defined in the scenarios (qualitative)	On the design and execution of tests (category 1), the EBA included an early indication of the need to provide clarity on the meaning of this indicator and of how to test the area effectively On reporting (category 2), the EBA included an early indication of the need to provide room to report on the payment instrument(s) used by DGSs	On the design and execution of tests (category 1), DGSs could consider performing regular load and stress tests when using web-based platforms for payouts
i12. For repayment scenarios, time from the determination of unavailability of deposits to the moment when the repayable amount is made available (quantitative)	No individual good practices or areas for improvement were identified for indicator i12	
i13. Where temporary high balances or beneficiary accounts are earmarked on a continuous basis as described in paragraph 69 of the Guidelines on DGS stress tests, time elapsed from the determination of unavailability of deposits to the moment when the repayable amount is made available (quantitative)	On the design and execution of tests (category 1), the EBA included an early indication of the need to explore the merit of testing 'special' cases such THBs and beneficiary accounts, to provide more guidance on how to test such special cases (also in case these are not earmarked in SCV files) and to explore how such tests would fit in the overall DGS stress testing framework	–
i14. For resolution scenarios, time elapsed from the resolution authority's request to the payment of the contribution (quantitative)	On the design and execution of tests (category 1), the EBA included an early indication of the need to reflect that, in a resolution scenario, funding resources must be available faster than in a DGS repayment scenario, in line with the idea to increase the complexity of tests over time	

Table 9: Operational cross-border cooperation tests – areas for improvement and good practices

Indicators	Early indications of areas for improvement	Good practices
Cross-border cooperation tests in general	On the design and execution of tests (category 1), the EBA included an early indication of the need to explore expanding the aspects to be tested (e.g. communication and cooperation) On the design and execution of tests (category 1), the EBA included an early indication of the need to clarify that DGSs should use a risk-based approach when choosing the DGS to perform cross-border cooperation tests with On reporting (category 2), the EBA included an early indication of the need to ask DGSs to provide more context on home-host cooperation for the purpose of analysing the reported test results	On the design and execution of tests (category 1), DGSs could consider using the tests to create and/or improve process manuals, crisis handbooks, templates, etc., with their partner DGSs
i15. Ability to extract earmarked SCV information on depositors at branches set up by their affiliated credit institutions in other Member States (qualitative)	No individual good practices or areas for improvement were identified for indicators i15-19	
i16. Time to produce and transmit to host authorities payment instruction files, from the transmission of SCV files by institution (quantitative)		
i17. Quality assessment of channels for the transmission of payment instruction files		
i18. Confirmation from host DGSs that the payment instruction files would be adequate for repaying depositors		

Indicators	Early indications of areas for improvement	Good practices
i19. Ability to meet the deadlines laid down in the Guidelines on cooperation arrangements between DGSs		

Table 10: Funding capability tests – areas for improvement and good practices

Indicators	Early indications of areas for improvement	Good practices
Funding capability tests in general	On the design and execution of tests (category 1), the EBA included an early indication of the need to increase the quality of funding capability tests by requiring DGSs to assess the following three elements: - the adequacy of funds available as <i>ex ante</i> funds, <i>ex post</i> funds and AFAs in relation to the pool of DGS member institutions - the DGS's ability to access <i>ex ante</i> funds (i.e. liquidate assets invested as part of the AFM) within the required deadline - the DGS's ability to access <i>ex post</i> and alternative funding means in time This could be done by performing the following tests, which could be executed jointly or separately, to ensure that all elements are assessed: - a desk-top calculation exercise of the adequacy of <i>ex ante</i> funds, <i>ex post</i> funds and AFAs in relation to the overall pool of a DGS's member institutions - a simulation exercise of liquidating the <i>ex ante</i> funds, including assessing the time needed to liquidate funds	On the design and execution of funding capability tests (category 1), DGSs could consider performing multiple tests in case one integrated test is not sufficient to test all indicators On reporting (category 2), DGSs could consider providing detailed information about the set of assumptions used for the test

Indicators	Early indications of areas for improvement	Good practices
	- a simulation exercise of accessing <i>ex post</i> funds and AFAs based on a scenario with a shortfall of AFM within the designated period, including assessing the time needed to raise the necessary additional funds On reporting (category 2), the EBA included an early indication of the need to: - ask DGSs to provide more context on their funding structure to analyse the reported test results - limit the options of test scenarios and/or require DGSs to report more explicitly which scenario was selected - ensure reporting on the 'amount of funds required by the intervention' also as a percentage of covered deposits	
i20. Adequacy of <i>ex ante</i> funds to cover the funding need (shortfall in absolute value and as a share of the need)	On reporting (category 2), the EBA included an early indication of the need to improve the reporting on i20 to ensure comparability, for example in a quantitative manner	–
i21. Qualitative assessment of the DGS's ability to liquidate assets invested as part of the available financial means within the deadline	On the design and execution of tests (category 1), the EBA included an early indication of the need to further improve the requirements for assessing indicator i21, since different tests and market scenarios were applied	On the design and execution of tests (category 1), DGSs could consider simulating the liquidation of all invested assets and use market prices On DGSs' systems and processes (category 3), DGSs could consider taking preparatory action and establishing contacts with different counterparties in advance when considering repos
i22. Adequacy of <i>ex post</i> and alternative funding means to cover the funding needs not covered by <i>ex ante</i> funds (shortfall remaining after exhausting <i>ex post</i> and	On the design and execution of tests (category 1), the EBA included an early indication of the need to require DGSs to test indicators i22 and i23, by ensuring a scenario where there is a shortfall	On the design and execution of tests (category 1), DGSs could consider testing the governance framework and decision-making process with the institutions involved in the process (such as competent authorities and/or credit institutions) to ensure clear roles and clear responsibilities

Indicators	Early indications of areas for improvement	Good practices
alternative funding means) (quantitative)		
i23. Quality assessment of arrangements in place for accessing alternative funding means (reliability, quantity) (qualitative)	On the design and execution of tests (category 1), the EBA included an early indication of the need to require DGSs to test indicators i22 and i23, by ensuring a scenario where there is a shortfall On reporting (category 2), the EBA included an early indication of the need to require DGSs to report on the time needed to access alternative funding means	On the design and execution of tests (category 1), DGSs could consider testing the time required to effectively access funding from existing alternative funding arrangements

Table 11: Tests of other interventions – areas for improvement and good practices

Indicators	Early indications of areas for improvement	Good practices
Tests of other interventions in general	On the design and execution of tests (category 1), the EBA included an early indication of the need to introduce more flexibility for DGSs to define which test scenarios, including tests of other interventions, are of relevance to DGSs and should be performed as priority stress tests On reporting (category 2), the EBA included an early indication of the need to: - provide a more structured way in the reporting template to report results of such additional tests, as the reporting template did not have a dedicated section for reporting on such tests - provide more guidance on what has to be assessed and how	On DGSs' systems and processes (category 3), DGSs could consider having in place mechanisms to ensure timely and coordinated actions among authorities/entities (see also indicator i5)

Annexes

Annex 1 – Detailed factual assessments

SCV files tests

a. Legal basis and background

139. Article 4(8) of the DGSD requires that ‘Member States shall ensure that a DGS, at any time and upon the DGS’s request, receives from their members all information necessary to prepare for a repayment of depositors, including markings under Article 5(4) of the DGSD.’
140. Article 5(4) of the DGSD requires that ‘Member States shall ensure that credit institutions mark eligible deposits in a way that allows an immediate identification of such deposits.’
141. Article 7(6) of the DGSD requires that ‘Member States shall ensure that DGSs may, at any time, request credit institutions to inform them about the aggregated amount of eligible deposits for every depositor.’
142. Article 8(6) of the DGSD stipulates ‘[t]he repayable amount shall be made available without a request to a DGS being necessary. For that purpose, the credit institution shall transmit the necessary information on deposits and depositors as soon as requested by the DGS.’
143. Paragraph 11 of the EBA Guidelines on DGS stress tests, specifying the minimum principles and content of SCV files tests, introduces a definition of the SCV file, which ‘means a file containing the individual depositor information necessary to prepare for a repayment by a DGS, including the aggregate amount of eligible deposits of every depositor’.
144. Paragraph 60 of the Guidelines states that ‘[o]perational and funding capabilities should be tested under the intervention scenarios described in section 6. In addition, DGSs may also run targeted exercises independently of any scenario, for example regular checks of SCV files of a given institution.’
145. Paragraph 63 of the Guidelines highlights that ‘[a]ccess to good quality data on credit institutions, depositors and deposits should be tested as a matter of priority in order to ensure that DGSs are prepared to perform their tasks at all times’.
146. Paragraphs 64 to 69 of the Guidelines further describe the requirements of DGSs and credit institutions for stress testing SCV files with regard to the arrangements in place for requesting and obtaining SCV files and the SCV files’ overall quality targeting, inter alia, accuracy, timeliness and validity. In particular, according to paragraph 67, ‘DGSs should define criteria for a valid or invalid SCV file (e.g. incorrect identification numbers, incorrect addresses, different names with

the same identification numbers, several records for the same depositor, etc.) and measure the number of invalid SCV files as a share of the institution's records or, where applicable the sample.'

147. Paragraph 70 of the Guidelines requires that 'DGSs should use the following indicators:

i1: Overall quality assessment of the SCV files resulting from the tests, main shortcomings, main reasons for shortcomings, expectation of future developments (qualitative)

i2: Quality assessment of arrangements in place for requesting and obtaining SCV files (qualitative)

i3: Time to obtain transmission of SCV files, from the day of the request to the affiliated credit institution (quantitative)

i4: Share of substandard SCV files or SCV files' entries (missing, inaccurate, or not containing the data necessary for processing and payment) (quantitative)'.

148. Paragraph 96(1) of the Guidelines provide that, in the light of the first EBA peer review, DGSs should perform and report results on 'formal routine checks of SCV files of all affiliated credit institutions. These tests should also ensure that SCV files earmark deposits at branches in other Member States' as part of the priority tests.

b. Methodology, data sources and their limitations

149. The reports on the priority tests that were submitted by DGSs to the EBA included four indicators related to the assessment of SCV files. In addition, DGSs were asked to provide information about the characteristics of the tests performed.

150. With regard to indicator i3, the analysis concerns the evaluation of minimum, average and maximum transmission times (number of days). With regard to indicator i4, a distinction is made between DGSs reporting a value calculated with reference to single member institutions (average, minimum or maximum) and the overall value deriving from the aggregation of data of individual institutions into one virtual aggregated bank. The distributions of both indicators are also graphically represented by boxplot.

c. Main findings, good practices and issues identified

151. DGSs could perform SCV files tests on a stand-alone basis, for example in the context of regular routine tests, or based on a scenario, and these tests needed to be reported in Section B of the reporting template. In addition or as alternative to these stand-alone tests, DGSs could run the SCV files tests as part of the wider operational capability tests, to be reported in Section C of the reporting template. Therefore, this section contains two subsections, starting with the main findings on the basis of stand-alone SCV files tests, followed by the main findings based on the SCV files tests performed as part of the wider operational capability tests.

Main findings on the basis of stand-alone SCV files tests

152. Prior to reporting on the four indicators, the DGSs were asked to provide general information about the SCV files tests performed. More specifically, DGSs were asked to report on the number of institutions tested. The reports submitted showed that:

- Twenty-two DGSs from 19 Member States reported that all the institutions with covered deposits had been tested.
- Ten DGSs from 10 Member States reported that they did not test all the institutions with covered deposits, for the reasons summarised below:
 - Two DGSs from two Member States furnished the following explanations: one DGS excluded two institutions due to the limited number of depositors and another DGS did not test a small branch of a non-EU bank and one bank due to the acquisition of another bank during the test. The DGS reported that SCV files of both institutions will be tested in the second half of 2019.
 - Three DGSs from three Member States did not receive all SCV files. In one Member State, one institution (out of 113) did not submit its SCV file to the DGS. In another Member State, 18 (out of 21) institutions did not submit an SCV file, which was due to the limited time since the new IT system had been implemented. In the third Member State 26 (out of 123) institutions did not submit their files, which was due to different IT systems and law changes, as the DGSD was transposed into national law on 1 January 2019.
 - Two DGSs from two Member States focused on real-life resolution cases during the test. One DGS reported results from one real-life case as a substitute for comprehensive SCV files tests advancing a number of issues relevant for payout. It was further noted that the unavailability of deposits was determined prior to the date that the Guidelines were issued. Another Member State performed the SCV files test on a reduced number of banks (i.e. two banks: one small and one medium-sized credit institution) in view of a real payout case that occurred during the period in which priority tests had to be carried out.
 - One DGS reported having experience related to testing SCV files in different steps over a specified period of time. In line with the test programme, the DGS tests all member institutions over a 5-year rolling window, with less significant banks subjected to recurring tests.
 - One DGS tested only banks under enhanced supervision, as agreed with the competent authority.

- o One DGS analysed the SCV files of two institutions as part of the operational capability test, representing 4.9% of the total population of member institutions.

153. To sum up, all 32 DGSs reported that one or more SCV files were tested of 4 547 institutions, out of a total of 5 797 member institutions (see Table 12). Table 12 also includes the number of institutions that are members of the DGS, which DGSs were asked to report in the general section of the reporting template.

154. In Table 12, the number of institutions of which SCV files were tested does not always equal the total number of member institutions, for a variety of reasons. Firstly, some DGSs reported that not all member institutions are deposit takers and therefore not all member institutions were subject to an SCV file test. Secondly, the number of member institutions was reported at one moment in the reporting period (e.g. on 30 June 2019), whereas the number of institutions tested was reported for a longer time period. In that period, institutions might have become or ceased to be a member of the DGS or, for example, merged with another credit institution. In addition, some DGSs apply a multi-year testing window, in which all institutions will be assessed. For cases where the reported numbers differed substantially, the underlying reasons are clarified in the footnotes to the table. Finally, it is also worth mentioning that some DGSs assessed multiple SCV files of a single institution over time.

Table 12: Number of credit institutions subject to SCV files tests

DGS	Member institutions	Institutions tested	Percentage of total institutions
AT (ESA)	495	465	94%
AT (s-H)	49	49	100%
BE	38	34	89% (a)
BG	21	19	90%
CY	26	1	4% (b)
CZ	35	32	91%
DE (EdB)	181	175	97%
DE (EdÖ)	17	17	100%
DE (DSGV)	406	406	100%
DE (BVR)	883	981	111% (c)
DK	144	144	100%
EE	9	9	100%
EL	19	20	105% (c)
ES	119	112	94%
FI	10	10	100%
FR	339	264	78%
HR	24	2	8% (d)
HU	40	43	108% (c)
IE	287	287	100%
IT (FGD)	269	269	100%
IT (FITD)	155	111	72%
LT	73	71	97%
LU	109	131	120% (e)
LV	14	5	36% (f)
MT	21	3	14% (g)
NL	43	43	100%
NO	131	26	20% (h)
PL	633	633	100%
PT	38	35	92%
RO	28	28	100%
SE	127	108	85% (a)
SI	14	14	100%
	4 797	4 547	92% (i)

Special reasons reported for testing fewer or more credit institutions (CIs) than the number of member institutions (MIs):

(a) BE, SE: 100% of all MIs that take deposits were tested.

(b) CY: SCV file tested for one real-life case.

(c) DE (BVR), EL, HU: some CIs merged or transferred deposits.

(d) HR: the DGS's resources were allocated to a real-life resolution case.

(e) LU: including branches of the CIs, separately accounted for.

(f) LV: only CIs under increased supervision were selected, to decrease burden on CIs.

(g) MT: the DGS's new data exchange system went live in March 2019.

(h) NO: CIs use the same IT system vendors and the DGSD was transposed in 2019.

(i) The percentage constitutes 4 423 out of 4 797 institutions and does not include the 124 additional institutions tested by four DGSs.

155. The reporting template also asked how many member institutions' SCV files were tested based on samples and how many total SCV files were tested. The reports submitted showed that:

- Twenty-four DGSs from 20 Member States tested member institutions on the totality of their SCV files.
- Seven DGSs from seven Member States used sampling only for a limited number of credit institutions.
- One DGS reported that all member institutions' SCV files were tested on the basis of samples.

156. One DGS performed the SCV file test not on a stand-alone basis, but as part of the wider operational capability test (as allowed by the Guidelines and reporting template). The other 31 DGSs reported having performed the SCV files tests on a stand-alone basis or as a part of regular routine checks.

Overall quality assessment of SCV files (i1)

157. In the report on the priority tests, DGSs reported on the area measured by indicator i1, 'overall quality assessment of the SCV files resulting from the tests, main shortcomings, main reasons for shortcomings, expectation of future developments (qualitative)'. The reports submitted by DGSs exhibited the following scores, which summarise the overall quality assessment of all SCV files tested:

- Five DGSs from five Member States reported a score of 'A – optimal'.
- Twenty DGSs from 19 Member States reported a score of 'B – fair'.
- Three DGSs from three Member States reported a score of 'C – poor'.
- Four DGSs from four Member States did not indicate a general score on the basis of the tests performed, but provided multiple scores or a literary judgement. Of these DGSs:
 - o One DGS reported the number of credit institutions of which the quality of SCV files was graded with a score of A, B, C or D.
 - o One DGS reported a score of 'B – fair' for indicator i1 for SCV file tests performed in 2017 and a score of 'C – poor' for SCV file tests performed in 2019. The reporting template did not require DGSs to report general scores if they performed multiple sets of SCV files tests; thus, the DGS reported the scores separately. As a solution, in the peer review report, this DGS is included in the group of DGSs that reported that the area presented weaknesses (the category combining reported scores B and C).

- o One DGS reported that most SCV tests recorded full positive results. In a few cases, it was necessary to make minor corrections (file structure, lack of information). In six cases, a number of significant anomalies occurred. However, four of the six banks repeated the test successfully. The other two banks were verified again later in 2019.
- o One DGS reported that the overall quality assessment of data in the checked SCV files was 'A – optimal'/'B – fair' in the banking sector and 'A – optimal' for credit unions.

158. The EBA identified four main subjects addressed by DGSs that reported that the area measured by indicator i1 presented weaknesses:

- (i) data accuracy and reliability;
- (ii) the general importance of the IT system;
- (iii) national regulations and technical specifications;
- (iv) the expectation of future developments.

159. A significant number of DGSs reported having encountered shortcomings with regard to data accuracy and reliability, misinterpretations of existing regulations and technical specifications by institutions. The main issues can be summarised as follows:

- Twenty-three DGSs from 19 Member States referred to issues with the accuracy and reliability of the data provided by member institutions due to format and content issues, duplicate data entries, depositors erroneously being flagged or categorised as eligible or excluded from eligibility, incorrect calculations of the repayable amount and various other issues.
- While not explicitly referring to shortcomings in relation to comprehensive SCV files tests carried out on all member institutions, seven DGSs from seven Member States referred to issues and findings in relation to a subset of institutions, which require clarification in view of the test's design and the significance of the results reported for indicator i1. The DGSs that did not test all member institutions with deposits at the time the stress tests were performed provided reasons for not covering all member institutions.

160. Twelve DGSs from 12 Member States highlighted in their reports the importance of the functioning of DGSs' IT systems for the quality of SCV files.

- Three DGSs from three Member States reported to be in the implementation phase of a new IT system, which at the time of the stress test exercise had not been finalised yet:

- One DGS was in the process of implementing a dedicated IT system. The solution was adapted to the needs of the DGS in order to facilitate the upload and verification of SCV files. User acceptance tests were carried out with three banks during the implementation period. The DGS intended to onboard other member banks after reporting to the EBA.
- One DGS pointed out that 70% of member banks were able to comply with the new technical requirements after the transition to a new data model. The remaining part of the population was still in transition to the new data model on 3 July 2019. The results of a series of external audits regarding the technical compliance of member banks recently carried out had not yet been incorporated in the results of the SCV files tests. If required, member banks would still be in a position to transmit SCV files to the DGS in compliance with the old standards.
- One DGS had recently started upgrading the IT software to tackle the shortcomings revealed in the context of the SCV files test and expected this to be completed by the end of the following year.
- Six DGSs from six Member States did not explicitly report shortcomings in relation to the capacity or functioning of IT systems in the context of the SCV files test, but recognised the need for upgrading the IT solutions given that the functionalities did not entirely match the operational scale and scope of the payouts simulated.

161. A number of DGSs reported that the stress test exercises revealed that national regulations in their Member State and technical specifications related to the preparation of the SCV files lacked clarity. Those regulations and technical specifications required adjustment to ensure that the ambiguity causing the shortcomings identified were eliminated and that the format and content of SCV files met the required minimum quality to ensure a fast payout:

- Nine DGSs from nine Member States reported issues in relation to the interpretation of national requirements pertaining to the preparation of SCV files, in the context of IT evolutions and the implementation of the DGSD, or similar reasons. It seems that the lack of clarity and the ambiguity of such requirements, including technical specifications relevant for the preparation of SCV files (including their format and content) provided to credit institutions, have caused DGSs to reconsider the need for more detailed specifications or additional guidance in amended future standards:
 - Five DGSs from five Member States (score 'B – Fair') reported no issues that affected the general score of this indicator, but highlighted clarifications needed regarding technical specifications in the context of the introduction of a new IT system or in the context of the implementation of the DGSD.

- o One DGS (score 'C – Poor') referred to the IT system and SCV file format as being outdated, for which, at the time of reporting, upgrades and amendments had been initiated, but not yet finalised.
- o One DGS (score 'C – Poor') indicated the need for updating and upgrading requirements related to the preparation of SCV files to capture issues in relation to the introduction of the revised DGSD.
- o One DGS (score 'C – Poor') reported that amended specifications and instructions regarding the preparation of SCV files entered into force shortly after the reporting deadline of the DGS stress tests to the EBA.
- o One DGS (score 'C – Poor') stated that the issues identified in relation to the SCV files could be related to the way rules are drafted (i.e. not necessarily facilitating an easy understanding by the persons in charge of producing SCV files).

162. As part of the quality assessment and on the basis of the shortcomings experienced, DGSs were requested to report on the expectation of future developments. For DGSs reporting shortcomings and reasons for such shortcomings, expectations for future developments varied considerably. The following points endeavour to categorise the most prevailing issues that have led to specific or more general expectations on improvements:

- Twenty-three DGSs from 20 Member States reported expectations for future reviews and exposed the need for improving data quality, which could be achieved by either fine-tuning the technical specifications including format and content or proposing a revision of SCV files in the national standards:
 - o Nine DGSs from nine Member States pointed out that improvements in relation to DGSs' IT systems were needed as a consequence of the results of the SCV files tests. The various answers ranged from the need to implement a new IT solution at the level of the DGS or substantial or minor improvements of the existing IT solution's functions to automated routines or other more technical issues.
 - o Seven DGSs from seven Member States saw merit in continuing to perform regular tests of SCV files incorporating, inter alia, automated data checks, planning on-site inspections and providing feedback to institutions on the results of the overall quality of the SCV files assessed and requiring institutions to take corrective action where required.
- Seven DGSs from seven Member States (of which six DGSs reported a score of 'A – Optimal' and one DGS did not provide a general score) did not formulate specific expectations in relation to future developments to be made, in relation to neither member institutions nor the DGS.

Qualitative assessment of arrangements for requesting and obtaining SCV files (i2)

163. With regard to the area measured by indicator i2, 'qualitative assessment of arrangements in place for requesting and obtaining SCV files (qualitative)', the reports submitted by DGSs exhibited the following scores:

- Twenty-two DGSs from 20 Member States reported a score of 'A – Optimal'.
- Seven DGSs from seven Member States reported a score of 'B – Fair'.
- Three DGSs from three Member States did not indicate a general score on the basis of the tests performed, but provided a literary judgement or multiple qualitative scores. One DGS clarified that the area was assessed in two SCV file tests, but the results were different (scores of A and B), because one test did not account for the speed of delivery of the SCV files. The reporting template did not require DGSs to report general scores if they performed multiple sets of SCV files tests; thus, the DGS reported the scores separately. As a solution, in the peer review report, this DGS is included in the group of DGSs that reported that the area presented weaknesses (the category combining reported scores B and C).

164. Based on the above results, 30 DGSs from 27 Member States reported that, on an aggregate level, the arrangements in place for requesting and transmitting SCV files to DGSs were considered at least adequate.

165. However, based on the explanations provided by the DGSs, some limitations to interpreting those results have been identified:

- For 12 DGSs from 12 Member States (10 DGSs scoring 'A – Optimal', one DGS scoring 'B – Fair' and two DGSs not providing a general score), it seems that the functioning of the arrangements in place for requesting and obtaining SCV files might not have been tested for the entire population of member banks.
- Four DGSs from four Member States (two DGSs scoring 'A – Optimal', one DGS scoring 'B – Fair' and one DGS not providing a general score) specifically explicated their experience gained in collecting SCV files, namely the right to request SCV files from member institutions enshrined in national law or regulations. However, those DGSs did not specifically mention how this right for requesting SCV files had been operationalised for the purposes of the test.
- Four DGSs from four Member States (three DGSs scoring 'A – Optimal' and one DGS scoring 'C – Poor') referred to the use of informal contacts with member institutions and ways to request SCV files from member institutions. Of those DGSs, one DGS explicitly mentioned that SCV files were requested over the phone and one DGS clarified that, besides official managerial communication lines, rather informal contacts with the specialists responsible for the SCV files testing were

used. Another DGS exposed that an email, with a formal request letter attached, and a phone call to the member bank's CEO was sufficient to request and receive SCV files from the member institutions.

- Of three DGSs from three Member States (scoring 'A – Optimal'), two DGSs made reference to the legal framework and regulations in place, including planned and unplanned checks of SCV files and the right to sanction and enforce compliance with regulations underlying the arrangements from member institutions.
- One DGS (scoring 'B – Fair') indicated that the arrangements in place were tested for all member institutions; among these 17 member institutions, on-site inspections were performed at three member institutions. Of the tests performed at the three institutions assessed, the organisational and technical arrangements for one institution were not sufficiently documented in written form.

166. On the basis of the information provided in the reports on the priority tests, two main subjects can be identified:

- (i) the confidentiality and security of SCV files as a relevant concern;
- (ii) communication channels.

167. Fifteen DGSs from 14 Member States highlighted the need to maintain confidentiality and security of SCV files as a relevant concern, most importantly when SCV files had to be transmitted electronically from the member institution to the DGS. These issues may be categorised as follows:

- A significant number of DGSs seemed to be concerned with data security and IT when requesting that member banks transmit SCV files electronically via secure file transfer mechanisms including ways to ensure data confidentiality and integrity by using data encryption, pseudonymisation or anonymisation of the depositor's personal data. Five DGSs from four Member States explicitly confirmed in their reports submitted to the EBA that pseudonymisation or anonymisation of depositor-related data had to be used by member banks prior to submitting SCV files. However, not all member banks had provided SCV files in a secure manner as prescribed by the DGS.
- Three DGSs from three Member States required the transmission of password-protected optical data storage media (CDs/DVDs) in accordance with applicable laws and regulations. These DGSs are considering the transition to more efficient electronic transmission channels. One DGS reported that it requested the submission of files electronically via the secure transmission channel of the central bank in order to obtain SCV files.

- Five DGSs from five Member States indicated that tests were performed on the basis of actual depositor data. Two DGSs, one of which reported on a real-life payout case, did not further specify how such data were protected for the purposes of requesting and obtaining the SCV files.

168. Three DGSs from three Member States provided further insight into the communication channels forming part of the arrangements in place and assessed for the purposes of the tests:

- Two DGSs from two Member States indicated that SCV files could be uploaded to a web portal or via internet-based communication channels.
- One DGS referred to having offered to member institutions different communication channels for transmitting SCV files without indicating which communication channels had actually been used.

Quantitative assessment of time to obtain transmission of SCV files (i3)

169. DGSs were asked to report on the area measured by indicator i3: ‘the time to obtain transmission of SCV files, from request to institution (quantitative)’. Based on the reports submitted by DGSs, answers can be divided into four main categories¹³:

- (i) minimum, maximum and average time to obtain transmission of SCV files;
- (ii) at least an average time;
- (iii) at least a minimum and/or a maximum time;
- (iv) no clear indication of transmission time.

170. The reports submitted by DGSs included the following results:

- Thirteen DGSs from 12 Member States provided an answer including minimum, maximum and average times from the request to the reception of SCV files. The minimum time of transmission ranged from 0.3 to 3 working days, the maximum time was between 0.5 and 44 working days and the average time was between 0.4 and 11 working days. Among the 13 DGSs mentioned, three DGSs provided additional explanations:
 - o One DGS stated that 5 working days was the deadline required by national law in its Member State.
 - o One DGS reported that, before 2019, credit institutions were informed 3 weeks prior to the test and the requested files were dated 2 working days

¹³ Due to the different interpretations of the questions related to indicators i3 and i4 by the respondent DGSs, it should be noted that possible common reading keys have been identified and calculations were made to convert the numbers reported into a harmonised format.

prior to the start of the test. The maximum was 15 working days, the minimum was 1 working day and the average was above 10 working days. From 2019 onwards, the maximum was only 2 working days.

- o One DGS also reported a qualitative scoring ('A – optimal') indicating that the quality had improved over time.
- Five DGSs from five Member States indicated at least an average time of transmission ranging between 0.5 and 6 working days. Among those DGSs:
 - o One DGS stated that, in accordance with its procedures, member institutions had to submit the SCV files in a maximum of 5 working days.
 - o One DGS also provided a qualitative score ('B – fair') and stated that the majority of SCV files (92.4%) had been received before the established deadline. Except for one member institution delivering the SCV file 1 working day after the deadline, all SCV files were received within the deadline set.
- Eleven DGSs from 10 Member States indicated at least a minimum (3 working days) and/or a maximum (range between 0.5 and 10 working days) time of transmission. Among those DGSs:
 - o One DGS explained that its procedure did not accept SCV files with missing or inaccurate data.
 - o Eight DGSs from 7 Member States also provided a qualitative score; among them, seven DGSs reported a score of 'A – optimal':
 - One DGS pointed out that the time to obtain the data was below the required 12 hours.
 - Another DGS explicated that both tests were realised within 5 working days, in line with the national legislation and the DSGSD.
 - One DGS stated that all authorised credit institutions had evidenced the capacity to produce SCV data files within 3 days from the request.
 - Another DGS pointed out that none of the SCV file transmissions took longer than 24 hours.
 - One DGS reported that all credit institutions provided their SCV files within the required time (within 24 hours). These outcomes were based on a second test of SCV files as a follow-up audit following a first test of SCV files in the previous year.

- One DGS did not provide further explanations.
- Three DGSs from three Member States did not indicate a time of transmission. Among them:
 - Two DGSs from two Member States indicated a qualitative score, of which one DGS (scoring 'B – fair') explained that, since 2014, the DGS had reduced the prior notice period. The other DGS (scoring 'A – optimal') reported that cases where an entity failed to transmit a file within the indicated time period were incidental (less than 1%).
 - Two DGSs from two Member States reported that the time to obtain transmission of SCV files was not subject of the test, for example because the test focused only on the quality of the SCV files.

171. The overall analysis of minimum, maximum and average time distributions (expressed in number of days) from the request to the reception of SCV files among all the DGSs is summarised in Table 13¹⁴.

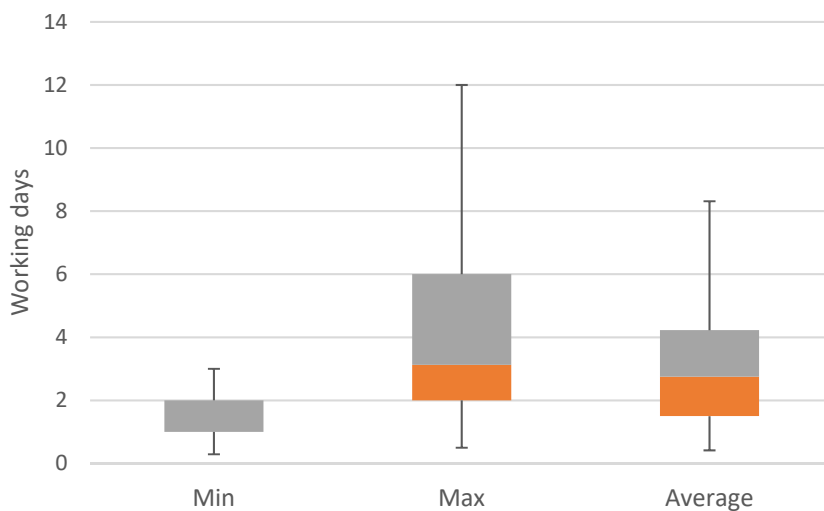
Table 13: Overview of the main statistics on transmission time of SCV files (number of working days) (i3)

Indicator	Minimum	Maximum	Average
Minimum	0.3	0.5	0.4
Maximum	3.0	44.0	11.0
Median	1.5	3.1	2.8
Average	1.6	6.2	3.5
Number of respondents	12	29	18

172. As mentioned above, a number of DGSs indicated only a minimum and/or a maximum time, while others also reported the average time of transmission. Based on the information provided, the minimum time was 0.3 working days and the maximum time was 44 working days. As for the analysis of the 'minimum' (14 DGSs) and 'average' (18 DGSs) distribution, the average and the median have essentially a similar value; on the other hand, the average and median 'maximum' (29 DGSs) distributions differ significantly, which is due to the presence of outliers on the right side of the distribution (e.g. the maximum time to obtain transmission is 44 working days, about seven times the average value). The main characteristics of the distributions are represented in Figure 4.

¹⁴ This is a standardised way of displaying the distribution of data, based on minimum, first quartile (Q1), second quartile (median, Q2), third quartile (Q3) and maximum data. Outliers are identified by means of the following formulas: $Q1 - 1.5 \times \text{interquartile range}$ ($Q3 - Q1$) for lower bound (not below the minimum) and $Q3 + 1.5 \times \text{interquartile range}$ for upper bound (not exceeding the maximum).

Figure 4: Boxplot of minimum, maximum and average time to obtain transmission of SCV files (i3)



173. The plot shows a greater symmetry for the distribution of the minimum times than for the maximum and average times, due to the different lengths of the whiskers¹⁵ and to the wide difference between the average and median, especially for the distribution of the maximum time of transmission; this distribution also shows a wider range relating to the third quartile (grey area), meaning a greater range of variation among these cases (25%) than among the 25% of cases within the second quartile (orange area). No outliers were detected among the ‘minimum’ time distribution, while only superior outliers were found in the ‘maximum’ and ‘average’ distributions¹⁶.

Assessment of share of substandard entries in SCV files (i4)

174. Finally, DGSs reported on the area measured by indicator i4 regarding SCV files tests, namely the ‘share of substandard entries (missing, inaccurate, or not containing the data necessary for treatment and payment) (quantitative)’. Based on the reports provided on the priority tests, the answers can be divided into three main categories:

- (i) at the single bank level;
- (ii) at an aggregate level, as a ‘virtual’ total bank;
- (iii) not a clear quantitative indication.

¹⁵ The lines extending vertically from the boxes are known as the ‘whiskers’, which are used to indicate variability outside the upper and lower quartiles.

¹⁶ Three outliers were identified in relation to the maximum time distribution (15, 20 and 44 working days (since the values are greater than $Q3 + 1.5 \times Q3 = 12$ working days)) and two outliers were found in relation to the average time (10 and 11 working days (since the value is greater than $Q3 + 1.5 \times Q3 = 8.3$ working days)).

175. The reports submitted by DGSs included the following results:

- Eighteen DGSs from 16 Member States provided an answer including a share of substandard entries referring to the individual member institutions (average, minimum and/or maximum). Within this subgroup of DGSs, the minimum value of substandard entries ranges between 0.00% and 1%, the maximum ranges between 0.10% and 100% and the average ranges between 0.00% and 34%. Specific considerations were reported by the following DGSs:
 - One DGS reported additional statistics splitting missing data between depositors with a national ID and foreign residents not identified in the DGS's Member State (plus account holders with no legal personality such as de facto associations) as a repayment for the two categories can be deferred.
 - One DGS reported that the share of substandard entries is zero, with the exception of only one case, which had been put under resolution in 2018.
 - One DGS made a distinction between banks and credit unions, providing separate statistics.
 - Four DGSs from three Member States also provided an additional qualitative score ('B – fair'). One of these DGSs reported that it relied on end-of-month reporting data for the purposes of the stress test while affirming that actual data would be used during a real-life payout case.

176. Nine DGSs from nine Member States provided an answer related to the overall value resulting from the aggregation of the data into a single virtual bank. The minimum value reported was 0.01%, the maximum value reported was 26.54% and the average value reported was 5.04%. Within this subgroup, three DGSs from three Member States also provided a qualitative score ('A – optimal' for one DGS and 'B – fair' for two DGSs):

- Five DGSs from five Member States did not indicate a share of substandard entries on the following grounds:
 - One DGS reported that the share of substandard entries was dependent on the size and the circumstance of the institute, namely if it was rather new or older.
 - One DGS indicated that when anomalies were detected (i.e. file structure, lack of information), these were promptly corrected by the member banks. Some quantitative information required for the analysis of this indicator was not included in the statistics.

- o One DGS reported that the IT system did not accept SCV files including missing or inaccurate data not adhering to the predefined schema.
- o Two DGSs from two Member States reported qualitative scores although one DGS (score 'D – poor') explained that the indicator had not been measured due to the transition to a new data delivery system. Another DGS (score 'A – optimal') indicated that the score related to the most recent test, as well as quality, had improved over time.

177. As previously mentioned, some DGSs reported data calculated at the single institution level (average, minimum and/or maximum); other DGSs provided an answer on the overall share related to the aggregation of data of individual member institutions into a single virtual bank. The main results related to the share of substandard entries are summarised in Table 14¹⁷.

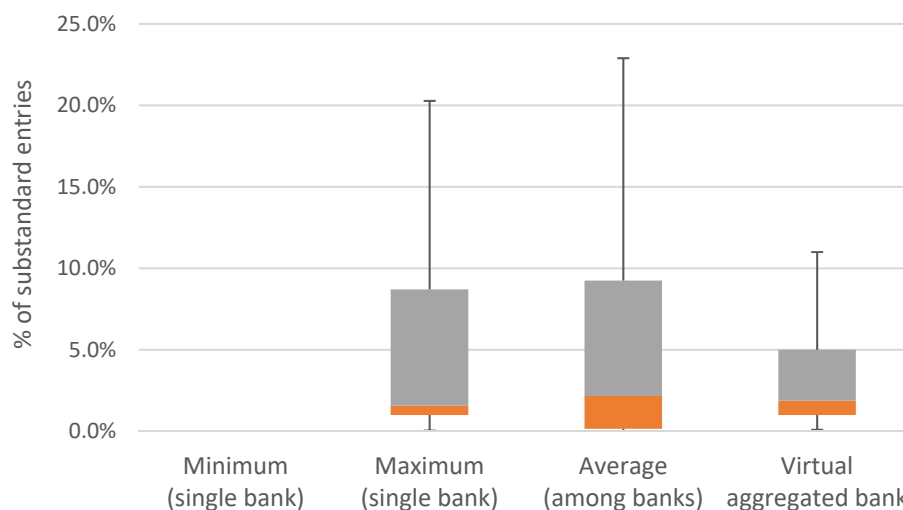
Table 14: Overview of the main statistics on share of substandard entries (i4)

Indicator	Minimum (single bank)	Maximum (single bank)	On average (among banks)	Virtual aggregated bank
Minimum	0.00%	0.04%	0.00%	0.10%
Maximum	1.00%	100.00%	34.00%	26.54%
Median	0.00%	1.57%	2.17%	1.88%
Average	0.15%	20.65%	8.32%	5.04%
Number of respondents	12	9	12	9

178. With reference to the analysis of the individual institutions, the minimum share of substandard entries ranged between 0.00% and 1.00% with an average value of 0.15%. The maximum share varied between 0.04% and 100% with an average value of 20.65%. The average substandard entries reported by each DGS (comparing associated member banks) ranged between a minimum of 0% and a maximum of 34%; on average (i.e. the average of the above-mentioned averages), the value for all the DGSs was equal to 8.32%. As for the aggregated data, inaccurate or missing data ranged between 0.10% and 26.54%, leading to an average share of substandard entries of 5.04%. The main characteristics of the distributions are represented in Figure 5.

¹⁷ The wide range of interpretations of the question related to indicator i4 is demonstrated by the fact that, even when the number of respondents to at least one of the four columns was 26 out of 32, the total number of items per single column was around one-third of the DGSs. For this reason, the distribution of the answers might not be fully representative of the actual state of play and (i) should be interpreted with some caution and (ii) require further clarifications and standardization.

Figure 5: Boxplot of minimum, maximum, average and aggregate share of substandard entries (i4)



179. The plot confirms that the minimum values (of around zero substandard entries) are similar for all the DGSs (75% of DGSs reported that the minimum share was less than or equal to 0.01%). On the other hand, the distribution of the maximum values of substandard entries shows a wide range in the third quartile and a significant upper whisker length. No inferior outliers were detected among all the distributions, while only superior outliers were found¹⁸.

Additional findings from SCV file tests carried out as part of the operational capability tests

180. In Section C of the reporting template, DGSs were asked to provide the results of SCV files tests carried out as part of a wider operational capability test. In the reports, DGSs were asked to describe the characteristics of the operational capability tests (intervention scenarios chosen, type of institutions, etc.) and the results for indicators i1, i2, i3 and i4, which should be read in conjunction with the same results included in Section B of the reporting template, namely on stand-alone SCV files tests.

181. Twenty-eight DGSs from 23 Member States reported having performed SCV files tests as part of the wider operational capability tests. Among them, one DGS tested SCV files only as part of the wider operational capability test. Four DGSs from four Member States reported that SCV files were not tested as part of operational capability tests, or left the reporting fields for indicators i1 to i4 empty, implying that they did not test SCV files as part of operational capability tests.

¹⁸ Three outliers were found in relation to the minimum distribution (0.02%, 0.82% and 1% (since the values are greater than $Q3 + 1.5 \times Q3 = 0.01\%$)); two outliers were found in relation to the maximum distribution (68% and 100% (since the values are greater than $Q3 + 1.5 \times Q3 = 20.28\%$)); two outliers were found in relation to the average distribution (31.20% and 34% (since the values are greater than $Q3 + 1.5 \times Q3 = 22.90\%$)); and, finally, a single outlier was found in relation to the aggregated distribution (26.54% (since the value is greater than $Q3 + 1.5 \times Q3 = 11.00\%$)).

182. The requirements of the Guidelines with respect to priority tests carried out by DGSs were differently interpreted by DGSs when it came to the design, intervention scenario and size of the member institutions involved. The analyses of the four indicators related to SCV files, tested as part of the wider operational capability tests (reported in Section C of the reporting template), revealed the following:

- Twenty-one DGSs from 17 Member States tested SCV files of one or more member institutions involving a simulation exercise or a specific scenario.
- Five DGSs from five Member States reported one or more real-life payout cases for the purposes of demonstrating operational capabilities of the DGS.
- Two DGSs from two Member States referred to real-life cases and simulation exercises.

183. The size and extent of the SCV files of the tested member institutions differed largely and, on an overall basis, did not allow conclusions to be drawn on whether the number of depositors reimbursed was sufficient to simulate a median stress for the DGSs concerned. More specifically, for the large majority of tests reported, no evidence was provided on whether the actual number of depositors or accounts tested matched ‘a credit institution with a number of depositors of no less than the second quartile of affiliated credit institutions’ as referred to in Section 8, paragraph 96(2) of the Guidelines.

184. Based on the results reported, the following conclusions may be inferred:

- No specific conclusions may be drawn as regards whether the size and extent of the SCV files test conducted as part of the operational capability test match the preceding criteria set by the Guidelines for 16 DGSs from 16 Member States.
- Results of the reports of nine DGSs from six Member States indicated that member institutions with a ‘large’ depositor base were assessed, out of which three DGSs from two Member States also performed the test for institutions with a ‘small’ depositor base¹⁹.
- The evidence provided by seven DGSs from seven Member States suggests that SCV files of ‘mid-sized’ or ‘medium’ institutions were assessed. One DGS indicated that, for the purpose of the complex test of operational and financial capabilities, the results of the last regular biannual SCV testing exercise of spring 2019 were used. The testing results of an existing bank with comparable size to the fictive bank were chosen.

¹⁹ The reported terms ‘small’, ‘medium’ and ‘large’, in terms of depositor base, where used, have been provided by each DGS without specifying the classification criteria adopted; for this reason, we can assume that the underlying categorisations may differ between the various DGSs.

185. With reference to indicator i1, DGSs also provided comments referring to the overall quality assessment resulting from the operational capability tests, the main shortcomings, the reasons for these shortcomings and the expectation of future developments. Overall, it seems that such SCV files tests yielded improved results compared with the stand-alone SCV files tests, reported under Section B of the reporting template. While a large number of DGSs provided a score for such an assessment if several tests had been performed, a number of DGSs did not provide a qualitative score for this item. The evidence of the scores retained for reporting purposes for each DGS may be summarised as follows:

- Fourteen DGSs from 12 Member States reported a score of 'A – optimal'.
- Twelve DGSs from 10 Member States reported a score of 'B – fair'.
- Two DGSs from two Member States reported a score of 'C – poor'. Both DGSs reported on the basis of real-life payout events. One of these DGSs indicated that the real-life payout event occurred when the DGSs were at the start of updating their payout system to implement the DGSD. The DGSs reported to the EBA that, in the meantime, several adjustments have been made (e.g. the legislation has been partly amended and improvements have been made in the DGSs' payout systems).
- One DGS did not indicate a general score on the basis of multiple tests performed.

186. As for indicator i2, DGSs were required to assess the quality of the arrangements in place for requesting and obtaining SCV files performed in the context of the operational capability test. Overall, it seems that such SCV files tests yielded improved results compared with the stand-alone SCV files tests reported under Section B of the reporting template. The results for the area assessed by indicator i2 may be summarised as follows:

- Twenty-two DGSs from 17 Member States reported a score of 'A – optimal'.
- Four DGSs from four Member States reported a score of 'B – fair'.
- One DGS reported a score of 'C – poor'.

187. Regarding indicator i3, 27 DGSs from 22 Member States provided a quantitative indication about the working days needed to obtain the SCV file during the operational capability tests. The distribution of answers may be summarised as follows:

- Fifteen DGSs from 14 Member States reported results derived from one test.
- Seven DGSs from five Member States reported results stemming from two tests.
- Five DGSs from four Member States reported results for three or more tests.
- Two DGSs from two Member States did not provide clear evidence in this respect.

188. The data provided are consistent with the minimum and maximum values set out in Section B of the reporting template on stand-alone SCV files tests.

189. Since the majority of DGSs provided results of operational capability tests conducted on the SCV file test of a single institution, in most of the cases the answers reported in Section C of the reporting template refer only to single values and not to a range (minimum, average, maximum), as shown in the previous analysis based on Section B of the template. To ensure comparability between reports and to introduce robust standardisation, the benchmark results of the tests within each DGS as regards the minimum number of days to obtain the SCV file (selected in the case of a test on multiple institutions or in the case of multiple tests) are reported in Figures 6 and 7.

Figure 6: Minimum number of days for requesting and obtaining SCV files in the context of the operational capability tests (i3)

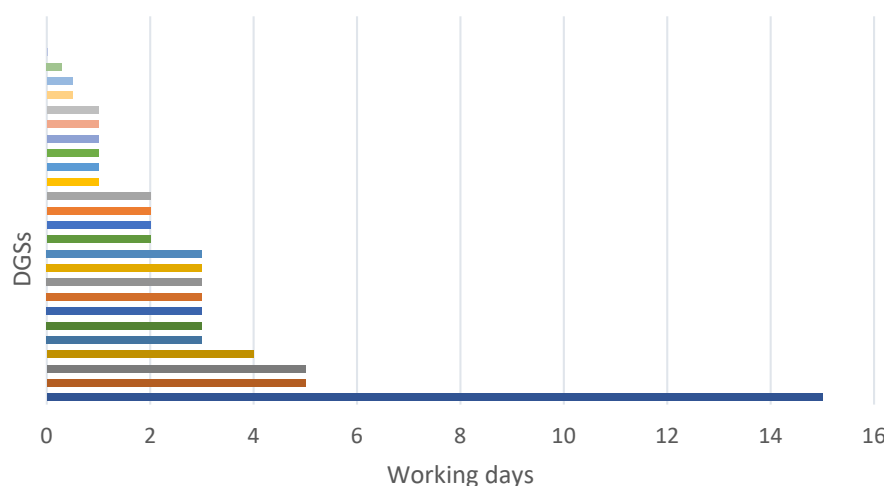
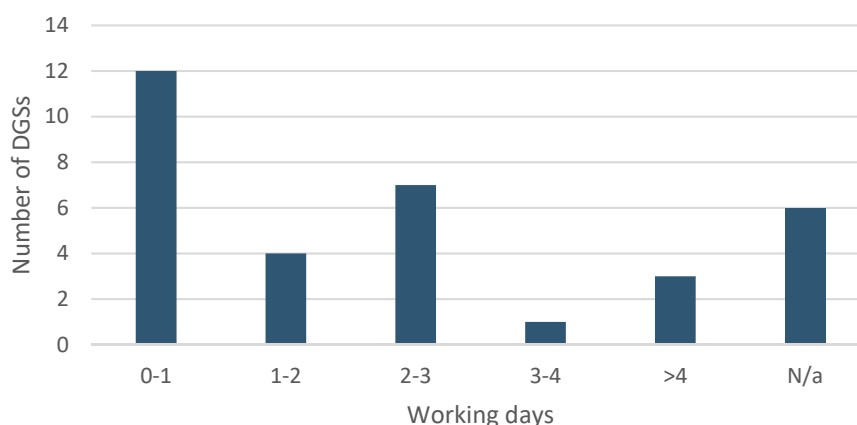


Figure 7: Number of working days for requesting and obtaining SCV files in the context of the operational capability tests by number of DGSs (i3)



191. Nine DGSs from eight Member States also provided a qualitative score for indicator i3, as follows:

- Six DGSs from five Member States reported a score of 'A – optimal'.
- Three DGSs from three Member States reported a score of 'B – fair'.

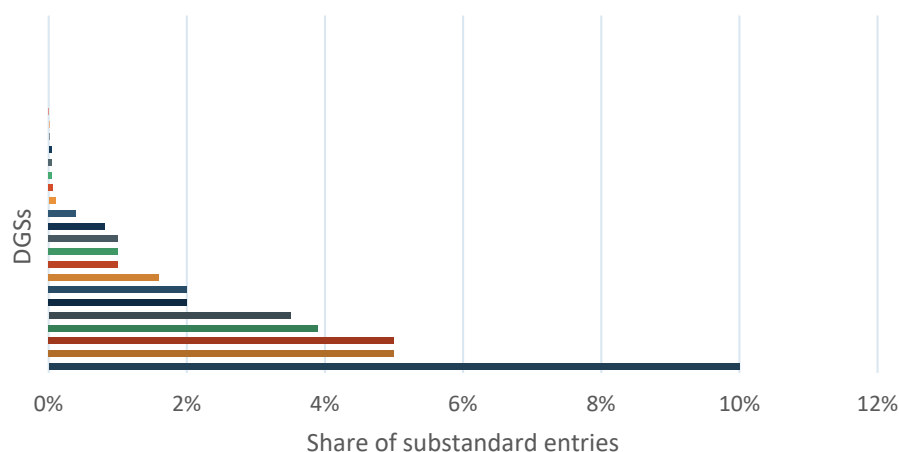
192. As for indicator i4, 28 DGSs from 23 Member States provided a quantitative indication of the share of substandard entries obtained during the operational capability tests. The overall number of tests assessed that provided a valid value was 42. The distribution of answers may be summarised as follows:

- Sixteen DGSs from 16 Member States reported results coming from one test.
- Ten DGSs from seven Member States reported results coming from two tests.
- Two DGSs from two Member States reported results coming from three or more tests.
- Four DGSs from four Member States did not provide clear evidence in this respect.

193. For all the DGSs, data related to indicator i4 reported in Section C of the reporting template are consistent with the minimum and maximum values set out in Section B of the template.

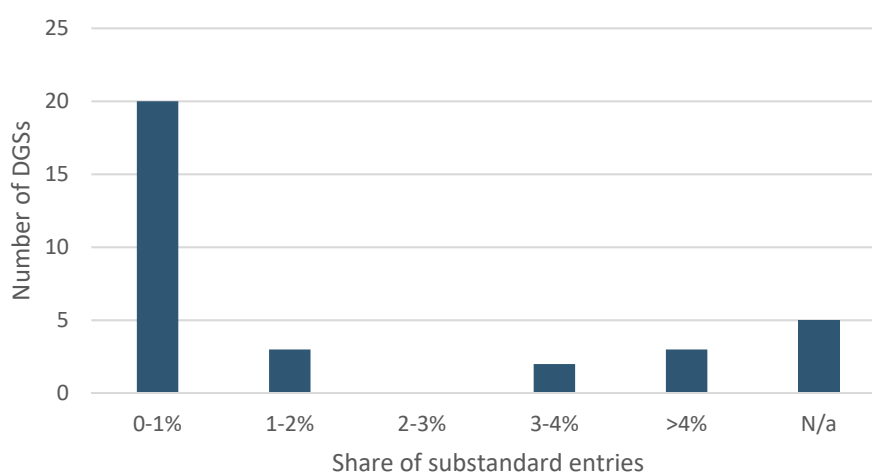
194. Following the same criteria adopted for indicator i3 (the selection of the best score within each DGS in the case of multiple tests), benchmarks are illustrated in Figures 8 and 9.

Figure 8: Share of substandard entries of SCV files tests performed in the context of the operational capability tests (i4)



195. Figure 8 shows that, in almost all cases, the share of substandard entries is not higher than 5%, while Figure 9 of the distribution reported shows that the majority of DGSs reported substandard entries lower than 1%.

Figure 9: Share of substandard entries of SCV files tests performed in the context of the operational capability tests by number of DGSs (i4)



196. Ten DGSs from nine Member States provided a qualitative score for indicator i4, as follows:

- Four DGSs from four Member States reported a score of 'A – optimal'.

Six DGSs from five Member States reported a score of 'B – fair'.

Operational capability tests

General assessment of operational capability tests performed

197. The reports on the priority tests that were submitted by DGSs to the EBA included 10 indicators related to the assessment of operational capabilities. This section discusses these indicators in five separate sections, in accordance with the subtopics listed in the reporting template.

198. Based on the reports, the following general observations can be made with regard to operational capability tests:

- Thirty-two DGSs from 27 Member States reported having performed, in total, 65 operational capability tests.
- Among them, 17 DGSs from 14 Member States reported on more than one operational capability test:
 - Six DGSs from five Member States reported having performed two tests.
 - Ten DGSs from 10 Member States reported having performed three tests.
 - One DGS reported having performed four tests.

199. Prior to reporting on the 10 indicators, the DGSs were asked to provide general information about the operational capability tests performed. More specifically, DGSs were asked to describe the main tests (intervention scenarios chosen, type of institutions, etc.) involving operational capability testing. The reports submitted showed that:

- With regard to intervention scenarios chosen, all DGSs reported having performed a repayment intervention test. However, five DGSs from four Member States, which reported having performed multiple tests, also tested contribution to resolution in addition to repayment interventions.
- Eight DGSs from eight Member States reported on a real-life payout event. Of these DGSs, one DGS reported that the real-life case did not result in a DGS payout, since the institution was able to reimburse depositors itself, and another DGS explained that the real-life case was the repayment of additional statutory interest to depositors of banks that had failed in the past.
- Two DGSs from two Member States reported having performed an operational capability test involving the failure of more than one institution at the same time.
- Two DGSs from two Member States reported having combined testing operational capabilities and cross-border cooperation capabilities in one test.

- Four DGSs from four Member States reported having combined testing operational capabilities and funding capabilities in one test.
- Sixteen DGSs from 15 Member States reported having simulated (part of) their payout procedures, for example:
 - Eleven DGSs from 11 Member States reported having performed an end-to-end operational capability test, simulating (almost) all phases of the payout process in one test, often with the aim of assessing the DGS's ability to repay depositors within the required number of working days. For example, the test started with the DGS being informed by the responsible authority about a forthcoming payout event, or by obtaining a (possibly fictional) SCV file from a (possibly fictional) credit institution. After simulating the necessary steps to prepare the payout, the end of the test was the repayment of (possibly fictional) depositors through the DGS's repayment method.
 - Five DGSs from five Member States reported simulating the request, receipt and analysis of an SCV file from real credit institutions.
 - Three DGSs from two Member States reported simulating communication procedures such as the set up of a call centre or the preparation of a press release.
 - Two DGSs from one Member State reported simulating printing, putting into envelopes and delivering customer information letters to test participants.
 - One DGS reported simulating repayment via the DGS's digital payout system, for example by reimbursing a number of test participants.
 - One DGS reported simulating the decision-making and coordination processes.
- Regarding the involvement of (third) parties:
 - Six DGSs from six Member States reported having involved parties in the conduct of the operational capability tests, such as the NCA, NRA, external service providers or external auditors.
 - Two DGSs from Two Member States also reported having involved colleagues or family members to act as fictional customers of a fictional bank.

- o Two DGSs from two Member States tested the operational capability indicators i5-i14 on the basis of real SCV file data, thus involving real member institutions, while others, namely four DGSs from four Member States reported having performed the operational capability tests on the basis of fictional SCV file data or characteristics of a fictional credit institution.

200. In addition, DGSs were asked to report on the 'overall assessment resulting from the tests, main shortcomings, reasons for these shortcomings, expectation of future developments'. The reports submitted showed that:

- Sixteen DGSs from 15 Member States reported a qualitative score for the overall assessment. If a DGS had performed more than one test, the reporting template asked for a general assessment:
 - o Eight DGSs from seven Member States reported a score of 'A – optimal'.
 - o Six DGSs from six Member States reported a score of 'B – fair'.
 - o Two DGSs from two Member States reported a score of 'C – poor'. One of these DGSs indicated that it reported a real-life payout event, which occurred when the DGSs were at the start of updating their payout system to implement the DGSD. The DGSs reported to the EBA that, in the meantime, several adjustments had been made (e.g. the legislation was partly amended and improvements were made in the DGS's payout system).
- Sixteen DGSs from 14 Member States performed one or more operational capability tests, but did not indicate a general quality score for all tests performed. Some of these DGSs reported an overall qualitative description of the outcomes of the tests and others (also) reported the following overall quality scores for individual tests:
 - o One DGS reported on three tests: twice a score of B and once a score of A.
 - o One DGS reported two tests and scored an A for each test.
 - o One DGS reported three tests but did not provide a general score for these tests.
 - o Two DGSs reported two tests: one scored an A and another scored a B.
 - o One DGS reported a literary statement to summarise the results of three operational capability tests performed: 'minor shortcomings which are unlikely to affect the ability of the DGS to perform its tasks'.

- A number of DGSs provided further information on the observations, shortcomings and possible future actions resulting from the tests:
 - Six DGSs from six Member States reported that improvements of the DGS's IT infrastructure and processes were ongoing at the time of reporting.
 - Six DGSs from three Member States reported that no significant shortcomings were identified and future developments could focus on further optimisation of the process in general.
 - One DGS reported that the main shortcomings identified were outdated IT software, outdated SCV files, imperfect processes and unclear legislation. This DGS reported a real-life payout event, which occurred when the DGS was at the start of updating its payout system to implement the DGSD. The DGS reported to the EBA that, in the meantime, several adjustments had been made (e.g. the legislation was partly amended and improvements were made in the DGS's payout system).
 - One DGS reported that the main shortcomings were inaccurate SCV files and slower processing of the payout software with files containing over 500 000 entries. Regarding SCV files, the DGS sent to the credit institution detailed information about the areas of the SCV data that needed to be improved; a second test with the same institution is planned at the end of 2020, with expectations that the data quality will be further improved.
 - One DGS reported delays in procedures due to manual work and very scarce resources. In order to address the problem, additional staff were recruited and new projects were initiated.
 - One DGS reported several areas for improvement, namely that there was a need to set up an agreement with the central bank on the timely sharing of information, to arrange sufficient PR budget reserves to be used without approval of the Board and to update Q&A templates and simplify press release templates.
 - One DGS explained that the success of a payout is mainly determined by four factors: (i) the timely receipt and quality of the credit institution's SCV file, (ii) the availability of funds, (iii) the documented processes for payout and (iv) the 7 working day deadline for commencing payment of compensation. During the exercise, all factors were satisfactorily covered. However, shortcomings were identified in relation to some general IT security issues, which were not specific to the payout process.
 - One DGS reported that existing staff proved to be adequate in a real-life scenario, but there is room for improvement on ensuring quick onboarding

of external providers in the event of a repayment scenario through the establishment of an ongoing relationship with key providers (already in progress at the time the results were reported).

- o One DGS reported that, although the main goals of the test were achieved, since compensations were successfully made available for depositors in less than 7 working days, there is still room for improvement in terms of more efficient processes in different areas of the payout. The shortcomings identified were technical problems in the chain of outsourced service providers, determining the time to open the web portal for depositors and a heavy workload for the communications team, confirming the need for adequate external communication parties. These shortcomings are being addressed by the DGS.
- o One DGS reported that not all depositors could have been reimbursed within 15 working days, as 14.95% of the clients received the compensation on the 16th working day, due to anonymisation of the payout files, which would not occur in a real compensation case.
- o One DGS reported having assessed the ability of its third-party provider to achieve a payout within 7 working days for two institutions simultaneously, which proved to be successful.
- o One DGS reported the need for further testing of call-centre capabilities and the need to pay attention to security-enabling processes for agent bank employees' access to payout software.
- o One DGS, which tested the contribution to resolution function of the DGS, identified the following shortcomings: the sequence of actions to be carried out and the sources of information needed for identifying the amount of resolution means were unclear, and there were inaccuracies in the national law. For a repayment scenario, it was revealed that the DGS did not have plans in place to ensure the continuity of actions in the case of disruption to operations of the DGS or a call centre.
- o One DGS reported that shortcomings were identified regarding the generation of letters and claim forms, the communication with the external service provider, the creation of payment batches and the export of xml files to the system. The DGS reported having performed a follow-up test 1 month later, which showed that these problems had largely been remedied.
- o One DGS reported having taken a few measures as a result of the tests, such as informing the credit institutions of the errors in the SCV files,

instructing IT departments to ensure automatic criteria for SCV review and revising a manual.

- o One DGS reported shortcomings regarding the set-up of the call centre, which will be addressed by adding contact persons and providing training to boost their knowledge.
- o One DGS reported positive results, but had the intention to (i) provide specific feedback to each of the institutions tested regarding the shortcomings of the SCV files sent by them, (ii) promote the revision of the regulation that defines the format and the content of the SCV files, (iii) organise workshops or clarification sessions with its member institutions regarding the construction of the SCV files, (iv) draft a manual of procedures on crisis coordination and (v) continue to enhance the quality of its system that was specifically designed to promote the reimbursement of depositors in an automatic way.
- o One DGS reported a number of shortcomings in the field of SCV files, as well as insufficiently harmonised communication strategies of the DGS and agent bank and insufficient staff in key areas. These will be addressed by the DGS by, among others, continuing controls of SCV files, tightening cooperation with the agent bank and acquiring new staff in specific areas.

Information on problems that are likely to give rise to the intervention of a DGS

a. Legal basis and background

201. Article 3(2) of the DGSD states that '[c]ompetent authorities, designated authorities, resolution authorities and relevant administrative authorities shall cooperate with each other and exercise their powers in accordance with this Directive.

The relevant administrative authority shall make the determination referred to in point (8)(a) of Article 2(1) as soon as possible and in any event no later than five working days after first becoming satisfied that a credit institution has failed to repay deposits which are due and payable.'

202. Article 4(10) of the DGSD requires that 'Member States shall ensure that DGSs perform stress tests of their systems and that the DGSs are informed as soon as possible in the event that the competent authorities detect problems in a credit institution that are likely to give rise to the intervention of a DGS.'
203. Paragraph 71 of the EBA Guidelines on DGS stress tests states that 'DGSs should assess the arrangements in place (legal or administrative provisions, memoranda of understanding, etcetera) for obtaining, as provided for in Article 4(10) of Directive 2014/49/EU, information on problems detected at a credit institution that are likely to give rise to the intervention of a DGS.'

In this regard they should assess whether these arrangements would allow sufficiently early information, for example where competent authorities exercise powers under Article 27 of Directive 2014/59/EU (early intervention) or Article 104 of Directive 2013/36/EU²⁰ (supervisory powers), or where competent or resolution authorities determine under Article 32 of Directive 2014/59/EU that an institution is failing or likely to fail.’

204. Paragraph 72 of the Guidelines states that ‘DGSs should use the following indicator: i5: Quality of the arrangements in place for obtaining information from competent or resolution authorities on problems detected at a credit institution which could give rise to DGS intervention, including whether they ensure receiving timely information on early deterioration of an institution’s financial situation (qualitative)’.

b. Methodology, data sources and their limitations

205. The reports on the priority tests that were submitted by DGSs to the EBA included one indicator related to information on problems that are likely to give rise to the intervention of a DGS, the assessment of which was part of the operational capability tests of the DGSs.

c. Main findings, good practices and issues identified

206. In the report on the priority tests, DGSs reported on the area measured by indicator i5, ‘quality of the arrangements in place for obtaining information from competent or resolution authorities on problems detected at a credit institution which could give rise to DGS intervention, including whether they ensure receiving timely information on early deterioration of an institution’s financial situation (qualitative)’. The reports submitted by DGSs showed that:

- Eighteen DGSs from 16 Member States reported a score of ‘A – optimal’.
- Nine DGSs from eight Member States reported a score of ‘B – fair’.
- One DGS reported a score of ‘C – poor’.
- Four DGSs from four Member States reported that they did not assess this area in the tests performed.

207. Of the 18 DGSs that reported that the area measured required no improvement (score ‘A – optimal’):

- Six DGSs from six Member States explained that, in their jurisdiction, the DGS is within the same organisation as, or is part of, the relevant administrative authority (depending on the jurisdiction, the competent authority and/or resolution authority). Of these DGSs:

²⁰ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L176, 27.6.2013, p.338).

- o One DGS reported having, as a DGS that also operates as the national resolution authority, an MoU and jointly developed process descriptions in place with the competent authority.
 - o Another DGS explained that, during a real-life case, a liquidation committee (which included DGS representatives) was formed within the organisation in the months prior to the DGS invocation.
- Two DGSs from two Member States explicated that there are MoUs in place between the DGS or DGSDA and the relevant administrative authority (depending on the jurisdiction, the competent authority or resolution authority).
- One DGS explicated that it has regular, formal communication with authorities (the competent or resolution authorities, or both) regarding credit institutions, including discussions regarding credit institutions that may be at risk of failure.
- Two DGSs from one Member State reported that they have an early warning system in place to achieve relevant information about financial instable credit institutions as soon as possible.
- One DGS reported that the DGSDA and the DGS both have access to information and data on the competent authority. The chairman of the DGSDA is also in charge of prudential supervision and is a member of the resolution board.

208. Of the 10 DGSs that reported that the area presented weaknesses (scores of 'B – fair' and 'C – poor'), some DGSs provided the following explanations:

- Two DGSs from one Member State reported that there is a well-established practice of information exchange with competent or resolution authorities, but there are currently no formally agreements (e.g. MoUs).
- One DGS reported that, in a real-life case, the DGS was informed 3 working days before the official failure notification was published, which was too little time to react accordingly considering the absence of prior stress tests (erroneous records and computations in the SCV file), inexperienced staff at the time and crashing IT software that was never used in a live case. Even though there was not an MoU in place, the deadline was still respected.
- One DGS reported that, although there was an agreement on the exchange of information and cooperation between the DGS and the resolution authority in place, no joint work or test had been performed or planned.
- One DGS reported that the competent authority, the national resolution authority and the DGS had fluent communication channels, with constant communication in the event of an intervention situation: the competent authority monitors, on an

ongoing basis, financial institutions and communicates early deterioration of credit institutions to the resolution authority, providing close monitoring from a resolution perspective. The DGS's chairman is the deputy governor of the competent authority. The DGS receives aggregated financial information every quarter from all affiliated credit institutions to establish, in conjunction with the competent authority, their *ex ante* contribution based on their risk profile. However, there is room for improvement through the development of internal procedures by the DGS (which is under development as part of the reporting of the stress test results).

- One DGS reported that the results of the testing exercise have shown that even without receiving preliminary information on problems detected at a credit institution, all the necessary payout preparation processes were performed in a way that allowed the 7 working day deadline to be met (the fictive institution tested was a mid-sized bank). However, in the case of a real payout event or chain of payout events of larger extent, receiving the timely warning from the competent authority could trigger the internal pre-payout preparation works (including securing the accessibility of critical decision-makers), helping to secure compliance with the 7 working day deadline. This issue has its own legal reflection; however, up to now the necessary written agreement has not been concluded. For that reason, the negotiation with the central bank aiming to solve this issue will be resumed.

Staff and other operational resources

a. Legal basis and background

209. Article 8(1) of the DGSD states that 'DGSs shall ensure that the repayable amount is available within seven working days of the date on which a relevant administrative authority makes a determination as referred to in point (8)(a) of Article 2(1) or a judicial authority makes a ruling as referred to in point (8)(b) of Article 2(1).'

210. Paragraph 73 of the EBA Guidelines on DGS stress tests states that 'DGSs should test, under the scenarios described in section 6, whether they would have at their disposal the necessary resources to cope with the sudden increase of activity caused by an intervention, in terms of budget, staff, office space, IT equipment, call centres, etc., including by reallocating existing permanent resources or entering into temporary outsourcing arrangements.'

211. Paragraph 74 of the Guidelines requires that '[a] conclusive assessment in this regard should not exclusively rely on a hypothetical budget increase but should at least in part reflect consistency mechanisms arranged for in good times (e.g. some provisioning for employing staff on a temporary basis).'

212. Paragraph 75 of the Guidelines requires that 'DGSs should use the following indicators:

i6: Adequacy of existing staff, budget and other resource that would be available in a real-life scenario (quantitative and qualitative)

i7: Adequacy of extra staff, budget and other resources that would be available at short notice when needed (quantitative and qualitative)’.

b. Methodology, data sources and their limitations

213. The reports on the priority tests that were submitted by DGSs to the EBA included two indicators related to staff and other operational resources.

214. Most DGSs reported having performed one test to assess these indicators. However, 10 DGSs from eight Member States reported having performed multiple tests to assess the respective indicators (two or three tests). Four DGSs from four Member States reported having performed a test on the basis of a real-life case.

c. Main findings, good practices and issues identified

215. In the report on the priority tests, DGS reported on the area measured by indicator i6, ‘adequacy of existing staff, budget and other resources that would be available in a real-life scenario (quantitative and qualitative)’. The reports submitted by DGSs showed that:

- Twenty-one DGSs from 18 Member States reported a score of ‘A – optimal’.
- Nine DGSs from nine Member States reported a score of ‘B – fair’.
- Two DGSs from two Member States reported a score of ‘C – poor’.
- One DGS did not report a qualitative score in the initial report submitted to the EBA by 3 July 2019, but provided a score later, which has been included above.

216. Of the 21 DGSs that reported that the area measured required no improvement (score ‘A – optimal’), the following explanations are highlighted:

- Regarding all three elements:
 - o One DGS explained that after the institution is placed in resolution, the DGS gains immediate access to the institution’s existing staff, budget and other resources.
 - o One DGS reported that a real-life payout to the depositors of the third largest bank in the Member State in question in 2018 showed that the DGS had sufficient resources.
 - o One DGS explained that staff and other resources are provided by the central bank that ensures the payment of the costs.

- Regarding the staff:
 - o Eleven DGSs from 11 Member States explained that existing staff proved to be able to deal with the payout cases tested. One DGS reported that enhancements could still be made, for example by improving the user-friendliness of manuals.
 - o One DGS explained that existing personal and resources were adequate for the goal of checking the completeness and accuracy of the SCV file and taking the other operational requirements into account, thus ensuring compliance with the repayment period of 7 days for those depositors unequivocally eligible for reimbursement (thus not taking into account special cases). Only some of the personnel were engaged in the test.
 - o One DGS reported optimal results regarding the communication between the DGS and the external service provider, the process of creating and sending letters to depositors, and collecting payment data for the electronic transaction.
 - o One DGS explained that practical experience suggests that the number of existing staff, deployed for 11 real-life reimbursement cases, was sufficient.
- Regarding the budget:
 - o One DGS reported that no major issues were identified, except for the insufficient PR budget, in case publicity in daily press is needed.
 - o One DGS explained that the law provides that additional expenses due to the payout shall be covered by the failed bank or will constitute a claim towards the liquidator.

217. Of the 11 DGSs that reported that the area presented weaknesses (scores of 'B – fair' and 'C – poor') and that improvements were needed, the following explanations are highlighted:

- Two DGSs from two Member States, which both reported on real-life cases, reported that the available staff were new and inexperienced, which led to suboptimal results.
- One DGS reported that the compensation handbook offered optimal guidance on the procedures, but could be improved regarding the definition of roles and responsibilities, as well as related information flows.

- One DGS reported that the adequacy of the existing staff is dependent on the size of the failed institution. In addition, in past payouts, the number of staff proved to be sufficient to meet depositors' needs.
- One DGS reported that due to a large number of manual suspensions in the payout system (as a result of poor data quality), the existing staff were not sufficient and 10 additional data recorders would have had to be hired. As a result, the system will need to be developed.
- One DGS reported quantitative results regarding staff, the call centre, mailing, the IT system and the budget.
- One DGS reported several ongoing improvements, such as looking for providers for bulk emails and printing. Decisions for such options would be made on the basis of the size of the payout.
- One DGS reported that it may face difficulties due to insufficient staff in an intervention scenario. Mainly in the communication and IT functions, back-up staff would be necessary. The solutions consist of hiring staff (IT function) and staffing/implementing temporary employment arrangements for the communication function.
- One DGS reported that additional resources were needed.
- One DGS reported a score of 'B – fair', explaining that an additional resource would soon be added to the existing staff, which would be considered 'adequate' in the case of need.

218. In the report on the priority tests, DGS reported on the area measured by indicator i7, 'adequacy of extra staff, budget and other resources that would be available at short notice when needed (quantitative and qualitative)'. The reports submitted by DGSs showed that:

- Sixteen DGSs from 14 Member States reported a score of 'A – optimal'. Of these DGSs, one DGS did not test the adequacy of extra staff, budget and other resources.
- Twelve DGSs from 12 Member States reported a score of 'B – fair'. Among them, one DGS reported its envisaged score, since the area was not tested, and another DGS also did not test the adequacy of extra staff.
- One DGS reported a score of 'C – poor'.
- Two DGSs from two Member States reported that this indicator was 'not applicable' for the area or did not provide any information at all. One of these DGSs explained that the area was not tested because no pre-arrangements were planned for extra staff.

- One DGS reported that the area was not included in the test performed.
- One DGS did not provide a qualitative score in the initial report submitted to the EBA by 3 July 2019, but provided a score later, which has been included above.

219. Of the 16 DGSs that reported that the area measured required no improvement (score 'A – optimal'), the following explanations are highlighted:

- Two DGSs from two Member States reported that no additional capacities or personnel were necessary for the test.
- One DGS reported that existing staff and resources had proven to be sufficient during real-life payout cases, so no extra staff and resources were needed.
- One DGS reported that additional staff could be retained at very short notice when needed.
- One DGS reported, based on a real-life event, that the DGS's outsourced providers were not informed in advance of the upcoming compensation event, but successfully handled incoming calls and cheque-printing requirements.
- One DGS reported sufficient resources for a real-life compensation case, but also reported that, if compensation for a second failing institution needed to be started at the same time, the DGS might not have sufficient employees to perform the payout. In this case, additional human resources would be needed from other departments, which has been confirmed by the management.
- Regarding staff:
 - o One DGS reported that, for a real-life resolution event, eight extra full-time equivalents (FTEs) were involved in the resolution procedure, in addition to four FTEs of existing staff who were involved in the procedure of determining the amount of resolution funding means.
 - o One DGS reported that it has an agreement with an external call-centre provider that can also provide human resources for executing the payout process and specifically dealing with complex cases. However, the onboarding process of the staff members could be more efficient. In addition, as a result of the test, the DGS department is creating a pool of extra staff within other departments of the central bank, to be called upon quickly.
 - o One DGS explained that additional staff can be provided by the central bank, within a maximum of 2 days from the date of the request.

o Another DGS reported that a maximum of 30 additional staff can be provided by the NCA, of which the DGS is part.

220. Of the 13 DGSs that reported that the area presented weaknesses (scores of 'B – fair' and 'C – poor') and that improvements were needed, the following explanations are highlighted:

- Three DGSs from three Member States reported potential issues with the training of the extra staff. One DGS reported that, in a real-life payout event, extra staff had to be trained in a very short time, which led to quality issues. One DGS reported that the skill profiles and number of extra staff, as well as the training and required steering, must be clarified prior to the payout event. Another DGS also underlined the importance of the training of extra staff.
- One DGS reported that no pre-arrangements were planned for extra staff. During the test, market research for secretariat staff was performed and offers were submitted and examined.
- One DGS explained that it may rely on external resources for repayment scenarios, if deemed necessary, such as lawyers, auditors, mailing providers or call-centre servicers if internal resources are not sufficient due to entity size. More specifically, the DGS explained that:
 - o In the latest simulation, for the event of a 300 000 depositor entity repayment, the DGS's capabilities for decision-making and the provider's onboarding process were tested, including simulated contact with key stakeholders in the market for mailing, call-centre and auditor services.
 - o The DGS has a predefined list, to be reviewed at least annually, of selected external providers to ensure imminent onboarding in the event of a repayment scenario. As part of the procurement framework, in order to reduce provider onboarding timings, the DGS aims to establish a closer relationship, with regular updates, with selected providers. This framework was under development in the internal DGS intervention manual at the time of reporting of the stress tests results.
 - o In addition, the DGS has an agreement with a payment servicer in order to provide their services on account verification and bank transfer execution.
- One DGS reported that, in a real-life payout event, colleagues from the resolution department assisted the DGS department in completing the payout.

Communication with depositors and the wider public

a. Legal basis and background

221. Paragraph 76 of the Guidelines states that ‘DGSs should make an assessment of the communication processes that would be applied on the occurrence of a repayment scenario, reviewing the communication strategy and resources.’

222. Paragraph 77 of the Guidelines states that ‘DGSs should use the following indicators: i8: Time to set up call centres and ad hoc websites or webpages (quantitative). i9: Capacity of websites or call centres in terms of number of connections or calls (quantitative)’.

b. Methodology, data sources and their limitations

223. The reports on the priority tests that were submitted by DGSs to the EBA included two indicators related to communication with depositors and the wider public, the assessment of which was part of the operational capability tests of the DGSs.

c. Main findings, good practices and issues identified

224. In the report on the priority tests, DGSs reported on the area measured by indicator i8, ‘time to set up call centres and ad hoc websites or web pages (quantitative)’. The reports submitted by DGSs showed that:

- Thirty-one DGSs from 26 Member States reported having performed a test assessing indicator i8. Of these DGSs:
 - Twenty-four DGSs from 20 Member States provided quantitative outcomes of the tests (see Table 15).
 - Seventeen DGSs from 15 Member States provided a qualitative score (often in addition to a quantitative outcome), although this was not requested in the reporting template:
 - Thirteen DGSs from 10 Member States reported a score of ‘A – optimal’.
 - Two DGSs from two Member States reported a score of ‘B – fair’.
 - One DGS reported a score of ‘C – poor’, since the operations would be jeopardised due to a 2-day delay for a large-scale call centre.
 - Two DGSs from two Member States reported literary descriptions about their communication capacities, but did not provide a quantitative result or a qualitative score.

225. Based on the information provided by DGSs on indicator i8 in the reports to the EBA, it can be observed that various tests have been performed, with different approaches and perimeters, including technical tests, procedures tests, scalability estimates and tests, ‘close to reality’ simulations and real-life cases. Fourteen DGSs from 14 Member States reported having executed more than one test to assess indicator i8. Table 15 provides an overview of the tests performed.

Table 15: Overview of the tests performed to assess the time to set up call centres and ad hoc websites or web pages (i8)

	Number of DGSs that reported having performed the test (including real-life cases)	Number of DGSs that reported on the basis of real-life cases	Number of DGSs that reported having not (yet) performed the test
Call centre	29 DGSs from 24 Member States	6 DGSs from 6 Member States	3 DGSs from 3 Member States
Website/web page	29 DGSs from 25 Member States	6 DGSs from 6 Member States	3 DGSs from 3 Member States

226. Table 16 provides an overview of the amount of time reported by DGSs to set up call centres and ad hoc websites or web pages. The results reported by DGSs for indicator i8 showed that almost all DGSs were able to update their website or create a web page within 1 day, whereas setting up a call centre within 1 day proved to more challenging.

Table 16: Summary of reported time to set up call centres and ad hoc websites or web pages (i8)

	≤1 day (within 24 hours)	>1 day (more than 24 hours)
Call centre activation	13 DGSs from 11 Member States	10 DGSs from 10 Member States
Ad hoc website/web page update	22 DGSs from 18 Member States	2 DGSs from 2 Member States (2 days and 10 days)

227. The 10 DGSs that reported taking more than 1 day to activate the call centre reported the following (maximum) time frames needed to set up a call centre:

- within 2 days: three DGSs from three Member States;
- within 3 days: five DGSs from five Member States;
- within 5 days: one DGS;
- one DGS reported that, at the time of reporting, agreements with an external call-centre provider were being finalised, with the aim to supply services on a 24-hour basis.

228. From the answers provided on the time for opening a call centre, it can be inferred that DGSs have adopted various approaches and processes, such as internal solutions, the assignment of external providers and using the call centre from the central bank or from the agent bank supporting the payout.

229. Moreover, the perimeters and depth for testing a call-centre system vary in terms of reviewing the procedures, or testing the actual production, regarding timing from the trigger (early hours or first day of a payout) to the end of the payout, and in terms of scale from small to large.

230. In addition, with regard to setting up or updating an ad hoc website or web page, the reports showed a wide variety of systems and processes chosen by each DGS, ranging, for example, from internally handled websites to websites handled with external resources.

231. The second indicator that DGSs reported on when assessing the capabilities in terms of communication with depositors and the wider public was 'i9: capacity of websites or call centres in terms of number of connections or calls (quantitative)'. The reports submitted by DGSs showed that a number of DGSs also provided a qualitative score for this quantitative indicator, although this was not required in the reporting template:

- Eleven DGSs from nine Member States reported a score of 'A – optimal'.
- Three DGSs from three Member States reported a score of 'B – fair'.
- Fifteen DGSs from thirteen Member States provided quantitative results without any qualitative scores.
- Three DGSs from three Member States did not test the area measured by the indicator.

232. DGSs used different quantitative criteria to assess the capacity of call centres in their reports:

- criteria regarding the size of the call-centre system in place, namely the number of employees dedicated, the number of call-centre operators, the number of FTEs and

the number of lines, considering the time period (per day, per week) until the end of the payout;

- criteria about the production capacity observed or estimated, namely the number of calls treated, the number of FTEs considering the average duration of calls and the hours of opening, including a multi-criteria calculation.

233. DGSs also used a variety of criteria to assess the capacity of websites in their reports:

- criteria about the hosting capacity of the website (observed or estimated), for example the number of simultaneous connections absorbed;
- measurements of the traffic observed or estimated, for example the number of connections, visitors per day, users per minute, pages viewed per minute and connections on the payout portal per hour.

234. Furthermore, one DGS reported not only the capacity of the website, which aims to provide general information to the public about the DGS payout, but also the capacity of the online payout portal (connections per hour), a website which is used to communicate with depositors individually in order to execute the electronic payment transaction.

Payment means

a. Legal basis and background

235. Article 8(1) of the DGSD requires that 'DGSs shall ensure that the repayable amount is available within seven working days of the date on which a relevant administrative authority makes a determination as referred to in point (8)(a) of Article 2(1) or a judicial authority makes a ruling as referred to in point (8)(b) of Article 2(1).'

236. Article 8(6) of the DGSD states that '[t]he repayable amount shall be made available without a request to a DGS being necessary. For that purpose, the credit institution shall transmit the necessary information on deposits and depositors as soon as requested by the DGS.'

237. Paragraph 78 of the Guidelines states that 'DGSs should test their ability to proceed with payments to depositors, i.e. to effectively transfer the repayment amounts to depositors.'

238. Paragraph 79 of the Guidelines states that, to that effect, DGSs should assess the quality of existing processes for collecting payment details, the payment instruments available (e.g. bank transfers, cheques, prepaid cards) and, where applicable, their capacity to pay in foreign currencies.

239. Paragraph 80 of the Guidelines requires that, once DGSs have reviewed the various processes and instruments available, they should verify their capacity to apply them swiftly in stress situations involving a high number of payments.

240. Paragraph 81 of the Guidelines states that ‘DGSs should use the following indicators: i10: Review of payment instruments available for payout scenarios (qualitative), and i11: Adequacy when applied to a high number of payments, as defined in the scenarios (qualitative)’.

b. Methodology, data sources and their limitations

241. The reports on the priority tests that were submitted by DGSs to the EBA included two indicators related to payment means, the assessment of which was part of the operational capability tests of the DGSs.

c. Main findings, good practices and issues identified

242. The assessment of payment means was generally part of the operational capability tests of the DGSs, which were conducted by all DGSs. The reports submitted demonstrate that the tests performed by DGSs varied in terms of design and execution:

- Eighteen DGSs from 15 Member States assessed the payment means on the basis of data from real member institutions.
- Eight DGSs from six Member States conducted one or more simulations to assess the relevant indicators.
- Five DGSs from five Member States used data from real depositor compensation cases.
- Six DGSs from six Member States provided details from simulations and from real cases.
- One DGS used anonymised data that did not correspond to the data obtained in the SCV file during the operational capability tests in order to restrict the use of personal data to what was deemed strictly necessary.

243. With regard to indicator i11, the scalability of the payment instrument(s) used by the DGSs was, in a few cases, not empirically observed – within the framework of neither a payout simulation nor a real payout case – but was assessed based on the general characteristics of the chosen payout method. Several DGSs also referred to workload tests carried out by the providers of the systems.

244. A further observation is that the DGSs’ assessments of the payout method varied in scope. Some DGSs concentrated on the instrument with which the payout was effected (e.g. Single Euro Payments Area (SEPA) electronic transfer), while others included the precursory steps of collection of alternative depositor account information, agent bank selection, etc.

245. In the report on the priority tests, DGSs reported on the area measured by indicator i10, the ‘review of payment instruments available for payout scenarios (qualitative)’. The reports submitted by DGSs showed that:

- Twenty-one DGSs from 18 Member States reported a score of ‘A – optimal’.
- Nine DGSs from nine Member States reported a score of ‘B – fair’.
- One DGS reported that they did not assess this area in the tests performed, because payment instruments were not used in the tested intervention scenarios.
- One DGS did not report a result on indicator i10, but indicated which payout method the DGS used.

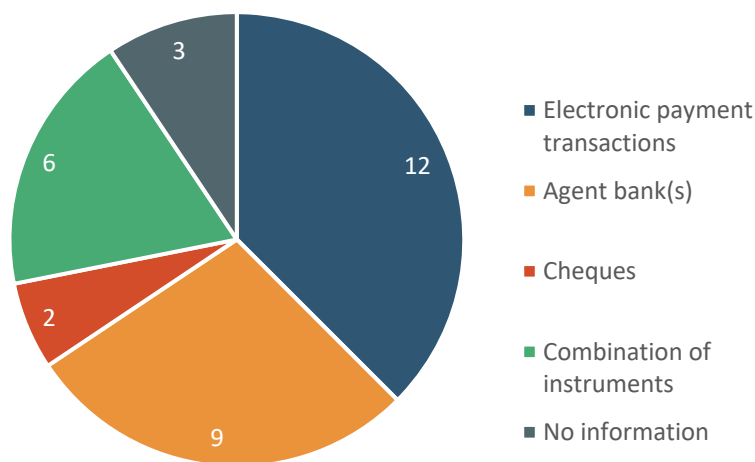
246. The priority reports provided by the DGSs contained the following information with respect to the payment instruments in use, summarized in Figure 10²¹:

- Twelve DGSs from nine Member States stated that payment is effected via electronic payment transactions (partly) through digital platforms.
- Eleven DGSs from 10 Member States stated that one or more agent banks are contracted to conduct a payout. Of these DGSs:
 - Nine DGSs from eight Member States explained that the agent bank(s) offered different payout means (e.g. cash and electronic transfer and/or cheques and/or bank draft).
- Two DGSs from two Member States stated that cheques are used to perform payouts.
- Four DGSs from four Member States stated that a combination of instruments is used to effect payouts. All four DGSs used a combination of electronic payment transactions and cheques. Of these DGSs:
 - One DGS stated that the main payment instrument was electronic payment transaction via a web portal (approximately 80% of depositors) and that the remaining depositors received postal cheques.

²¹ The report annexed to the EBA Opinion on DGS payouts (EBA-Op-2019-14) provides an overview of payment instruments available to DGSs (in paragraph 168) and explains in a footnote the different types of payment instruments used by DGSs: ‘Payout via bank transfer (or “electronic payment transaction”) using digital platforms generally implies that repayments are made via an internet-based solution and subsequently achieved through an electronic payment transaction. Payout via an agent bank can be performed via multiple approaches, such as payout in cash, transfer or opening a new bank account at the agent bank. Finally, a cheque or other financial instrument is often sent via post to the depositor, which can be cashed by a depositor or legal representative of the depositor at another bank. This explanation was based on the non-binding guidance paper of the European Forum of Deposit Insurers (EFDI) on “Pay-out in 7 working days” (<https://www.efdi.eu/efdi-eu-committee-non-binding-guidance-paper-pay-out-7-working-days>).’

- o Similarly, another DGS stated that the main payment instrument was electronic payment transaction via a web portal. For depositors that did not have an alternative bank account, the use of cheques was occasionally considered.
- Six DGSs from six Member States reported using a web-based platform to assist in the payout process via electronic payment transfer (e.g. for identity verification, collection of alternative account details and other necessary information from depositors):
 - o Two DGSs from two Member States stated that the capacity of the portals was around 40 000 and 50 000 depositors per hour, respectively, in one case with the option to upscale within the hour, if necessary.

Figure 10: Summary of payment instruments used by DGSs (i10)



Number of DGSs

247. The DGSs that reported that the area presented weaknesses provided the following explanations, categorised by type of payment instrument:

Payout by means of agent bank(s):

- One DGS remarked that, while the users appreciate the software made available to agent banks, attention should be paid to the security-enabling processes for access of agent bank employees to payout software.

- One DGS reported that the selection criteria for the agent bank concerning the eligibility criteria and obligations for the agent bank were not sufficiently clear.
- One DGS explained that a customer needs to provide an application with instructions for the desired form of payout, which may prolong the payment period if the customer does not provide the necessary information.

Payout by means of electronic bank transfer:

- Two DGSs from two Member States explained that existing web portals for depositors to communicate a new bank account number (IBAN) and verify their identity had some restrictions with respect to accessibility:
 - One DGS explained that the portal provided efficient access for natural and legal persons registered in the jurisdiction of the DGS by using different methods of identification, as well as for non-residents not registered in the jurisdiction of the DGS from electronic identification, authentication and trust services (eIDAS) countries that could access the portal by connecting with eIDAS. However, for non-residents from non-eIDAS countries and for depositors without legal personality, such as ad hoc associations, other, more time-consuming, processes were necessary.
 - One DGS explained that access to the web portal is possible by using the digital ID commonly used in the jurisdiction of the DGS. Residents and non-residents not in possession of the digital ID cannot, however, access the portal and so the verification of identity and the submission of alternative account information have to be done via a paper form, which is more time consuming.

248. In the report on the priority tests, DGSs reported on the area measured by indicator i11, 'adequacy when applied to a high number of payments, as defined in the scenarios (qualitative)'. The reports submitted by DGSs showed that:

- Twenty-four DGSs from 20 Member States reported a score of 'A – optimal'.
- Seven DGSs from seven Member States reported a score of 'B – fair'.
- One DGS reported that it did not assess this area in the tests performed or did not report a result.

249. With respect to the adequacy of payment instruments when applied to a high number of payments (i11), the DGSs provided the following figures, categorised by type of payment instrument:

Payout by means of agent bank(s):

- One DGS reported that in a large actual payout, eight agent banks were used to serve 112 000 depositors without significant difficulties.
- One DGS reported that the agent bank's network of 500 branches throughout the country was suitable to serve the scenario of the stress test with 90 000 depositors.

Payout by means of electronic bank transfer:

- One DGS stated that 100 000 SEPA transfers per minute could be effected.
- One DGS reported that there was no capacity limit to electronic payments.
- One DGS stated that its electronic transfer infrastructure was equipped to process 100 000 payments within one batch, and multiple batches can be sent on 1 day.
- One DGS reported that the web-based reimbursement system supports over 100 000 reimbursement claims, which may result in 100 000 or more SEPA electronic transfers.

Payout by means of cheques:

- One DGS explained that the method of payout via cheque would be able to accommodate scenarios of up to 2 million depositors.
- One DGS stated that the method of bank cheque payment allowed up to 120 000 depositors to be compensated per day.
- One DGS stated that, in the case of a high number of payments, the existing system was designed to release payments by batch once they were approved. During the test, this process took around 15 minutes for five batches. All payments were issued via an electronic cheque. Furthermore, whenever compensation is done via cheque, this can be sent either by mail or by email to the depositors.

250. The DGSs that reported that the area measured by indicator i11, 'adequacy of payment instruments when applied to a high number of payments' presented weaknesses provided the following explanations:

- Two DGSs from two Member States experienced weaknesses in the payout software used for large scenarios.
- One DGS stated that improvements were required regarding reconciliation processes and tools.
- One DGS pointed out that, in cases with high numbers of payments, it is very important to mobilise additional resources by the agent bank to enable timely payout.

- One DGS remarked that a large number of payouts could be delayed if depositors wish to withdraw cash, as the agent banks have their own regulations for maximum daily cash withdrawals. Depositors wishing to withdraw higher amounts must notify the bank of their intention in advance.

251. A number of DGSs reported ongoing and planned measures to improve payment instruments, including the following:

- One DGS plans to review the IT payout software with regard to capacity to deal with the failure of large institutions.
- One DGS is in the process of implementing an ad hoc web page to assist in the process of collecting depositor responses and payment details required for effecting the bank transfer.
- One DGS stated that it analysed the possibility of automatic refunds for small amounts (e.g. through pre-loaded cards sent to customers).
- One DGS is reviewing the IBAN collection process for non-residents not able to use the web portal provided for this purpose in order to find a less time-consuming solution.
- One DGS is planning to review the regulation on the selection criteria of the agent bank and improve technical specifications of eligibility criteria and obligations of the agent bank after the contract has been signed.
- One DGS has scheduled a general review of payout instruments for the second half of 2019.

Repayment and contribution periods

a. Legal basis and background

252. Article 8(1) of the DGSD states that ‘DGSs shall ensure that the repayable amount is available within seven working days of the date on which a relevant administrative authority makes a determination as referred to in point (8)(a) of Article 2(1) or a judicial authority makes a ruling as referred to in point (8)(b) of Article 2(1).’

253. Article 8(2) of the DGSD states that ‘Member States may, for a transitional period until 31 December 2023, establish the following repayment periods of up to:

- (a) 20 working days until 31 December 2018;
- (b) 15 working days from 1 January 2019 until 31 December 2020;
- (c) 10 working days from 1 January 2021 until 31 December 2023.’

254. Article 8(3) of the DGSD states that ‘Member States may decide that deposits referred to in Article 7(3) are subject to a longer repayment period, which does not exceed three months from the date on which a relevant administrative authority makes a determination as referred to in point (8)(a) of Article 2(1) or a judicial authority makes a ruling as referred to in point (8)(b) of Article 2(1).’

255. Article 8(4) of the DGSD states that ‘during the transitional period until 31 December 2023, where DGSs cannot make the repayable amount available within seven working days they shall ensure that depositors have access to an appropriate amount of their covered deposits to cover the cost of living within five working days of a request.

DGSs shall only grant access to the appropriate amount as referred to in the first subparagraph on the basis of data provided by the DGS or the credit institution.

The appropriate amount as referred to in the first subparagraph shall be deducted from the repayable amount as referred to in Article 7.’

256. Article 8(5) of the DGSD states that ‘repayment as referred to in paragraphs 1 and 4 may be deferred where:

(a) it is uncertain whether a person is entitled to receive repayment or the deposit is subject to legal dispute;

(b) the deposit is subject to restrictive measures imposed by national governments or international bodies;

(c) by way of derogation from paragraph 9 of this Article there has been no transaction relating to the deposit within the last 24 months (the account is dormant);

(d) the amount to be repaid is deemed to be part of a temporary high balance as defined in Article 6(2); or

(e) the amount to be repaid is to be paid out by the DGS of the host Member State in accordance with Article 14(2).’

257. Article 11(2) of the DGSD requires that the financial means of a DGS shall be used in order to finance the resolution of credit institutions in accordance with Article 109 of Directive 2014/59/EU (the Bank Recovery and Resolution Directive, BRRD). The resolution authority shall determine, after consulting the DGS, the amount by which the DGS is liable.

258. Article 109(1) of the BRRD requires that ‘Member States shall ensure, where the resolution authorities take resolution action and provided that that action ensures that depositors continue to have access to their deposits, the deposit guarantee scheme to which the institution is affiliated is liable for:

- (a) when the bail-in tool is applied, the amount by which covered deposits would have been written down in order to absorb the losses in the institution pursuant to point (a) of Article 46(1), had covered deposits been included within the scope of bail-in and been written down to the same extent as creditors with the same level of priority under the national law governing normal insolvency proceedings; or
- (b) when one or more resolution tools other than the bail-in tool is applied, the amount of losses that covered depositors would have suffered, had covered depositors suffered losses in proportion to the losses suffered by creditors with the same level of priority under the national law governing normal insolvency proceedings.

In all cases, the liability of the deposit guarantee scheme shall not be greater than the amount of losses that it would have had to bear had the institution been wound up under normal insolvency proceedings.

When the bail-in tool is applied, the deposit guarantee scheme shall not be required to make any contribution towards the costs of recapitalising the institution or bridge institution pursuant to point (b) of Article 46(1).

Where it is determined by a valuation under Article 74 that the deposit guarantee scheme's contribution to resolution was greater than the net losses it would have incurred had the institution been wound up under normal insolvency proceedings, the deposit guarantee scheme shall be entitled to the payment of the difference from the resolution financing arrangement in accordance with Article 75.'

259. Article 109(3) of the BRRD requires that the contribution from the DGS for this purpose shall be made in cash.

260. Article 109(5) of the BRRD states that 'the liability of a deposit guarantee scheme shall not be greater than the amount equal to 50% of its target level pursuant to [Article 10 of the DGSD]. Member States may, by taking into account the specificities of their national banking sector, set a percentage which is higher than 50%.

In any circumstances, the deposit guarantee scheme's participation under this Directive shall not exceed the losses it would have incurred in a winding up under normal insolvency proceedings.'

261. Article 107(6) of the BRRD requires that 'Member States shall establish rules and procedures in advance to ensure that each national financing arrangement can affect its contribution to the financing of group resolution immediately'. According to Article 107(3)(d) of the BRRD, any contribution that deposit guarantee schemes would be required to make in accordance with Article 109(1) of the BRRD is also part of this arrangement.

262. Paragraph 46 of the EBA Guidelines on DGS stress tests states the following: 'Resolution scenarios should assume intervention in relation to an affiliated credit institution that has been placed under resolution in accordance with Directive 2014/59/EU and for which a DGS contribution is required under Article 109 of that Directive.'

263. Paragraph 47 of the Guidelines states that ‘DGS stress tests under resolution scenarios may be performed on a stand-alone basis or may be part of a broader resolution test performed under the leadership of resolution authorities, provided that the areas and indicators described in section 7 are tested and applied, respectively.’
264. Paragraph 50 of the Guidelines states the following: ‘In exceptional cases, after consulting the resolution authority, a DGS may abstain from testing resolution scenarios where it conversely determines that no affiliated credit institution falls in any of the categories described in paragraph 53.’ Paragraph 53 states that ‘[w]ith a view to testing a resolution scenario, a DGS should select one or more affiliated credit institutions from the following categories:
- (a) credit institutions classified as significant supervised entities and directly supervised by the ECB in accordance with Part IV of Regulation (EU) 468/2014;
 - (b) credit institutions identified as global systemically important institutions (G-SIIs) or other systemically important institutions (O-SIIs) pursuant to Article 131 of Directive 2013/36/EU;
 - (c) in case a resolution authority has set and made public indicative thresholds above which an institution would be likely, in case of failure, to be subject to a resolution action in accordance with Article 32(1) of Directive 2014/59/EU, credit institutions meeting such thresholds. This provision should not be construed as prescribing any partial or full disclosure of the resolution plan or resolution strategy for the concerned institutions, nor as an obligation for resolution authorities to set or make public such thresholds.’
265. Paragraph 82 of the Guidelines states that ‘DGSs should measure the time from the determination of unavailability of deposits until the point when the repayable amount must be available in accordance with Article 8(1) of Directive 2014/49/EU and, on that basis, measure any delay compared to the repayment periods provided for under Article 8(2) to 8(5) of such Directive.’
266. Paragraph 83 of the Guidelines states the following: ‘Where applying resolution scenarios, DGSs should measure the time necessary to make their contribution pursuant to Article 11(2) of Directive 2014/49/EU.’
267. Paragraph 84 of the Guidelines requires that ‘DGSs should use the following indicators:
- i12: For repayment scenarios, time from the determination of unavailability of deposits to the moment when the repayable amount is made available (quantitative)
 - i13: Where THBs or beneficiary accounts are earmarked on a continuous basis as described in paragraph 69, time elapsed from the determination of unavailability of deposits to the moment when the repayable amount is made available (quantitative)

i14: For resolution scenarios, time elapsed from the resolution authority's request to the payment of the contribution (quantitative)'.

b. Methodology, data sources and their limitations

268. The reports on the priority tests that were submitted by DGSs to the EBA included three indicators related to repayment periods, the assessment of which was part of the operational capability tests of the DGSs.

c. Main findings, good practices and issues identified

269. In the general section of the reporting template, DGSs were asked to report the repayment periods applicable to the DGS during the period pursuant to Article 8(2) of the DGSD²². The following information was reported by the DGSs:

- Twenty-three DGSs from 18 Member States reported that the applicable repayment period was 7 working days.
- Seven DGSs from seven Member States reported that the applicable repayment period was 15 working days.
- Two DGSs from two Member States reported that the applicable repayment periods were 15 and 20 working days, which resulted from the fact that the DGSs performed more than one test in different time frames with different regulatory repayment periods.

270. In the report on the priority tests, DGS reported on the area measured by indicator i12, namely 'for repayment scenarios, time from the determination of unavailability of deposits to the moment when the repayable amount is made available (quantitative)'. The reports submitted by DGSs showed the following results, which are visually presented in figure 11:

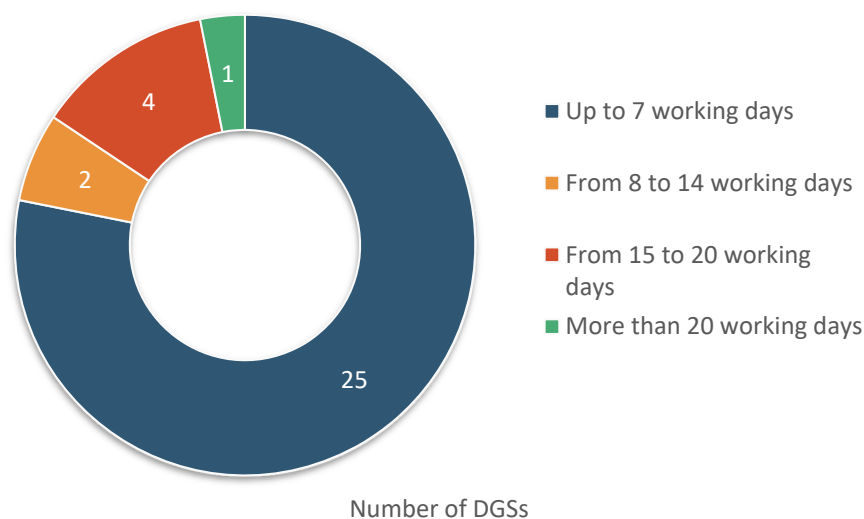
- Twenty-five DGSs from 20 Member States reported that the time from the determination of the unavailability of deposits to the moment when the repayable amount was made available was up to 7 working days.
- One DGS reported that the time from the determination of the unavailability of deposits to the moment when the repayable amount was made available ranged from 8 to 14 working days.
- Five DGSs from five Member States reported that the time from the determination of the unavailability of deposits to the moment when the repayable amount was made available ranged from 15 to 20 working days. Two of these DGSs reported on

²² Article 8(2) of the DGSD allows DGSs to, for a transitional period until 31 December 2023, establish the following periods of up to (i) 20 working days until 31 December 2018, 15 working days from 1 January 2019 until 31 December 2020 and 10 working days from 1 January 2021 until 31 December 2023.

real-life payout cases and one DGS reported on a test with scenario with the failure of multiple institutions in parallel.

- One DGS, which reported on the basis of a real-life payout case, reported that the time from the determination of the unavailability of deposits to the moment when the repayable amount was made available was more than 20 working days.

Figure 11: Summary of results: time from the determination of the unavailability of deposits to the moment when the repayable amount is made available (i12)



271. In the general section of the reporting template, DGSs were asked to report the repayment periods applicable to the DGS during the period pursuant to Article 8(2) of the DGSD. Comparing this information with the results reported for indicator i12 reveals that:

- Twenty-one DGSs from 20 Member States reported for indicator i12 a time period equal to the legal repayment period applicable to the DGS.
- Four DGSs from four Member States reported for indicator i12 a time period longer than the legal repayment applicable to the DGS.
- Seven DGSs from six Member States reported for indicator i12 a time period shorter than the legal repayment period applicable to the DGS.

272. Seventeen DGSs also provided a qualitative score for indicator i12, although this was not explicitly required in the reporting template:

- Fourteen DGSs from 11 Member States reported a score of 'A – optimal'.

- Two DGSs from two Member States reported a score of 'B – fair'.
- One DGS reported a score of 'C – poor'.

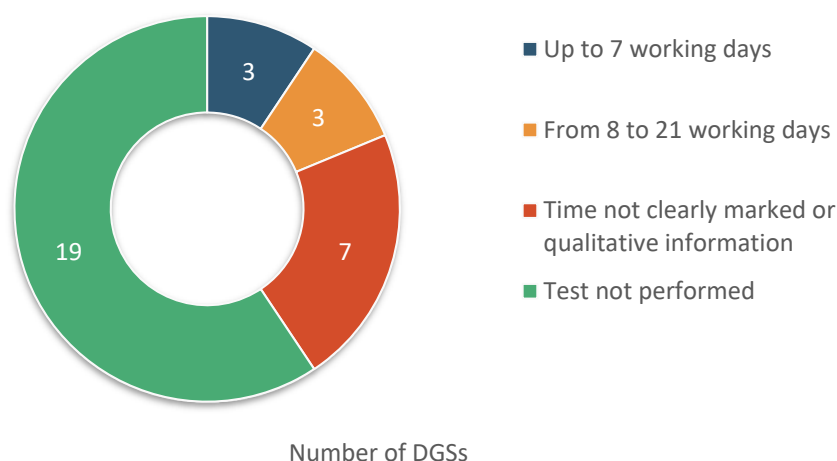
273. In the report on the priority tests, DGSs reported on the following area, measured by indicator i13: 'where THBs or beneficiary accounts are earmarked on a continuous basis as described in paragraph 69, time elapsed from the determination of unavailability of deposits to the moment when the repayable amount is made available (quantitative)'. The reports submitted by DGSs showed the following results, which are summarized in figure 12:

- Nineteen DGSs from 17 Member States reported that they did not test this indicator or did not report any result for the indicator.
- Three DGSs from three Member States reported that the time elapsed from the determination of the unavailability of deposits to the moment when the repayable amount was made available was up to 7 working days. Of these DGSs, one DGS did not specify whether the time measured applied to THBs, beneficiary accounts or both. Another DGS explained that THBs and beneficiary accounts are earmarked on a continuous basis and thus the information is immediately accessible. The third DGS reported that, according to the test scenario's assumption, seven requests of depositors of the bank participating in testing for payment of THBs would be handled in 1 working day.
- Three DGSs from three Member States reported that the time elapsed from the determination of the unavailability of deposits to the moment when the repayable amount was made available ranged from 15 to 21 working days. One DGS explained that the time may vary depending on the type of 'more information required' on deposits and depositors, as well as the time taken by the depositor(s) to submit the requested documents to the DGS and liquidator. Another DGS reported that, under national law, entities must earmark 'specially guaranteed amounts' on a recurrent basis. One DGS explained that a sample of beneficiary and THB sample cases were successfully processed in their stress tests.
- One DGS reported that the depositors initially receive information on the insolvency of their institution. When THBs or other deposits are claimed with evidence by those customers in the following time, the DGS (which is also an IPS) will need 2 or 3 additional days to make the amount available.
- One DGS reported that the process implemented to compensate depositors with THBs pursuant to Section 8(2) of the national Deposit Guarantee Act was faultless without specifying the time limit.
- One DGS reported that the SCV file tests proved that the banks have difficulties in identifying THBs. The banks are of the opinion that it is the clients' responsibility to

prove that they have sold residential real estate during the past 6 months starting from the suspension of deposits.

- One DGS reported that, when the DGS receives information about these cases (post SCV), it needs 1 to 7 working days to handle them and make the compensation available.
- One DGS reported that, in a real-life case, the compensation for two THB cases became available in 7 working days after receiving and examining all the necessary documents.
- One DGS reported that the bank that was chosen for the operational capability test had no THBs, since the bank does not have a view of such deposits and they can be seen only when the depositors make a claim to the DGS. However, from previous testing during user acceptance testing, it took the DGS a few hours to get the necessary information related to the beneficiaries. Once information is gathered, the capital and interest amounts are then manually inputted by data exchange and payment solution users and the compensation payment is sent over to the secretary for approval. Once approved, the payment is released. The procedure takes a few minutes to be finalised.
- One DGS reported that the compensation becomes available up to 7 working days after the deposits of the participating credit institution are declared unavailable if the depositor provides evidence to justify that the amounts claimed qualify for THBs.

Figure 12: THBs or beneficiary accounts: summary of results – time elapsed from the determination of the unavailability of deposits to the moment when the repayable amount is made available (i13)



274. Of the DGSs that assessed indicator i13, four DGSs from four Member States also provided a qualitative score, although this was not explicitly required in the reporting template:

- Three DGSs from three Member States reported a score of 'A – optimal'.
- One DGS reported a score of 'B – fair'.

275. Of the 19 DGSs that reported not having tested indicator i13:

- Seven DGSs from five Member States reported that this indicator was 'not applicable'. Four DGSs from three Member States clarified later that THBs and beneficiary accounts are not earmarked in SCV files. One DGS also explained that it did not test the area measured by this indicator because this was the first operational capability stress test performed by the DGS.
- Six DGSs from six Member States reported that THBs are not earmarked in the SCV file.
- Three DGSs from three Member States reported that THBs were not included in the tests.
- Two DGSs from two Member States reported that the credit institutions selected for the test did not have THBs.
- One DGS did not provide an explanation.

Contribution to resolution (i14)

276. In the report on the priority tests, DGSs reported on the area measured by indicator i14, namely, 'for resolution scenarios, time elapsed from the resolution authority's request to the payment of the contribution (quantitative)'. The reports submitted by DGSs showed that:

- Nineteen DGSs from 17 Member States reported that they did not assess this area in the tests performed.
- Seven DGSs from seven Member States reported quantitative statements without a qualitative score, since this was not required by the reporting template.
- Four DGSs from four Member States reported a score of 'A – optimal', although the reporting template did not require a qualitative score. One of these DGSs also reported a quantitative value.
- One DGS reported a score of 'B – fair' (although the reporting template did not require a qualitative score) in addition to a quantitative value.
- One DGS reported a literary statement without a qualitative score.

277. The quantitative values of nine DGSs from eight Member States with regard to the area measured by indicator i14 are:

- 1 hour/immediate;
- 1 to 2 business days;
- 7 days;
- up to 2 months.

278. Of the DGSs that reported that the area measured by indicator i14 requires no improvement (score 'A – optimal'):

- One DGS reported that the time frame is the same as the one detailed in the funding capability test.
- One DGS reported that, following the consultation of the DGSDA in accordance with the national law, the resolution board determined that the DGS would be liable to contribute to the resolution of the fictitious test member institution for the purpose of the test. On the same day, the DGSDA decided to transfer the requested amount to the bank account held by the national resolution fund. The transfer of EUR 1 from the account of the DGS to that of the national resolution fund was successfully executed on the next working day.
- One DGS explained that, in its jurisdiction, the central bank is responsible for both the resolution authority and the DGS. It noted that the NRA and DGS are within the same department and are closely cooperating with each other. Since the NRA and DGS are within one institution, both mandates are involved in the decision-making and therefore the processes can run quickly. In addition, the DGS refers to the test results of the SCV files and the funding capability for data and financial aspects. The DGS also explained that if resolution was applied, the same procedures would apply for providing available financial means to enable the execution of an actual resolution scenario. However, the DGS notes that, in a resolution scenario, both the data and the funding might be required more quickly than in the case of a DGS payout (within 48 hours versus 7 working days), so this extra time pressure could be tested in the future.
- One DGS explained that, for the determination of the repayable amount, in the time leading up to resolution, the DGS has access to all of the necessary information. It reported that the time, from the determination of the unavailability of deposits to the moment when a possible repayable amount is made available, is immediate.

279. The DGS that reported that the area presented weaknesses provided the following explanations: the processes for liquidating the available financial means provide for immediate payment. The liquidation of the invested assets has been executed within 2 bank business days; the liquidation of irrevocable payment commitments provides for a liquidation within 1 bank business day. Therefore, it can be assumed that a payment can be made within 1 or 2 bank business days of the resolution order being received by the DGS.

280. The DGS that provided a literary statement without a qualitative score reported that agreements regarding the DGS financing the resolution authority if needed are in force. However, the DGS mentioned that the RAs informed them that a resolution is highly unlikely to occur since all of the necessary steps by the RA will be carried out to prevent this from happening.

281. In addition to assessing the area measured by indicator i14, four DGSs from four Member States have analysed the intervention scenario ‘contribution to resolution’ focusing on the area of financial capability. Three DGSs from three Member States reported a contribution to resolution scenario testing operational capabilities. Two DGSs from two Member States assessed both operational and funding capabilities in a contribution to resolution scenario. The reports included analyses of tests conducted to assess the DGS’s ability to contribute to resolution with respect to operational and financial capabilities:

- The focus of the operational capability to contribute to resolution ranges from the analysis of all defined indicators of the section operational capabilities (i.e. i1-i14) to the analysis of a selection of indicators (i.e. i5, i6, i7, i8 and i14).
- DGSs reported generally on all indicators (indicators i20-i23) to assess the financial capability to contribute to resolution.

282. Only one DGS reported on all defined indicators in the section ‘Operational capabilities’ with regard to the intervention scenario contribution to resolution. The report submitted showed that the area of indicators i1 and i2 presented weaknesses, but that these were isolated and/or could easily be addressed at the point of failure and were unlikely to affect the ability of the DGS to perform its tasks under the conditions of the DGSD (score ‘B – fair’). The report showed that the areas of the remaining indicators (i.e. i3-i14) required no improvement (score ‘A – optimal’).

283. Several DGSs reported on a selection of indicators with regard to operational capabilities in a resolution scenario:

- Two DGSs from one Member State reported on indicators i5, i8 and i14. Both DGSs reported a score of ‘A – optimal’.
- One DGS reported on indicators i6, i7 and i14. It reported that the areas of indicators i6 and i7 require no improvement (score ‘A – optimal’).

Cross-border cooperation tests

a. Legal basis and background

284. Article 14(1) of the DGSD states that ‘DGSs shall cover the depositors at branches set up by their member credit institutions in other Member States.’

285. Article 14(2) of the DGSD requires that ‘[d]epositors at branches set up by credit institutions in another Member State shall be repaid by a DGS in the host Member State on behalf of the DGS in the home Member State. The DGS of the host Member State shall make repayments in accordance with the instructions of the DGS of the home Member State. The DGS of the host Member State shall not bear any liability with regard to acts done in accordance with the instructions given by DGS of the home Member State. The DGS of the home Member State shall provide the necessary funding prior to payout and shall compensate the DGS of the host Member State for the costs incurred. The DGS of the host Member State shall also inform the depositors concerned on behalf of the DGS of the home Member State and shall be entitled to receive correspondence from those depositors on behalf of the DGS of the home Member State.’

286. Article 3(2) of the DGSD states that ‘[c]ompetent authorities, designated authorities, resolution authorities and relevant administrative authorities shall cooperate with each other and exercise their powers in accordance with this Directive.

The relevant administrative authority shall make the determination referred to in point (8)(a) of Article 2(1) as soon as possible and in any event no later than five working days after first becoming satisfied that a credit institution has failed to repay deposits which are due and payable.’

287. The EBA published Guidelines on cooperation agreements between deposit guarantee schemes under Directive 2014/49/EU (EBA/GL/2016/02), which specify the objectives and minimum content of cooperation agreements between DGSs or, where appropriate, designated authorities that are required to have such cooperation agreements in place in accordance with Article 14(5) of the DGSD.

288. Paragraph 85 of the EBA Guidelines on DGS stress tests states that ‘DGSs should test the systems in place for repaying depositors at branches set up by their affiliated credit institutions in other Member States.’

289. Paragraph 86 of the Guidelines requires that ‘[f]irst, DGSs should verify that they are able to retrieve SCV files regarding depositors at such branches.’

290. Paragraph 87 of the Guidelines states that ‘[s]econd, they should measure the time taken to prepare payment instruction files and to submit them to the DGSs of host Member States within the deadlines provided for in the EBA Guidelines on cooperation agreements between deposit guarantee schemes under Directive 2014/49/EU.’

291. Paragraph 88 of the Guidelines states that '[t]hird, they should submit a sample payment instruction file to the DGSs of host Member States in order to test that communication channels are properly established and obtain confirmation from those DGSs that the file would contain all necessary information to effect a payment.'

292. Paragraph 89 of the Guidelines clarify that the home-host cooperation tests do 'not apply to DGSs for which no affiliated credit institution has any branch in another Member State, or where the only affiliated credit institutions with branches in other Member States would fall in one of the categories in paragraph 53' (i.e. in case the credit institution would likely be subject to resolution action in case of failure).

293. Paragraph 90 of the Guidelines states that 'DGSs should use the following indicators:

i15: Ability to extract earmarked SCV information on depositors at branches set up by their affiliated credit institutions in other Member States (qualitative)

i16: Time to produce and transmit to host authorities payment instruction files, from the transmission of SCV files by institution (quantitative)

i17: Quality assessment of channels for the transmission of payment instruction files

i18: Confirmation from host DGSs that the payment instruction files would be adequate for repaying depositors

i19: Ability to meet the deadlines laid down in the Guidelines on cooperation arrangements between deposit guarantee schemes under Directive 2014/49/EU'.

b. Methodology, data sources and their limitations

294. The reports on the priority tests that were submitted by DGSs to the EBA included five indicators related to the assessment of cross-border cooperation between DGSs. In addition, DGSs were asked to describe the tests performed and an overall assessment resulting from the tests.

c. Main findings, good practices and issues identified

General assessment of operational cross-border tests performed

295. The following general observations can be made with regard to operational cross-border capability tests based on reports submitted by DGSs:

- Eighteen DGSs from 16 Member States reported having performed one or more cross-border cooperation tests²³:

²³ One DGS pointed out in its report that the operational cross-border test had not been fully completed due to the transposition date of 1 January 2019 of the DGSD. However, the file transfer system (the European DGS to DGS Information Exchange System – Eddies) has been tested and is described in relation to the relevant indicator below. The

- Six DGSs from six Member States reported having carried out multiple cross-border cooperation tests. Three DGSs each carried out two tests and one DGS reported three tests. One DGS reported having performed six tests between 2017 and 2019, with in total four different partner DGSs.
- Two DGSs from two Member States performed the cross-border cooperation test as part of their operational capability test (the home-host cooperation test in Section C of the reporting template).
- Sixteen DGSs from 15 Member States conducted the test on a stand-alone basis, according to Section D on the operational cross-border cooperation test' of the reporting template of the Guidelines.
- Fourteen DGSs from 13 Member States reported not having performed a cross-border cooperation test in the period under review. In some cases, this was explained by the fact that affiliated credit institutions did not have any branches in other Member States (in line with paragraph 96 of Guidelines) or also that the number of depositors in foreign branches was so small that a cross-border cooperation test appeared to be disproportionate.

296. Prior to reporting on the indicators, the DGSs were asked to provide general information about the cross-border cooperation tests performed. More specifically, DGSs were asked to describe the priority tests applied (intervention scenarios chosen, type of institutions, etc.). The reports submitted showed that:

- Regarding the intervention scenario, a repayment intervention scenario was chosen by all DGSs, since cross-border cooperation in accordance with Article 14 of the DGSD occurs when the DGS is activated to repay depositors of a credit institution with one or more branches in another Member State.
- Regarding the type of institutions, DGSs generally reported having chosen an institution with one or more branches in another Member State. More specifically, eight DGSs from eight Member States based the PIF on real SCV file data, which was requested from an affiliated credit institution, often as part of the test. Eight DGSs from seven Member States did not explicitly report in the DGS stress test report whether they used real SCV file data or a fictional file for the test. Two of these DGSs later reported that the PIF was based on real SCV file data, which has been included in the results above. Another DGS later reported that it used a fictional or dummy SCV file for the test, which has been included in the subsequent results.
- Four DGSs from four Member States reported having used a fictional or dummy SCV file for the test.

ability for earmarking (i15) has been tested in SCV file testing. Still, the report of this DGS is fully included in the analysis of the home-host cooperation test.

- Two DGSs from two Member States reported having assessed their cross-border cooperation capabilities as part of a wider operational capability test.
- Regarding the role in cross-border cooperation:
 - Eight DGSs from eight Member States reported having performed tests assessing their role as both a home DGS and a host DGS. Of these DGSs:
 - Five DGSs reported having conducted those tests with one partner DGS, in both roles (thus switching roles).
 - One DGS reported having conducted those tests with two partner DGSs, in both roles (thus switching roles).
 - One DGS reported having conducted those tests with four partner DGSs, in both roles (thus switching roles).
 - One DGS explained that, for one test, the role of the two host DGSs was played by the central bank. In addition, a second test was conducted with a partner DGS.
 - Four DGSs from four Member States reported having performed the test in the role of home DGS only, with one host DGS.
 - One DGS reported having performed the test in the role of host DGS only, in cooperation with two home DGSs.
 - Two DGSs from two Member States performed the test in cooperation with each other, of which one DGS was the home and the other was the host DGS.

297. In addition, DGSs were asked to report the on the 'overall assessment resulting from the tests, main shortcomings, reasons for these shortcomings, expectation of future developments'. The reports submitted showed that:

- Of the 13 DGSs from 11 Member States that performed one test:
 - Three DGSs from two Member States reported a score of 'A – optimal'.
 - Four DGSs from four Member States reported a score of 'B – fair'.
 - One DGS reported a score of 'C – poor'.
 - Two DGSs from two Member States did not report a general score, since the reported home-host cooperation test was part of a wider operational capability test.

- o Three DGSs from three Member States did not report an overall score.
- Of the five DGSs from five Member States that performed more than one test, the reporting template asked for a general assessment of all the tests carried out. This general assessment was completed by only three DGSs:
 - o One DGS reported a score of 'A – optimal'.
 - o One DGS reported a score of 'B – fair'.
 - o One DGS reported a score of 'C – poor'.
 - o Two DGSs from two Member States did not report a score for the general assessment.
- A number of DGSs provided further information on the observations, shortcomings and possible future actions resulting from the tests:
 - o One DGS explained in the report the steps that were executed successfully: extracting the data of the concerned depositors from the SCV file, preparing a PIF with the necessary information and transferring the PIF via the transfer mechanism, receiving and analysing the PIF from another DGS, preparing a payment status report and transferring it, and receiving and analysing a payment status report from another DGS.
 - o One DGS reported that, for future testing, it will increase the number of depositors included in the test and the complexity of the test by including a variety of different payment status changes, exchanging a larger number of status reports based on the status changes and making sure that all the different status change scenarios work. In addition, the DGS will also perform payment cancellation tests and tests with other partner DGSs.
 - o Another DGS reported that, in future tests, all the areas (legal, communication, financial, etc.) will be assessed.
 - o One DGS reported that the tests showed that there is still room for improvement on a number of areas. The DGS is currently actively working, together with its priority partner DGSs and within the European Forum of Deposit Insurers (EFDI), on developing detailed procedures to make home-host cooperation operable (from both the home and the host perspectives).

Assessment of the indicators

298. In the report on the priority tests, DGSs reported on the area measured by indicator i15, the ‘ability to extract earmarked SCV information on depositors at branches set up by their affiliated credit institutions in other Member States’. The reports submitted by DGSs showed that:

- Twelve DGSs from 10 Member States reported a score of ‘A – optimal’.
- Five DGSs from five Member States reported a score of ‘B – fair’.
- One DGS reported a score of ‘C – poor’.

299. Of the DGSs that reported a score of ‘A – optimal’:

- Three DGSs from three Member States reported using a digital solution for extracting the necessary information from the SCV file. For example, one DGS reported that, based on specific data fields in the SCV file, a fully automatic identification and extraction of concerned depositor data could be performed.
- Three DGSs from two Member States reported that no shortcomings were identified.
- Two DGSs from two Member States explicated that the SCV files from the credit institutions with EEA branches contained all the relevant data for a cross-border payout.
- One DGS reported that, in its jurisdiction, credit institutions need to produce separate SCV files for each branch established in another Member State, which enables the DGS to extract and produce the PIF. Another DGS reported that credit institutions need to provide the necessary information in a complementary file sent with the regular SCV files.
- One DGS reported that the ability to extract earmarked SCV information on depositors at branches was tested in the SCV tests conducted with all credit institutions during H1 2019, by checking if all credit institutions with foreign branches were able to report depositor-level data from their foreign branches.

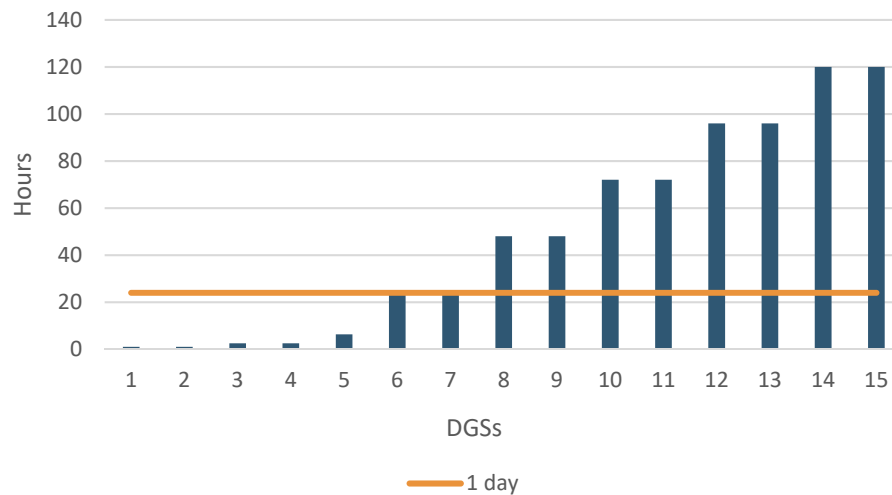
300. Of the DGSs that reported having observed weaknesses, a limited number provided more information on the shortcomings identified:

- One DGS reported shortcomings in the areas of the DGS’s IT software when dealing with larger volumes and the credit institution’s SCV files processes.
- One DGS reported that manual processing was required to meet the requirements of the host DGS, whereas when depositors are marked correctly by the credit institution, the payout software automatically generates a file with the necessary information for the branch.

- One DGS explained that shortcomings were coming from errors in the SCV file created by the credit institution, which caused delays.
301. The results for the area measured by indicator i16, the ‘time to produce and transmit to host authorities payment instruction files, from the transmission of SCV files by institutions (quantitative)’, are as follows:
- Nine DGSs from nine Member States reported a score of ‘A – optimal’. Among them, one DGS scored the time to produce the PIF as ‘C – poor’, whereas the time to transmit the file was scored ‘A – optimal’²⁴.
 - Two DGSs from two Member States reported a score of ‘B – fair’.
 - Eight DGSs from seven Member States provided no score for this indicator, which could be explained by the fact that the reporting template asked for a quantitative result, not a qualitative score. One of these DGSs later reported a score of ‘B – fair’, which has been included in the results presented above.
302. Fifteen DGSs from 13 Member States reported the time to produce and transmit the PIF, since this was a quantitative indicator. Three DGSs from three Member States did not include any numerical indication of the duration of this part of the test.
303. According to the reports submitted, the time needed to produce and transmit the PIFs is distributed more or less evenly over periods from 1 hour to 120 hours (see Figure 13). Eight DGSs from seven Member States were able to produce and transmit the PIF within 1 working day, reporting time periods ranging from 30 minutes to 24 hours. The seven other DGSs reported time periods of up to 5 working days. This wide range of amounts of time needed to transmit the PIFs can be explained by the fact that DGSs use different transmission channels and IT systems. However, there also seem to be different approaches in how the time is measured.

²⁴ The DGS differentiates in the evaluation between the production of the file (scoring ‘C – poor’) and the transfer of the file (scoring ‘A – optimal’). The IT system of the DGS for collecting information and converting it into a PIF shows weaknesses. This explanation shows that there are different possible ways of grading and that it is challenging to come up with one grade for certain indicators. This example shows that, for future testing and reporting, indicator i16 could potentially be split into two parts: the production of PIFs, on the one hand, and the transmission of PIFs, on the other hand.

Figure 13: Time to produce and transmit PIFs (quantitative) (i16)



304. The reports submitted included the following results for the area measured by indicator i17, a ‘quality assessment of channels for the transmission of PIFs’:

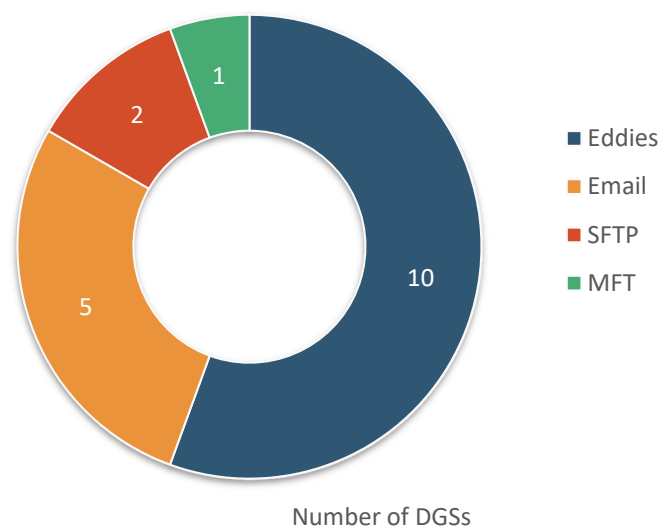
- Twelve DGSs from 10 Member States reported a score of ‘A – optimal’.
- Three DGSs from three Member States reported a score of ‘B – fair’.
- One DGS reported a score of ‘C – poor’.
- Two DGSs from two Member States did not report a score for this indicator, but instead reported a literary judgement. One of these DGSs reported that the indicator was ‘adequate’, accompanied by further explanation, which could be interpreted as ‘optimal’.

305. The reports that were submitted by DGSs provide insight into the mechanism used to exchange data, in particular the PIFs, between the home DGS and host DGS (summarized in Figure 14):

- Ten DGSs from eight Member States used Eddies, a platform developed and run by Prüfungsverband deutscher Banken (Auditing Association of German Banks) for this specific purpose.
- Four DGSs transferred encrypted files (mostly Rivest–Shamir–Adleman (RSA) type encryption) via email.
- One DGS chose the secure file transfer protocol (SFTP) for server-based transmission of the files.

- One DGS used a managed file transfer (MFT) system.
- Two DGSs from two Member States did not describe the transmission technology in their reports. One DGS later clarified that encrypted email was used, since the partner DGS was not yet a member of the Eddies platform at the time of the test, and the other DGS reported having used SFTP for server-based transmission of the files.

Figure 14: Technologies used for cross-border cooperation file transmission (i17)



306. The reports that were submitted by DGSs included the following results for the area measured by indicator i18, 'confirmation from host DGSs that the PIF would be adequate for repaying depositors':

- Seven DGSs from six Member States reported a score of 'A – optimal'.
- Six DGSs from six Member States reported a score of 'B – fair'.
- One DGS reported a score of 'C – poor'.
- Five DGSs from five Member States provided no score for this indicator, since this was not requested by the reporting template. One of these DGSs later reported a score of 'B – fair', which has been included in the results presented above.

307. Of the DGSs that reported a score of 'A – optimal':

- Two DGSs from two Member States reported on timing. One DGS reported that the confirmation from the counterpart was received in time. The other DGS reported that it

received the confirmation from the counterpart on the fifth working day after the activation of the DGS.

- One DGS reported that the host DGS confirmed that the PIF was suitable for the execution of the reimbursement process.
- One DGS reported that the PIFs received were compliant with the specifications of EFDI's *Home/Host Cooperation Rulebook*. Moreover, the DGS verified the data in the PIF with the SCV.

308. Of the DGSs that reported having observed weaknesses, some DGSs reported on the shortcomings identified:

- One DGS reported that the transmitted PIF did not include the national identification number of the host Member State, which the host DGS needed to be able to perform the payout via an automated process. As a result, the host DGS had to carry out manual processing in order to perform the payout.
- One DGS reported that the host DGS was able to process the PIF generated by the DGS. However, the collection and processing of IBANs had not yet been tested, a crucial step for the host DGS to perform the payout. However, the tests performed provided insight into the flow of steps that still need to be identified in further detail and will be translated into operational procedures. In addition, the DGS reported not having tested this indicator in the role of host DGSs.

309. Of the DGSs that reported no qualitative score:

- One DGS reported '1 working day'.
- One DGS reported that it was able to (i) produce an encrypted PIF for the host DGS, which confirmed it to be adequate for repaying depositors, and (ii) read in encrypted PIFs received from the home DGS and make the requested payments based on those files.

310. Indicator i19 measures the 'ability to meet the deadlines laid down in the Guidelines on cooperation arrangements between DGSs under Directive 2014/49/EU', and the following results were reported by DGSs on the area measured by this indicator:

- Twelve DGSs from 10 Member States reported a score of 'A – optimal'.
- Two DGSs from two Member States reported a score of 'B – fair'. One DGS explained that it needs to collect new bank account numbers (IBANs) in order to execute the payout, which is more challenging in its role as a host DGS, since the information included in the PIF is limited.

- One DGS reported a score of ‘C – poor’, mainly due to problems with missing national IDs of the host Member State in their SCV file.
 - Four DGSs from four Member States provided no scores for this indicator, since this was not requested by the reporting template. One of these DGSs later reported a score of ‘B – fair’, which has been included in the results presented above.
311. Of the DGSs that reported a score of ‘A – optimal’:
- Five DGSs from five Member States reported that the test showed the ability to meet the deadlines of the Guidelines.
 - One DGS reported that it can deliver the necessary information within 1 working day if an SCV file that can be processed is available.
312. Of the DGSs that reported having observed weaknesses, some DGSs reported on the shortcomings identified:
- One DGS reported that the host DGS would have difficulties paying out within 3 working days after receiving the PIF, as national ID numbers are missing in the PIF. As a potential solution, the DGS, in its role as home DGS, is investigating the possibility to request that branches in its Member State include those ID numbers in their SCV files.
 - One DGS reported that for one of its tests it was able to create a PIF within a few hours; however, the actual exchange of files was outside the scope of the test. The DGS also reported that the impact of having to collect new bank account numbers (IBANs) in order to reimburse host depositors on time still has to be assessed in future tests.
313. Of the DGSs that reported no qualitative score:
- Two DGSs from two Member States reported that they were able to meet the deadlines.
 - One DGS reported that was able to meet the deadlines, with manual intervention and its ICT systems, even when the system was not fully developed and automated yet.
 - One DGS reported, as the home DGS, 1 working day for the provision of the PIF to the host DGS. As the host DGS, 1 working day was needed to make repayable amounts available after processing the PIF received from the home DGS.

Funding capability tests

a. Legal basis and background

314. Article 10(1) of the DGSD states that ‘Member States shall ensure that DGSs have in place adequate systems to determine their potential liabilities. The available financial means of DGSs shall be proportionate to those liabilities. DGSs shall raise the available financial means by contributions to be made by their members at least annually. This shall not prevent additional financing from other sources.’
315. Article 10(2) of the DGSD states that ‘Member States shall ensure that, by 3 July 2024, the available financial means of a DGS shall at least reach a target level of 0.8% of the amount of the covered deposits of its members.’
316. Article 10(7) of the DGSD states that ‘the available financial means of DGSs shall be invested in a low-risk and sufficiently diversified manner’.
317. According to Article 10(9) of the DGSD, ‘Member States shall ensure that DGSs have in place adequate alternative funding arrangements to enable them to obtain short-term funding to meet claims against those DGSs.’
318. Article 11(1) of the DGSD states that the financial means referred to in Article 10 shall be primarily used in order to repay depositors pursuant to the directive. Article 11(2), in addition, states that the financial means of a DGS shall be used in order to finance the resolution of credit institutions in accordance with Article 109 of Directive 2014/59/EU.
319. Article 11(3) of the DGSD states that Member States may allow a DGS to use the available financial means for alternative measures in order to prevent the failure of a credit institution, provided that certain conditions (detailed in Article 11(3)) are met.
320. Article 11(6) of the DGSD states that ‘Member States may decide that the available financial means may also be used to finance measures to preserve the access of depositors to covered deposits, including transfer of assets and liabilities and deposit book transfer, in the context of national insolvency proceedings, provided that the costs borne by the DGS do not exceed the net amount of compensating covered depositors at the credit institution concerned.’
321. Paragraph 91 of the EBA Guidelines on DGS stress tests states that ‘[i]n addition to operational capabilities, DGSs should test the adequacy of their funding means in order to meet their payment obligations under the intervention scenarios described in section 6.’
322. Paragraph 42 of the Guidelines describes the different types of interventions set out in Directives 2014/49/EU and 2014/59/EU, which are cited in Chapter 2 of this report.
323. Paragraph 92 of the Guidelines states that ‘when running stress tests DGSs should test a broad range of operational and funding capabilities, covering key areas and main functions activated when a DGS intervenes, such as access to data, operational resources, repayment

periods, and of course the ability to meet liabilities with the *ex ante*, *ex post* and alternative funding means at its disposal'. It also states that 'the adequacy test should consider the amounts that would effectively be available within the repayment period. This implies an assessment of the liquidity of the invested available means and payment commitments, including under market stress.'

324. Paragraph 93 of the Guidelines states that '[r]eliance on alternative funding means, such as loans or credit lines from public or private third parties, should be based on an objective assessment of elements known at the time of the test, such as mutual lending commitments entered into via written cooperation agreements, formal credit lines, etc.'

325. Paragraph 95 of the Guidelines states that 'DGSs should use the following indicators:

i20: Adequacy of *ex ante* funds to cover the funding need (shortfall in absolute value and as a share of the need)

i21: Qualitative assessment of the DGS's ability to liquidate assets invested as part of the available financial means within the deadline

i22: Adequacy of *ex post* and alternative funding means to cover the funding needs not covered by *ex ante* funds (shortfall remaining after exhausting *ex post* and alternative funding means) (quantitative)

i23: Quality assessment of arrangements in place for accessing alternative funding means (reliability, quantity) (qualitative)'.

326. Paragraph 96 of the Guidelines states that DGSs should perform and report results on the following test on funding capability for the first peer review: 'a test measuring the financial capability areas and indicators described in section 7 in either a payout or a resolution scenario, involving a single or multiple failure, and assuming a DGS intervention of a level of at least 0.8% of covered deposits or, where a lower target level has been set in conformity with Article 10(6) Directive 2014/49/EU, that lower target level'.

b. Methodology, data sources and their limitations

327. The reports on the priority tests that were submitted by DGSs to the EBA included four indicators related to the funding capability tests. In addition, DGSs were asked to provide information about the characteristics of the funding capability tests performed and an overall assessment of the results.

c. Main findings, good practices and issues identified

General assessment of funding capability tests performed

328. Based on the reports, the following general observations can be made with regard to funding capability tests:

- Thirty-one DGSs from 27 Member States reported having performed, in total, 42 funding capability tests. Among them, eight DGSs from eight Member States reported having performed more than one funding capability test:
 - Three DGSs from three Member States reported having performed three tests.
 - Five DGSs from five Member States reported having performed two tests.
 - One DGS reported a real-life case, of which the characteristics did not allow them to test all the funding capability indicators.
- One DGS did not report on funding capability tests, because it was established only 6 months before the deadline for reporting to the EBA. The funding capability tests that were performed by its predecessors are not included in this peer review.

329. Prior to reporting on the four indicators, the DGSs were asked to provide general information about the funding capability tests performed. More specifically, DGSs were asked to describe the main tests (intervention scenarios chosen, type of institutions, etc.) involving funding capability testing. The reports submitted showed that:

- With regard to the intervention scenarios chosen:
 - Twenty DGSs from 18 Member States reported having performed the test for a repayment intervention scenario.
 - Three DGSs from three Member States reported a contribution to resolution scenario.
 - Three DGSs from three Member States reported having assessed multiple scenarios (e.g. both repayment and contribution to resolution), with different amounts of funds required for the interventions.
 - One DGS reported a real-life payout scenario.
 - One DGS reported a failure prevention scenario (see also the section ‘Tests of other interventions: failure prevention and contribution to insolvency’).
- Regarding the type of institutions chosen, some DGSs provided this information explicitly. Of the DGSs that provided information on the type of institutions chosen:
 - Four DGSs from four Member States reported having based the stress test exercise on a scenario with a fictional institution.
 - Three DGSs from three Member States reported having assessed a repayment scenario with one or more less significant institutions.

- One DGS reported having assessed a repayment intervention scenario with a significant institution.
 - One DGS reported having assessed a repayment intervention scenario with a small and a medium-sized bank.
 - One DGS reported having assessed a resolution intervention scenario for all member institutions in line with paragraph 53 of the Guidelines.
 - One DGS reported having assessed a resolution scenario with two significant institutions.
 - One DGS reported having involved a real member institution in the test scenario (resolution intervention).
 - One DGS reported having assessed a repayment intervention scenario with two member institutions with a relevant dimension that represent 0.46% of the total amount of eligible depositors of all member institutions of the DGS and 0.85% of the total amount of the DGS's covered deposits.
- Five DGSs from five Member States reported having chosen a scenario containing simultaneous or consecutive failures (within short notice) of two or three credit institutions.
- Six DGSs from six Member States reported having combined the funding capability test with one or more other priority tests:
 - Three DGSs from three Member States combined testing operational and funding capabilities in one test.
 - Two DGSs from two Member States combined testing SCV files and operational and funding capabilities in one test.
- Two DGSs from two Member States reported having conducted a quantitative analysis of available funding in relation to the banking market, giving insight into the number of institutions for which a payout could be funded by the *ex ante* funding, *ex post* contributions and alternative funding arrangements.
- One DGS reported on simulating drawing on a credit facility (alternative funding arrangement).
- One DGS reported that disinvestment was simulated in both of the funding capability tests run. In the first test (payout scenario of one credit institution), disinvestment was simulated for a part of the financial endowment. In the second test (payout scenario of four credit institutions), the disinvestment simulation was for the entire financial endowment.

- One DGS reported that the funds were not made available during the test, but the approval process for making the funds available was simulated and the time required was measured.
- One DGS reported having focused on testing the ability and capacity of all member institutions to contribute *ex post* contributions within 7 working days (i.e. a funding level of 0.27% and 0.5% of covered deposits at the time of the test). As such, the institutions had to provide evidence that they were able to do so.
- One DGS reported that the choice of two institutions, instead of one, allowed the complexity of the test to be increased, since it involved not only the liquidation of funds directly managed by the DGS but also the liquidation of securities received as guarantee of the payment commitments.

330. The DGSs were asked to report the amount of funds required for the intervention. The reports submitted showed that:

- Fourteen DGSs from 12 Member States reported absolute numbers (in euros or, if applicable, in the national currency).
- Eleven DGSs from 11 Member States reported both absolute numbers (in euros or, if applicable, in the national currency) and percentages of total covered deposits.
- One DGS reported only percentages of total covered deposits.

331. The DGSs were asked to describe the funding mix obtained in the test, namely the amount of funds required for the intervention, the amount of *ex ante* funds used (including the amount of payment commitments called upon), the amount of *ex post* contributions collected and the amount of alternative funding means obtained. The reports submitted showed that:

- Eleven DGSs from 10 Member States tested obtaining a funding mix of (i) *ex ante* funding, (ii) *ex post* contributions and (iii) alternative funding arrangements.
- Eight DGSs from six Member States tested obtaining a funding mix of (i) *ex ante* funding and (ii) *ex post* contributions.
- Four DGSs from four Member States tested obtaining a funding mix of (i) *ex ante* funding and (ii) alternative funding arrangements.
- Three DGSs from three Member States tested obtaining *ex ante* funding only.
- Of the DGSs that tested obtaining *ex ante* funding, two DGSs from two Member States explicitly reported having included payment commitments called upon.

332. Finally, DGSs were asked to provide an overall assessment of the results, main shortcomings, reasons for these shortcomings, expectation of future developments. The reports submitted showed that:

- Thirteen DGSs from 11 Member States reported a qualitative score for the overall assessment, although this was not explicitly requested in the reporting template:
 - Six DGSs from five Member States reported a score of 'A – optimal'.
 - Seven DGSs from seven Member States reported a score of 'B – fair'.
- A number of DGSs provided further information on the observations, shortcomings and possible future actions resulting from the tests:
 - One DGS reported that the test revealed that accessing alternative funding arrangements was not possible within 7 working days.
 - One DGS reported that, although the DGS funds were sufficient and significantly exceeded the target level, the exercise brought forward the need to have *ex ante* agreements on alternative ways of financing. To this end, the DGS will explore the possibilities of concluding agreements to provide credit to the DGS, if necessary, with banks, international organisations or the government.
 - One DGS reported having performed two tests: the first was scored 'A – optimal', namely a repayment scenario for a small bank where funds had to be available within 20 working days, whereas the second test, a repayment scenario for a medium-sized bank where funds had to be available within 15 working days, was scored 'B – fair'.
 - One DGS reported that extraordinary *ex post* contributions (0.5% of covered deposits) were not collected, as this would have affected the ability to make a 7 working day payout.
 - One DGS reported that (i) the funds directly managed by the DGS were invested in highly liquid assets and their liquidation was possible in 1 working day with only residual cost, (ii) the payment commitments, once called upon, could be met within a maximum period of 3 working days and (iii) in the case of failure of the institutions to pay the amount called upon, the time frame to liquidate the securities received as guarantee could be met within 2 working days, resulting in a maximum total time frame of 5 working days. A lesson learned from the test was that, in the future, the payment commitments and collateral arrangement agreements may need to be revised and the procedures to liquidate the securities received as guarantee can be further clarified and formalised.

Assessment of the indicators

Adequacy of ex ante funds to cover the funding need (i20)

333. In the report on the priority tests, DGSs reported on the area measured by indicator i20, the 'adequacy of *ex ante* funds to cover the funding need (shortfall in absolute value and as a share of the need)'. The reports submitted by DGSs showed that:

- Fourteen DGSs from 13 Member States reported a score of 'A – optimal'.
- Two DGSs from two Member States reported a score of 'B – fair'.
- One DGS reported a score of 'C – poor'.
- Thirteen DGSs from 12 Member States did not provide a score, as providing a qualitative score was not explicitly requested by the template.
- Two DGSs from two Member States reported that they did not assess this area in the tests performed.

334. There was a difference in interpreting the indicator to be tested. The following are some of the comments made in the corresponding tests:

- Of the DGSs that reported a score of 'A – optimal':
 - Five DGSs from five Member States reported a shortfall (of which three DGSs reported a shortfall of 3%, 92% and 71%). One DGS additionally explained that the simulation included obtaining the authorisation from the competent authority to cover the shortfall by obtaining *ex post* contributions over 0.5%.
 - One DGS reported that the fund was 2.6% of covered deposits.
 - One DGS commented on the accessibility of the funds.
 - One DGS commented that the build-up of *ex ante* funds was on track and would reach the target level of 0.8% of total covered deposits in 2024.
- Of the DGSs that reported that the area measured required improvement (scores of B and C):
 - One DGS reported a deficit of 3.2% and reported that the shortfall of 3.2% would not exist after this year's collection of contributions, provided that no payouts would occur in the near future.
 - One DGS reported that there was no own segregated fund (score 'B – fair').

- o One DGS reported that available financial means were limited due to the chosen scenario. The scenario chosen tested the funding limits with a compensation much higher (4.3% of covered deposits) than the target level of the fund (0.8% of covered deposits).

335. Of the DGSs that reported that the indicator was 'not applicable' or did not provide a score:

- One DGS reported on different scenarios. The DGS provided results of two tests, both not graded, related to the collection of extraordinary contributions, the sale of bonds via auction and state budget repayable funding.
- One DGS reported 0.48% with no other explanation of what the percentage represents.
- One DGS reported a 0% shortfall (i.e. that the *ex ante* funds fully covered the funding need and no recourse to alternative measures was needed).
- One DGS reported the shortfall amount and share.
- One DGS reported the amount of *ex ante* funds by comparison with the amount of funds required and concluded that it was adequate to cover the funding need.

Qualitative assessment of the DGS's ability to liquidate assets invested as part of the available financial means within the deadline (i21)

336. In the report on the priority tests, DGSs reported on the area measured by indicator i21, 'qualitative assessment of the DGS's ability to liquidate assets invested as part of the available financial means within the deadline'. The reports submitted by DGSs showed that:

- Twenty-three DGSs from 21 Member States reported a score of 'A – optimal'.
- Five DGSs from four Member States reported a score of 'B – fair'.
- One DGS reported a score of 'C – poor' on the basis of one test.
- One DGS provided a literary statement and the time to transfer funds.
- Two DGSs from two Member States have not tested this indicator or did not provide any result.

337. Five DGSs from five Member States performed several tests to assess the area measured by indicator i21. Of this group, two DGSs performed three tests, while three DGSs performed two tests.

338. Three DGSs from three Member States reported real-life DGS interventions that were included either as a part of the scenario selected or as an independent complete test. Of these,

one DGS indicated that, in the end, the payout was not needed, but the DGS reported on indicator i21 based on the process involved in the preparation for the potential payout.

339. Of the 23 DGSs that reported that the area measured required no improvement:

- Five DGSs from five Member States reported that they held their available financial means in cash/deposits, so either liquidity was not an issue or the tests focused on the transfer of funds from the account where those are deposited.
- Four DGSs from four Member States showed that investments could be liquidated in 1 day. Of these:
 - o One DGS reported having simulated the liquidation of the whole of its invested portfolio (EUR 4.1 billion) through a sovereign debt repo transaction, applying a haircut of 4.6% in order to simulate stressed market conditions (considering historical data). The DGS reported that the financial means that were not cash were invested in sovereign debt with a maturity below 4 years, which could be easily liquidated through the operations desk of the central bank.
 - o The other three DGSs simulated the liquidation of government debt (amounts of EUR 300 million, SEK 420 million and EUR 28 million, respectively) but did not provide information on haircuts.
- One DGS showed that the great majority of the funds required for the scenario tested (92.2%) would have been obtained in 1 day with only residual cost, and the remaining 7.8% would have been obtained within a minimum period of 1 day and a maximum period of 5 days.
- Four DGSs from three Member States reported that the funds from liquidating invested assets would be available in 2 days. Of these DGSs:
 - o Two DGSs from two Member States indicated that available financial means were invested in an investment fund whose shares could be liquidated within 2 bank business days.
 - o One DGS included within its scope the real sale of a fund share, which confirmed the 2-day result.
 - o One DGS specified that the result was based on past compensation experience and the simulation performed.
- One DGS reported that, according to the agreement with the asset manager, the invested assets had to be available for the DGS within 3 working days, while,

according to the national regulation, the payouts had to start on the fifth working day after the suspension of deposits.

- Two DGSs from two Member States reported that the financial means would be available in a period of 7 days.
- Two DGSs from two Member States reported that the financial means would be available within the legal deadline for payout. Of these, one DGS included within its scope the real sale of NOK 110 million. The DGS indicated that the asset manager anticipated no problems in being able to liquidate NOK 10.5 billion within the deadline, with a price impact in the region of 1 bp (approximately NOK 1 million). The DGS noted that bonds in its portfolio were split across several large liquid markets with different time zones.
- Four DGSs from three Member States did not include data on the time needed to liquidate invested assets. Of these:
 - One DGS specified that all financial means that were not in cash were invested in low-risk assets with repo agreements.
 - One DGS reported that the DGS portfolio could be easily liquidated and showed a plus of EUR 1 million at prices at the time of the test. The DGS clarified later that the time needed to liquidate invested assets was no more than 4 working days (from day 1). The simulation proved that all resources needed could be available on time for the payout.
 - One DGS reported that, according to the DGS investment policy, its funds may be held only in its central bank or invested in short-term debt notes of the national government. The DGS noted that those government bonds are easily convertible into money within 7 working days. During the stress test, all funds were in the central bank.

340. Four DGSs from three Member States reported a score of 'B – fair':

- One DGS reported that selling the bonds portfolio in 7 days would not be feasible so it opted to sell the portfolio, making use of a repurchase agreement in order to avoid a 'fire sale'. Some delays appeared due to operational settlement instructions that were not updated with the custodian, which was later solved.
- One DGS reported that *ex ante* funds were liquidated within 5 days with a discount of 1% and, although adequate procedures were in place, the test revealed some legal issues with the competent authority and the need to increase efficiency in some areas.

- One DGS reported that funds were held in the central bank so the test consisted in the revision of the written procedures among both institutions.
- One DGS gave no explanation of the reported score, but reported that assets were invested in low-risk debt instruments (804 different instruments), which ensured liquidity, and that the decentralised structure (13 guarantee funds, of which 11 were managed by the different regional banks associations and the remaining two were managed by the DGS) ensured an efficient distribution of workload in times of stress.

341. One DGS reported a score of 'C – poor'. The DGS explained that, in a liquidity crisis situation, it may not be able to liquidate some of the financial instruments it holds. The main shortcomings, according to the report submitted, included the lack of a repo agreement with the central bank (the DGS had only one repo agreement with one adhered member). The DGS also reported that the central bank was of the opinion that it was necessary to change the current legal framework for it to be allowed to conclude a repurchase agreement with the DGS. Additionally, the DGS noted that one of the sensitive points was the fact that the credit institutions with which it was negotiating such agreements were willing to accept only government bonds as underlying assets.

342. Two DGSs from two Member States reported that they did not assess the area measured by indicator i21. Of these DGSs:

- One DGS reported that it had not conducted a funding stress test during the reference period.
- One DGS reported having performed a funding capability test but this test did not assess this indicator.

Adequacy of ex post and alternative funding means to cover the funding needs not covered by ex ante funds (i22)

343. In the report on the priority tests, DGSs reported on the area measured by indicator i22, the 'adequacy of ex post and alternative funding means to cover the funding needs not covered by ex ante funds (shortfall remaining after exhausting ex post and alternative funding means) (quantitative)'. The reports submitted by DGSs showed that 17 DGSs reported qualitative scores, even though it was a quantitative indicator:

- Eleven DGSs from 11 Member States reported a score of 'A – optimal'.
- Four DGSs from four Member States reported a score of 'B – fair'.
- One DGS reported a score of 'C – poor'.
- One DGS reported a score of 'D – very poor'.

- Ten DGSs from nine Member States did not include a qualitative score for this indicator.
- Five DGSs from five Member States did not include an assessment of indicator i22 in their reports.

344. Of the 11 DGSs that reported that the area measured required no improvement (score 'A – optimal'):

- Three DGSs from three Member States reported that *ex ante* funds were sufficient to perform the payments in the scenario provided.
- Four DGSs from four Member States mentioned the existence of a last resort mechanism with the national government.
- One DGS stated that it had unlimited access to state guaranteed loans as a result of the national legislation.
- One DGS stated that its credit line could be drawn in 3 days maximum and one-third could be drawn in 24 hours, and that credit facility is sufficient to cover the gap between the target level and the financial means.

345. Of the four DGSs that reported that the area presented weaknesses that were isolated and/or could easily be addressed at the point of failure, and were unlikely to affect the ability of the DGS to perform its tasks under the conditions of the DGSD (score 'B – fair'):

- One DGS stated that the DGS could request an urgent approval of two ministries (budget and finance) to cover the shortfall.
- One DGS stated that the shortfall could be met with extraordinary contributions.

346. The DGS that stated that the area presented weaknesses that were likely to complicate the ability of the DGS to perform its tasks under the conditions of the DGSD, and required improvement (score 'C – poor'), indicated that by using *ex post* funding and alternative finance arrangement, the shortfall could be covered. However, the scenario assumed that some pending issues related to the legal framework had already been solved.

347. The DGS that reported that the area presented grave shortcomings that were likely to prevent the DGS from performing its tasks under the conditions of the DGSD and required immediate remedies (score 'D – very poor') stated that there was an urgent need to establish arrangements for alternative funding means.

348. Of the 10 DGSs that did not report a qualitative score in their reports for the quantitative indicator i22:

- One DGS stated that there was no shortfall, as *ex ante* funds fully covered the funding need and no recourse to alternative measures was needed, but a lack of alternative funding pre-arrangements was observed.
- One DGS stated that the shortfall (lower than the amount of extraordinary contributions included in the contingency plan approved by its Board of Directors) would easily be absorbed.
- One DGS stated that by using *ex post* contributions and alternative finance arrangements there would be no shortfall.
- One DGS stated that *ex post* contributions were levied up to the amount of 0.5% covered deposits and all institutions paid, except for one, for which a deferral of payment was assumed on the grounds that the payment would lead to a failure to achieve the Common Equity Tier 1 capital ratio. The DGS reported that, overall, the *ex post* and alternative funds are considered adequate to cover the funding needs in the given scenario and no shortfall will occur.
- One DGS stated that the extraordinary contributions could have been collected via direct debit at the Capital Requirements Regulation credit institutions affiliated with the DGS, with a value date of t+3. Since funds from the above-mentioned funding sources were adequately provided, other alternative funds of the DGS were not tested within the scope of the EBA stress test.
- One DGS reported that *ex post* contributions had been collected sufficiently (fictitiously). There was no gap after the collection of *ex post* contributions.

349. Of the DGSs that did not report an assessment of indicator i22 in their reports:

- One DGS did not perform tests on funding capability.
- Four DGSs from four Member States reported that the area measured by indicator i22 had not been tested because *ex ante* funds were sufficient to cover the funding needs.

Quality assessment of the arrangements in place for accessing alternative funding means (i23)

350. To assess the arrangements in place for accessing alternative funding means (i23), DGSs reported having conducted various types of tests:

- Sixteen DGSs from 16 Member States conducted scenario-based stress tests involving fictive or real member institutions:
 - Eleven DGSs from 11 Member States applied a payout scenario.
 - Three DGSs from three Member States applied a resolution scenario.

- o Two DGSs from two Member States applied both scenarios;
 - o One DGS specified that the intervention scenario consisted of a real payout of a small bank, with a simulated payout case of a larger bank taking place in parallel.
- Eight DGSs from seven Member States tested the use/availability of funds for an intervention by the DGS in the amount of its target level. Of those, one DGS applied the reduced target level of 0.5% of covered deposits, while the rest applied a target level of 0.8%.
 - One DGS tested the use/availability of funds for an intervention for three different amounts of funding from 0.5% to 3%. The upper limit was chosen to test the ability to cover the payout for a group of several small banks or for a bank from the medium-sized group.
 - Two DGSs from two Member States conducted a quantitative analysis of available funding in relation to the banking market, of which one DGS also conducted a test activating the existing credit line.
 - One DGS conducted a legal consultation in order to check the irrevocability of the credit facility.
351. Four DGSs from four Member States included data of real-life cases to assess their financial capability.
352. Six DGSs from six Member States based their assessment on more than one test for, among others, the following reasons:
- different priorities for the tests (e.g. one test focusing on *ex ante* funding and another focusing on *ex post*/alternative financing);
 - combined tests of operational and financial capabilities being supplemented by financial capabilities tests of limited scope;
 - the inclusion of data from real cases.
353. In the report on the priority tests, DGSs reported on the area measured by indicator i23, 'quality assessment of arrangements in place for accessing alternative funding means (reliability, quantity) (qualitative)'. The reports submitted by DGSs showed that:
- Eleven DGSs from 10 Member States reported a score of 'A – optimal'.
 - Nine DGSs from eight Member States reported a score of 'B – fair'.
 - Four DGSs from four Member States reported a score of 'C – poor'.

- Two DGSs from two Member States reported a score of ‘D – very poor’.
- Six DGSs from five Member States reported that they did not assess this area in the tests performed, of which:
 - Four DGSs from four Member States did not rate the indicator because the underlying case/scenario did not require alternative financing.
 - One DGS did not conduct a funding capability test.

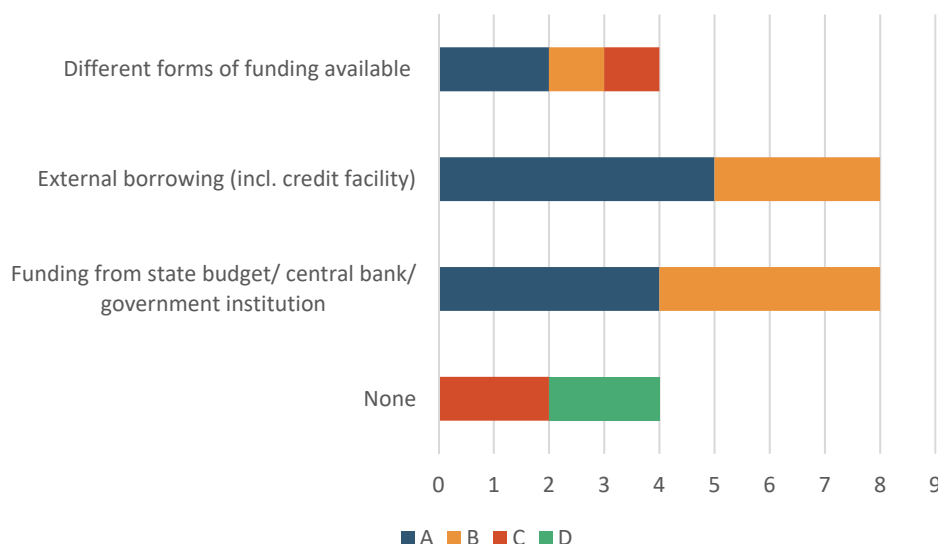
354. In the report on the priority tests, 26 DGSs reported on the nature of their arrangements for alternative funding means; the following answers were obtained:

- Nine DGSs from nine Member States were able to borrow externally in case of the need for alternative funding means.
- Eight DGSs from eight Member States were able to access funding from the state budget, the central bank or a government institution, including those they formed part of, in the form of guarantees or repayable funding.
- Five DGSs from five Member States had more than one source of alternative funding means available. Of these DGSs:
 - One DGS explained that alternative funding could be obtained through the issuance of bonds via an auction and, in addition, repayable state budget funding was available.
 - One DGS explained that alternative funding means included a commercial loan, a loan from the state or another DGS, or a state guarantee.
 - One DGS explained that alternative funding means included market funding, a loan within the authority the DGS forms part of or an unlimited state guaranteed loan.
 - One DGS, which is also an IPS, explained that it could obtain additional financial means from a second, voluntary, IPS that belonged to the same banking association. This voluntary IPS has a guarantee fund (equity) and a guarantee network in place. The association is also the sole shareholder of the mandatory IPS, which is officially recognised as a DGS. The funds of the voluntary IPS accumulated in the guarantee fund can be transferred to the statutory IPS in two ways. Firstly, the statutory IPS can take a loan from the voluntary IPS. Secondly, funds can be transferred based on an existing liability agreement. Furthermore, as means of further external alternative funding arrangements, a line of credit could be drawn upon at the member banks based on the guarantees granted via the guarantee network.

- o One DGS explained that alternative funding means included borrowing from affiliated credit institutions guaranteed by the ministry of finance and borrowing from the ministry of finance.
- Four DGSs of four Member States reported having no arrangements for alternative funding available.

355. Figure 15 combines the qualitative scores reported for indicator i23 and the type of alternative funding arrangements available to a DGS.

Figure 15: Scores according to the type of alternative funding arrangements available (i23)



356. Of the 11 DGSs that reported that the area measured required no improvement (score 'A – optimal'):

- Two DGSs from two Member States explained that the test of procedures to draw from the commercial credit facility showed that arrangements, agreements and processes allow for timely payout within 7 working days. In one case, the DGS specified that a committed credit line amounting to EUR 1.4 billion is in place and drawdowns can be made in 3 days maximum (and one-third can be made on day 1).
- One DGS explained that the different sources available for alternative funding means could be accessed within 1 day.
- Three DGSs from three Member States employed alternative funding means prior to using existing funds or levying *ex post* contributions, stating the following reasons:

- o One DGS explained that the collection of *ex post* contributions would have affected its ability to pay out in 7 working days.
- o One DGS explained that its service provider's collateralised financing allowed immediate access to financial resources for the entire amount of the available portfolio (net of the ECB haircut), which prevented the DGS from selling its portfolio.
- o One DGS explained that, in the case of insufficient *ex ante* funds, it was decided that credit lines would be used instead of levying *ex post* contributions to avoid additional financial burdens on member banks. The necessity for credit lines was assessed annually and agreements with banks concluded accordingly.

357. The 15 DGSs that reported that the area presented weaknesses provided the following details:

- Six DGSs from five Member States stated that arrangements and processes for accessing alternative funding sources still needed to be or were being implemented, of which:
 - o Four DGSs from four Member States explained that efforts were under way to establish a credit facility/commercial loan agreement to improve access to alternative funding, of which:
 - One DGS specified that, apart from a commercial credit agreement, the option of a credit agreement with international organisations or the government would also be explored.
 - One DGS further specified that, originally, negotiations for an interest-free loan were undertaken, but these were not completed, since the DGS was not considered a public authority and did not have a 0% risk weight. At this point, the DGS was unaware whether the credit agreement would be a syndicated loan between multiple banks or if this would be done with individual banks only. Should a commercial loan with a member bank not be reached, then the DGS might also seek possible state aid from the ministry of finance.
 - o One DGS specified that an authorisation for external borrowing was provided for in the statutes and that the related procedure was still being discussed.

- Two DGSs from two Member States stated that they were in the process of negotiating with the ministry of finance regarding an agreement on contingency financing and on a state guarantee to improve access to alternative funding means.
- Four DGSs from four Member States stated that the test had revealed some shortcomings in the framework for accessing alternative financing (e.g. regarding inefficient decision-making processes, legal uncertainties, insufficient internal procedures and governance issues) that needed to be remedied:
 - One DGS specified that, with respect to the alternative financing means in place, apart from some technical issues, there was a need to achieve a faster and more effective decision-making process and clarification of the interpretation of some related legal requirements and procedural aspects.
 - One DGS specified that, according to the current legislation, the lender of last resort was the ministry of finance, from which the DGS may request a guarantee in order to be able to arrange loans from private sources. The arrangement revealed several shortcomings in the stress test, which were in the process of being remedied, as follows: (i) applicable legislation contained incomplete/inapplicable/inappropriate provisions in relation to the state guarantees that the DGS is entitled to request, (ii) there was no signed financing protocol between the DGS and the ministry of finance that set out how to act in the various situations that may arise, for both state guarantees and loan applications and (iii) there was no mechanism in place that would enable the DGS to convert any foreign currency loans via the national bank in such a way that the foreign exchange market and, implicitly, the financial stability would not be negatively affected (which applies to large loan amounts compared with the daily average volume of foreign currency transactions on the interbank market).

358. Two DGSs from two Member States found that they had no right to borrow money, if necessary, to participate in a resolution, and one of these DGSs explained that the shortfall experienced in the tested resolution scenario could not be covered by accessing the alternative funding source defined by the national deposit guarantee act, as its corresponding provisions were explicitly limited to compensation cases; however, as the funding gap was caused by high intra-year growth in deposits, there were legal provisions in place to anticipate such developments (by levying flat-rate growth surcharges).

Tests of other interventions: failure prevention and contribution to insolvency

a. Legal basis and background

359. Recital (16) of the DGSD states the following: 'It should also be possible, where permitted under national law, for a DGS to go beyond a pure reimbursement function and to use the available financial means in order to prevent the failure of a credit institution with a view to

avoiding the costs of reimbursing depositors and other adverse impacts. Those measures should, however, be carried out within a clearly defined framework and should in any event comply with State aid rules. DGSs should, inter alia, have appropriate systems and procedures in place for selecting and implementing such measures and monitoring affiliated risks. Implementing such measures should be subject to the imposition of conditions on the credit institution involving at least more stringent risk-monitoring and greater verification rights for the DGSs. The costs of the measures taken to prevent the failure of a credit institution should not exceed the costs of fulfilling the statutory or contractual mandates of the respective DGS with regard to protecting covered deposits at the credit institution or the institution itself.'

360. Article 3(2) of the DGSD states the following: 'Competent authorities, designated authorities, resolution authorities and relevant administrative authorities shall cooperate with each other and exercise their powers in accordance with this Directive.'

The relevant administrative authority shall make the determination referred to in point (8)(a) of Article 2(1) as soon as possible and in any event no later than five working days after first becoming satisfied that a credit institution has failed to repay deposits which are due and payable.'

361. Article 11(3) of the DGSD states that 'Member States may allow a DGS to use the available financial means for alternative measures in order to prevent the failure of a credit institution provided that the following conditions are met:

- (a) the resolution authority has not taken any resolution action under Article 32 of Directive 2014/59/EU;
- (b) the DGS has appropriate systems and procedures in place for selecting and implementing alternative measures and monitoring affiliated risks;
- (c) the costs of the measures do not exceed the costs of fulfilling the statutory or contractual mandate of the DGS;
- (d) the use of alternative measures by the DGS is linked to conditions imposed on the credit institution that is being supported, involving at least more stringent risk monitoring and greater verification rights for the DGS;
- (e) the use of alternative measures by the DGS is linked to commitments by the credit institution being supported with a view to securing access to covered deposits;
- (f) the ability of the affiliated credit institutions to pay the extraordinary contributions in accordance with paragraph 5 of this Article is confirmed in the assessment of the competent authority.

The DGS shall consult the resolution authority and the competent authority on the measures and the conditions imposed on the credit institution.'

362. Article 11(6) of the DGSD states that 'Member States may decide that the available financial means may also be used to finance measures to preserve the access of depositors to covered

deposits, including transfer of assets and liabilities and deposit book transfer, in the context of national insolvency proceedings, provided that the costs borne by the DGS do not exceed the net amount of compensating covered depositors at the credit institution concerned’.

363. Paragraph 42 of the EBA Guidelines on DGS stress tests specifies that ‘DGSs should test their ability to fulfil their tasks in all the types of intervention scenarios set out in Directive 2014/49/EU [the DGSD], namely:

- to compensate depositors in the event of a credit institution’s insolvency pursuant to Article 11(1) of Directive 2014/49/EU (“repayment function”);
- to finance the resolution of credit institutions in order to preserve continuous access to deposits in pursuant to Article 11(2) of Directive 2014/49/EU and Article 109 of Directive 2014/59/EU (“contribution to resolution function”);
- to use their available financial means for alternative measures in order to prevent the failure of a credit institution, if allowed under the law of the Member State where the DGS is established, pursuant to Article 11(3) of Directive 2014/49/EU (“Failure prevention function”);
- to use their available financial means to finance measures to preserve the access of depositors to covered deposits in the context of national insolvency proceedings, if allowed under the law of the Member State where the DGS is established, pursuant to Article 11(6) of Directive 2014/49/EU (“contribution to insolvency scenario”).’

364. Paragraph 51 of the Guidelines specifies that ‘[w]here, pursuant to Article 11(3) of Directive 2014/49/EU [the DGSD], a DGS is allowed to use funds for the prevention of failure of a credit institution, it should perform at least two types of tests:

- a test simulating a significant deterioration of the financial situation of one or several affiliated credit institutions, including their capital position, asset quality and liquidity position. In this context, the test should assess whether the DGS would be able to prevent failure under the conditions set out in Article 11(3) of Directive 2014/49/EU, including by considering the type of alternative measures that could be implemented and whether the DGS would have the funding capacity to provide the necessary support; and
- a test of the risk monitoring systems of the DGS. Where distress situations have been recorded in the past, DGSs should determine whether the monitoring systems have been able to detect the imminence of the risk.’

b. Methodology, data sources and their limitations

365. DGSs could test their ability to use their available financial means (i) for alternative measures in order to prevent the failure of a credit institution and/or (ii) to finance measures to preserve the access of depositors of covered deposits in the context of national insolvency proceedings, both if allowed under the law of the Member State. Therefore, the reporting template did not include any specific indicators for the assessment of these types of tests. However, indicator i5, regarding information on problems that are likely to give rise to the intervention of a DGS, is of relevance for this assessment and is discussed in the section 'Operational capability tests' of this annex.

c. Main findings, good practices and issues identified

366. In the reports submitted on the priority tests, only one DGS reported having performed a test of the use of financial means for failure prevention. The overall score reported for this test was 'A – optimal'.

367. The failure prevention test was reported on the basis of six real-life cases (restructuring activities in credit unions from 2014 until the end of 2017), with a total amount disbursed by the DGS of EUR 110 million. The required amount was obtained in full from *ex ante* resources.

368. The DGS stated that the principles and forms of extending assistance and support, as well as pursuing the return of the devoted resources, were stipulated in the corresponding resolution of the DGS council, following the terms set out in the national legislation. The DGS performed an internal audit in two of the above-mentioned interventions.

369. The main areas/processes tested by this DGS were:

- a qualitative assessment of the data transferred by credit institutions that requested financial support;
- the arrangements and processes in place for the assessment by the DGS of such requests, including the compliance with the statutory conditions for granting assistance;
- the preparation of loan agreements;
- instructions for disbursement.

Annex 2 – Template for reporting results

Annex 1 – Template for reporting results	
Guidelines on stress tests of deposit guarantee schemes under Directive 2014/49/EU	
1ST EBA PEER REVIEW ON DGS STRESS TESTING PURSUANT TO ARTICLE 4(10) OF THE DGSD RESULTS OF PRIORITY TESTS PERFORMED IN APPLICATION OF PARAGRAPH 96 OF SECTION 8 OF THE GUIDELINES ON STRESS TESTS OF DEPOSIT GUARANTEE SCHEMES	
QUESTIONS	ANSWERS
A. GENERAL QUESTIONS Deposit Guarantee Scheme for which the results are reported Contact details of the designated authority Contact details of the deposit guarantee scheme if different from designated authority Period covered by the summary Number of institutions which are members of the DGS Repayment periods applicable to the DGS during the period pursuant to Article 8(2) DGSD	<i>(Where applicable, guidance is provided in italics. Also See instructions in separate sheet)</i> <i>Name of DGS</i> <i>Name, email, mail address and phone number.</i> <i>Name, email, mail address and phone number.</i> <i>Number at the time of reporting</i> <i>E.g. 7 working days.</i>
B. SCV FILES TESTS	
Number of institutions tested Where applicable, reason for not	

testing all institutions
How many members were tested on the basis of samples
How many members were tested on the totality of their SCV files
Where sampling was used, describe the methods used to define the sample and ensure representability of the sample
i1: Overall quality assessment of the SCV files resulting from the tests, main shortcomings, main reasons for shortcomings, expectation of future developments (qualitative)
i2: Qualitative assessment of arrangements in place for requesting and obtaining SCV files (qualitative)
i3: Time to obtain transmission of SCV files, from request to institution (quantitative)
i4: Share of substandard entries (missing, inaccurate, or not containing the data necessary for

Number of days. Indicate minimum and maximum as well as average

Percentage as a share of an institution's total SCV files or sample. Average across all the tests, range (min and max).

treatment and payment)					
C. OPERATIONAL CAPABILITY TEST(S)					
Describe the priority tests applied (intervention scenarios chosen, type of institutions etc.). One column per test. Overall quality assessment resulting from the tests, main shortcomings, reasons for these shortcomings, expectation of future developments. <u>1) Access to data</u> <u>a) Information on depositors and deposits</u> i1: Overall quality assessment of the SCV files resulting from the tests, main shortcomings, main reasons for shortcomings, expectation of future developments (qualitative) i2: Quality assessment of arrangements in place for requesting and obtaining SCV files (qualitative)	Leave empty	Describe test 1	Describe test 2 if any	Describe test 3 if any	
	General assessment if more than one test	Assessment for test 1	Assessment for test 2 if any	Assessment for test 3 if any	
	Leave empty	Assessment for test 1	Assessment for test 2 if any	Assessment for test 3 if any	
	Leave empty	Assessment for test 1	Assessment for test 2 if any	Assessment for test 3 if any	

i3: Time to obtain transmission of SCV files, from the day of the request to the affiliated credit institution (quantitative)	<i>Leave empty</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i4: Share of substandard SCV files or SCV files' entries (missing, inaccurate, or not containing the data necessary for processing and payment) (quantitative)	<i>Leave empty</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
<u>b) Information on problems that are likely to give rise to the intervention of a DGS.</u>				
i5: Quality of the arrangements in place for obtaining information from competent or resolution authorities on problems detected at a credit institution which could give rise to DGS intervention, including whether they ensure receiving timely information on early deterioration of an institution's financial situation (qualitative)	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
<u>2) staff and other operational resources</u>				
i6: Adequacy of the existing staff, budget and other resource that	<i>General assessment if more</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>

would be available in a real-life scenario (quantitative and qualitative)	<i>than one test</i>			
i7: Adequacy of extra staff, budget and other resources that would be available at short notice when needed (quantitative and qualitative)	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
<u>3) Communication with depositors and the wider public</u>				
i8: Time to set up call centres and ad hoc websites or webpages (quantitative)	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i9: Capacity of websites or call centres in terms of number of connections or calls (quantitative)	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
<u>4) Payment means</u>				
i10: Review of payment instruments available for payout scenarios (qualitative)	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i11: Adequacy when applied to a high number of payments, as defined in the scenarios (qualitative)	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
<u>5) Repayment and contribution periods</u>				
i12: For repayment scenarios, time from the	<i>General assessment if more</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>

determination of unavailability of deposits to the moment when the repayable amount is made available (quantitative)	<i>than one test</i>			
i13: Where temporary high balances or beneficiary account are earmarked on a continuous basis as described in paragraph 69 of the guidelines on DGS stress tests, time elapsed from the determination of unavailability of deposits to the moment when the repayable amount is made available (quantitative)	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i14: For resolution scenarios, time elapsed from the resolution authority's request to the payment of the contribution (quantitative)	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
<u>6) Home-host cooperation (optional as part of the operational capability test)</u>				
i15: Ability to extract earmarked SCV information on depositors at branches set up by their affiliated credit institutions in other Member States (qualitative)	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>

i16: Time to produce and transmit to host authorities payment instruction files, from the transmission of SCV files by institution (quantitative)	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i17: Quality assessment of channels for the transmission of payment instruction files	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i18: Confirmation from host DGSs that the payment instruction files would be adequate for repaying depositors	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i19: Ability to meet the deadlines laid down in the Guidelines on cooperation arrangements between deposit guarantee schemes	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
D. OPERATIONAL CROSS BORDER COOPERATION TEST				
Describe tests performed during the period and involving cross-border cooperation. Overall assessment resulting from the tests, main	<i>Leave empty</i>	<i>Describe test 1</i>	<i>Describe test 2 if any</i>	<i>Describe test 3 if any</i>
	<i>General assessment if more</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>

shortcomings, reasons for these shortcomings, expectation of future developments.	<i>than one test</i>			
i15: Ability to extract earmarked SCV information on depositors at branches set up by their affiliated credit institutions in other Member States (qualitative);	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i16: Time to produce and transmit to host authorities payment instruction files, from the transmission of SCV files by institution (quantitative);	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i17: Quality assessment of channels for the transmission of payment instruction files	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i18: Confirmation from host DGSs that the payment instruction files would be adequate for repaying depositors	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i19: Ability to meet the deadlines laid down in the Guidelines on cooperation arrangements between deposit guarantee schemes	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>

E. FUNDING CAPABILITY TEST		
Describe the main tests (intervention scenarios chosen, type of institutions etc.) involving funding capability testing	<i>Leave empty</i>	<i>Describe test 1</i>
Amount of funds required by the intervention	<i>Describe test 2 if any</i>	<i>Describe test 3 if any</i>
Describe the funding mix obtained in the test: amount of funds required by the intervention, amount of <i>ex ante</i> funds used, including the amount of payment commitments called upon, amount of <i>ex post</i> contributions collected, amount of alternative funding means obtained	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>
Overall assessment of the results, main shortcomings, reasons for these shortcomings, expectation of future developments.	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i20: Adequacy of <i>ex ante</i> funds to cover the funding need (shortfall in absolute value and	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>

as a share of the need)				
i21: Qualitative assessment of the DGS's ability to liquidate assets invested as part of the available financial means within the deadline	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i22: Adequacy of <i>ex post</i> and alternative funding means to cover the funding needs not covered by <i>ex ante</i> funds (shortfall remaining after exhausting <i>ex post</i> and alternative funding means) (quantitative)	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>
i23: Quality assessment of arrangements in place for accessing alternative funding means (reliability, quantity) (qualitative)	<i>General assessment if more than one test</i>	<i>Assessment for test 1</i>	<i>Assessment for test 2 if any</i>	<i>Assessment for test 3 if any</i>



EUROPEAN BANKING AUTHORITY

Floor 24-27 Tour Europlaza
20 Avenue André Prothin
92927 Paris La Défense, France

Tel. +33 186527000
E-mail: info@eba.europa.eu
<http://www.eba.europa.eu>