

September 2020

EFDI CHARTER

for Sustainable Deposit Guarantee and Investor Compensation Schemes

Foreword

Deposit Guarantee Schemes (“DGSs”) and Investor Compensation Schemes (“ICSs”) are active players in the international economy, aware of their responsibilities and the world they work in. With this Charter, they want to bring and demonstrate their support and adherence to the principles of sustainability and social responsibility, and answer the call made in that field by various international organisations and initiatives, including the United Nations Environment Programme Finance Initiative (UNEP FI).

DGSs and ICSs are entrusted with a mission of public interest.

Whatever their jurisdiction, status or governance, their mission is to contribute to financial stability and depositors’ and investors’ confidence in the financial system by preventing or limiting the damages caused by the possible failure of financial institutions. They act in the interest of clients, firms and institutions, regulators and governments, taxpayers, the public at large.

By nature, DGSs’ and ICSs’ role and action concur with the principles of sustainability and social responsibility.

Trying to anticipate crisis, preventing them through early intervention measures or resolution, compensating clients, DGSs and ICSs help ensuring financial institutions’ clients with the stability they need to better develop their own activities and design their future.

Through the contributions they raise on financial institutions, those entities bear, as responsible corporate players, the costs associated with the interventions needed. Properly designing those levies, DGSs and ICSs may also encourage the most sustainable business models in the financial sector.

While their mission is in line with the principles of sustainability and social responsibility, DGSs and ICSs can commit themselves even more fully with those principles and endeavour to achieve those objectives in the best and most concrete possible way.

The aim of this Charter, as proposed by EFDI after it has been validated by its General Assembly, is to invite its signatories to do their best in that field and to make their will and pledge public.

This Charter is addressed, beyond European DGSs and ICSs, to all deposit insurers and investor compensation schemes in the world, willing to openly comply with its principles. It will be issued with its tenth signatory.

EFDI will regularly update the list of signatories on its website.

As an international non-profit association, the "European Forum of Deposit Insurers – Association of European Deposit Guarantee Schemes and Investor Compensation Schemes", EFDI, intends to contribute to the stability of financial systems by strengthening the role of deposit guarantee schemes (DGSs) and investor compensation schemes (ICSs) as well as promoting European cooperation in these fields.

EFDI represents the common interests of the Members, exchanges information, experiences and views, provides analysis, assessment and recommendations in its field of expertise, and collaborates with EU, national, supranational and international institutions.

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EFDI Principles for Sustainable Deposit Guarantee and Investor Compensation Schemes

We, Deposit Guarantee Schemes and Investor Compensation Schemes from various jurisdictions, signatories of this Charter, are within our mandate active players of the global financial safety net and to the public good.

As such, we are aware of our responsibilities as participants in the global economy.

We are conscious of the issues faced by the global economy and society including climate change, pandemics, conflicts, discriminations, financial crimes, cyber risks, unethical behaviours.

Within the international or domestic regulatory and governance framework applicable to us, we are willing to contribute to the best of our abilities, to the efforts of the world community and in particular to support the financial services sector to meet with those challenges.

With that objective in mind, we adhere to the general principles of sustainability, corporate responsibility and ethics to guide our action, including the following elements, more specific to our activity.

This Charter is intended to set out our common understanding and goals in those matters. It is not intended to create any legally binding obligations on signatories, who work under differing regulatory and governance settings. Furthermore, no one may raise any legal claim or take any legal action on the basis of this Charter.

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Pursuing our missions

Our primary objective is to contribute to financial stability and inter alia protect the covered clients of our member financial institutions.

We intend to pursue this objective in an active, responsible and ethical way, with determination and no complacency, so as to further comfort clients' confidence and financial stability.

Dealing with financial institutions' clients

We will abide by a strict principle of equality and impartiality vis-à-vis financial institutions' clients, whatever their nationality and residence¹, and of course, sex, gender, colour, age or religion.

In resolution or compensation cases, we are also committed to act decisively to reduce the statutory delay to the shortest possible time, where clients lose access to their covered assets; as well as to limit their possible losses through the protection we offer.

We will take special care to adequately protect personal data of financial institutions' clients, in line with the applicable regulations.

Where we see examples of poor corporate practice or behaviour we will identify and report those to the appropriate regulatory, civil or criminal authorities.

Applying sound governance rules

Whatever our status, public or private, independent, autonomous or not, we will strive to ensure sound, transparent and unbiased decision-making processes and that our decisions reflect and are only driven by our mission and applicable legislation.

We will be mindful that actual or perceived conflicts of interest are correctly anticipated and handled under strict ethical requirements.

We are of course committed to comply with all applicable laws and regulations.

¹ As also mentioned by IADI Core Principles n° 8 and 14:
CP n° 8 - EC7: "The residency status or nationality of depositors has no effect on coverage."
CP n°14 - EC7: "The resolution regime does not discriminate against depositors on the basis of their nationality or residence."

Implementing ethical and responsible corporate principles

As responsible entities, we favour a corporate culture and internal policies aligned with the objectives of this Charter. We encourage and support employees to demonstrate such commitment in their interaction with depositors and investors as well as internally.

We adhere to the principles of equal pay and equal rights for our teams, without regards for sex, gender, colour, age, religion or nationality.

We also encourage a responsible treatment of the environment, with a close monitoring of our consumption and use of energy, in particular CO₂, plastic and non-renewable materials, and of the recycling of our waste. We are conscious of the carbon footprint and general impact of travel in our work participation at events, and will seek to exploit environmentally friendly alternatives where possible, both as to travel itself and also when providing gifts, hospitality and entertainment.

We will apply these principles in our procurement of goods and services.

Risk management

In order to adequately achieve our role and mission in all circumstances, we have [or will shortly] put in place risk management tools, internal control policies and contingency plans aimed at better identifying, anticipating and remedying the internal and external risks associated with our activities, both in crisis as well as ordinary times.

In addition to operational risks e.g. as to payout or reputation, those risks include, without being limited to, where applicable, the risk of fraud, cyber risks, climate risks, pandemic risks, business discontinuity.

We will regularly assess and upgrade those tools and policies as far as needed.

Business continuity

In order to cope with possible disruptions, we have, or we will shortly put in place, business continuity plans to ensure our ability to pursue our missions, fulfil our legal mandate at all times, even in case of unexpected circumstances induced by human or mother nature.

Raising contributions

We are committed to raise contributions in a way that could mitigate moral hazard in the financial system, making riskier business models more costly on one hand, and encouraging stable business models on the other.

We will periodically conduct or support the review of the criteria for those risk-based contributions to ensure that the risks of our member financial institutions are as much as possible comprehensively, accurately and timely captured.

Those of us who have not implemented a risk-based contribution model yet, will keep such approach under review with a view to its introduction where considered appropriate and possible.

Setting the level of our resources

Our resources found the promise we bring towards financial institutions' clients and their confidence towards us. They should be proportionate to our liabilities.

In case our resources are depleted, we will aim at reconstituting them at the appropriate level within a short delay, taking account of all associated parameters such as risks and financial needs of the system, impact on contributors, business cycle.

Investing our funds

The two main objectives of our investment strategy are liquidity and security. When in charge, we are committed to invest our resources, directly or through external operators, in a low-risk and sufficiently diversified manner. Performance of investment portfolios comes third.

Our resources should be available at any moment to allow prompt action in crisis times. Their market risk should be monitored to avoid significant value declines that would reduce our intervention capacities.

As part of our investment strategy, where possible, we will consider taking into account, if not already the case, a Corporate Social Responsibility approach in order to favour the financing of responsible and ethical entities.

We will strive at excluding controversial weapons and red flags issuers from our investments.

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We will periodically review this Charter and adapt it to continuously higher standards over time.