



1999-2019: the FGDR celebrates its 20th anniversary and publishes its 2019 activity report

The year 2019 marked the 20th anniversary of the Fonds de Garantie des Dépôts et de Résolution (FGDR). The publication of its annual report is an invitation to look back on the work undertaken to ensure even greater protection for customers of the financial sector and safeguard the stability of the system.

IN 20 YEARS, MAJOR CHANGES IN THE FINANCIAL SECTOR AND THE FGDR

Born out of the failure in 1999 of a locally “systemic” bank, Crédit Martiniquais, the Fonds de Garantie des Dépôts – FGD at the time – was built with a sense of urgency in order to set up a structure, draft the texts needed for its governance and find the best option for pulling this bank out of a crisis.

While the FGDR's preferred method of intervention was to resolve an institution's problems before it could fail, it was able to ensure that the customers of a failed bank could be compensated in less than seven working days, in accordance with the European regulation enacted in 2015. This required working with all French banks to develop a process that would allow the customer data needed for compensation to be collected and processed at any time.

INCREASED RESOURCES AND A BROADER SCOPE TO INCLUDE CRISIS RESOLUTION

To ensure greater banking sector stability in the wake of the 2008 financial crisis, the preventative intervention and resolution mechanisms were expanded at the European level so as to better deal with problems up front through crisis resolution tools designed mainly for large institutions. This is what prompted the FGD to become FGDR, Fonds de Garantie des Dépôts et de Résolution, at the national level and the body responsible for collecting resources for the euro zone's Single Resolution Fund (SRF).

The FGDR's resources have continued to grow, with its own funds reaching €4.7 billion at 31 December 2019, including €4.5 billion for the deposit guarantee scheme. These amounts are proportionate to intervention risk and in line with the targets set by the European regulations. The banks themselves have made considerable efforts since 2008 to better protect savers in Europe and in France, doubling their capital in the intervening years.

A MAJOR ORGANISATIONAL TRANSFORMATION



There have been no bank failures in France for more than 20 years. However, the FGDR has undergone a major transformation to keep pace with changes in the financial sector. With the full support of its Supervisory Board, it established itself as an oversight unit capable of working in an agile way and prepared to intervene as a “first responder of finance”.

The FGDR has involved all French credit institutions in its work – 465 members at 31 December 2019 –, built data exchange protocols with them (SCV files), set up regular controls of these files with each of its members, worked on regulations with the public authorities and developed its own processes and IT resources. It has also focused on customers by implementing an active communication policy that is raising awareness of the FGDR among French people. The FGDR has also made a commitment to conduct stringent stress tests to confirm its operational capability.

Ensuring the stability of the financial sector and protecting its customers remains – after 20 years – the FGDR's roadmap. Improving tools, testing remediation measures with stakeholders, tapping the potential of new technologies and extending the processes developed for the deposit guarantee scheme to the other mechanisms are some of the projects that will continue in light of the public's and the regulator's increasingly high requirements.

“At the dawn of a new decade, the FGDR is looking towards the future, spurred by the undiminished goal of fulfilling its mission to protect customers and be a banking crisis operator in support of responsible finance,” said Thierry Dissaux, Chairman of the FGDR's Executive Board.

The Fonds de Garantie des Dépôts et de Résolution (FGDR)

The mission of the FGDR is to protect and compensate customers in the event that their bank or investment services provider fails. Created by the law of 25 June 1999 on savings and financial security, it intervenes at the request of the supervisory authorities of the banking and financial sector either before a banking crisis, through a preventative intervention or “resolution”, or by providing compensation when a bank fails. It covered 465 banks and financial institutions at 31 December 2019 and manages three mechanisms: the deposit guarantee scheme, the investor compensation scheme and the performance bonds guarantee scheme.

A banking crisis operator in support of responsible finance, the FGDR plays a key role in ensuring the stability of the French banking system.

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