Annual report 2019

FONDS DE GARANTIE
DES DÉPÔTS ET
DE RÉSOLUTION

French deposit insurance and resolution fund

Annual Report Financial Year 2019

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The FGDR team

Foreword

The Fonds de Garantie des Dépôts et de Résolution (FGDR) celebrated its 20th anniversary in 2019. Both young and mature, the FGDR spent little time assessing past years and remained fully focused on its operational priorities in order to serve the customers of financial institutions and preserve the stability of the system. By its nature, however, an annual report is an invitation to look back and an opportunity to gauge, honestly and without being overly critical, the progress made to date.

Like the French financial sector, the FGDR has undergone many changes in the past 20 years. 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. It had to invent and set up a structure, draft the texts needed for its governance and find the best way out of the ongoing crisis, all at the same time. It was a daunting baptism of fire, in the true sense of the word, for an institution that had to assume the role of a financial firefighter – what we would call an emergency physician nearly two decades later.

The FGD's preferred method at the time was preventive intervention, and for obvious reasons: deal with problems before a failure actually occurs; first ensure that the bank's customers are not affected and that banking or financial services are not interrupted; and limit the FGD's financial commitment through intervention as early as possible, before the crisis can wipe out the institution's value. Since this was not always possible, the FGD also had the ability to compensate depositors or other customers of the financial sector within three months, with an extension when necessary.

With the financial crisis of 2007-2009 and beyond, this positioning was turned on its head. The three-month compensation period seemed to offer far too little security for depositors, and the protective mechanisms were too limited to protect customers and institutions from a bank run. The decision was made in 2009 at European level, and transposed into French law in 2010, to reduce the compensation period for customers of a failed bank to 20 working days, which has since been reduced to seven working days. For the Fonds de Garantie des Dépôts, this was a major turning point. Without giving up its ability to intervene on a preventive basis, and today also through resolution, it worked hard to address the consequences of this new paradigm: paying compensation within seven working days requires that processes be developed up front with all financial institutions to ensure the rapid collection and processing of all data needed to compensate an unspecified number of depositors with a wide variety of situations.

With the full support of its Supervisory Board, the FGDR has therefore completely and voluntarily transformed itself since then. It has involved the banking industry in its work, built data standards with it (the "SCV files"), worked on regulations with the public authorities, developed its own processes and IT resources, established a process to monitor credit institutions' ability to operate regularly, expanded its teams and signed contracts with a growing number of external partners. It has also focused on customers of institutions by implementing an active communication policy. The FGDR has also made a commitment to conduct stress tests to ensure its operational capability. Lastly, it has searched for best practice worldwide and shared its own experience with its counterparts.

The FGDR can be proud of its accomplishments. In looking back, if only briefly, the FGDR must also express its sincere appreciation and gratitude to all those – founders, employees, administrators and external participants – who have shaped it and supported it over the years, and assert its confidence in those who have joined it and support it today.

The road, of course, does not end here. Technological innovations and regulatory changes require us to meet ever-increasing demands: manage crisis communication very closely; settle pending transactions without disruption for the banking industry; test remediation measures with all stakeholders; extend the processes developed for the deposit guarantee scheme to the other mechanisms, and so on. The agenda continues to grow. At the dawn of a new decade, the FGDR is looking towards the future, spurred by the undiminished goal of further stabilising the financial sector and protecting its customers.

Thierry DISSAUX
Chairman of the Executive Board

Michel CADELANO
Member of the Executive Board

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The FGDR's missions and framework of activity

1.1. Missions

The Fonds de Garantie des Dépôts et de Résolution (FGDR) is a financial crisis operator.

It was born out of a need, which is in its DNA: to protect customers of financial institutions, particularly banks, and preserve financial stability. Of course, both these things work together. The public's confidence is needed for financial sector stability. And the financial sector must ensure that this confidence is deserved, through the quality of its services and its practices and through its soundness. It must go even further and assure the public that, if a bank does fail, as rare as that may be, the interests of those who trusted it – the customers – are protected.

That is where the FGDR comes in. Within the "financial safety net", alongside the Prudential Supervision and Resolution Authority (ACPR), the Banque de France and the public authorities, its own mission is to intervene in crisis management, either before a crisis occurs or, when necessary, afterwards, if the crisis has already occurred, by compensating customers.

It is a complex undertaking that entails, at the legal and operational levels, developing specific tools and making them available to all those concerned over the long term. It is also an undertaking with an important international dimension, since its regulatory framework derives largely from European texts, while exchanges with other European and international deposit schemes are crucial to performance, progress and planning.

The FGDR is a financial sector body. Created by law in 1999 and reinforced by public oversight, it has private law status and governance that comes from the financial sector itself, which reflects the guarantee mechanisms it manages. This demonstrates the conviction shared by public authorities and private players alike – that financial stability and customer protection are a common goal in which everyone has a part to play.

The FGDR manages three guarantee mechanisms:

- the deposit guarantee scheme, which protects bank customers;
- the investor compensation scheme, which protects customers of investment firms; and
- the performance bonds guarantee scheme, which covers performance bonds issued by authorised financial intermediaries to customers of certain regulated professions (real estate agents, travel agents, etc.).

In addition to these schemes, there is also a mechanism for funding the resolution of credit institutions and other financial intermediaries.

The FGDR's intrinsic mission is to promote sustainability and social responsibility. It works to support the public interest and serve the public; its role is to anticipate crises, prevent them from occurring or minimise their impact, while the mechanisms for building up its reserves, through risk-based contributions, favour the strongest, best managed institutions. The FGDR also strives to strengthen Corporate Social Responsibility (CSR) and to present itself, to both the public and its financial sector members, as one of the faces of responsible finance to which they themselves are committed and contribute.

Overall, the mission and *raison d'être* of the FGDR is to be a **crisis operator in support of sustainable finance**.

The guarantee mechanisms managed by the FGDR

Deposit guarantee scheme
The deposit guarantee scheme covers amounts of up to €100,000 per person, per bank left in passbook or other accounts by the customers of a failed institution. It covers all bank customers, including natural persons, whether minors or adults, business owners, associations, civil and commercial partnerships, with the exception of financial institutions.

Compensation is made available to depositors within seven working days of the ACPR's decision noting the unavailability of the institution's deposits.

The guarantee may be increased up to an additional €500,000 per event to cover various cases of large deposits made within the three months preceding the failure (sale of residential property, compensation for harm, estate, etc.).

Investor compensation scheme
This guarantee covers all the securities and financial instruments held by investors through their investment services providers (banks, investment firms) in an amount of up to €70,000 per person, per institution. Like the deposit guarantee scheme, it covers all investors, including private individuals and legal entities, with the exception of financial institutions.

The products covered include shares, bonds, units of open-end investment companies or mutual funds, certificates of deposit and negotiable debt instruments, whether held directly (securities accounts) or through an equity savings scheme (PEA). The cash associated with these securities and instruments is also covered up to an additional amount of €70,000. When the service provider is a bank, this cash coverage is included in the €100,000 provided under the deposit guarantee scheme.

Compensation is paid within three months, which may be extended once after determination by the ACPR and the Financial Markets Authority (AMF) that the securities have disappeared and that the institution at which the accounts were held is no longer able to return or repay them.

Performance bonds guarantee
The performance bonds guarantee scheme covers regulated performance bonds that an authorised bank or financial institution must issue to certain regulated professions (real estate agents, travel agents, developers, etc.) to guarantee the proper completion of their customers' projects.

If the bank or financial institution fails, the FGDR takes over and honours the performance bond until the project is completed. If, in the meantime, the professional fails *vis-à-vis* its customers, the FGDR pays compensation in an amount up to 90% of the harm sustained by the customer, with a deductible amount of €3,000.

1.2. Organisation

The FGDR has the necessary skills and resources to operate both under normal circumstances and during a crisis, while controlling its cost base. The internal team is supported by an ecosystem of service providers that can rapidly deploy the resources needed to manage an intervention (call centre, processing centre, media agency, printing, electronic document management, etc.) based on a pre-set, clearly defined and regularly tested *modus operandi*. It also outsources IT services to a French group for core operational systems such as the Compensation and Communication System (CCS) and the member database.

The Executive Board defines the FGDR's organisation and manages its activities, which are carried out in four departments that work interactively: operations, communication and training, legal and finance. The FGDR employed 15 people at year-end 2019. All FGDR employees carry out their tasks in accordance with the rules governing the FGDR's missions, including the internal regulations and the confidentiality and ethics charter.

At the end of 2019, the operations department consisted of six people, including the Head of Operations. It is built around three key functions:
- define, create and update the processes that support the FGDR's compensation activities, with a view to both compensation and the performance of regular controls;
- develop, operate and update the FGDR's information systems;
- co-manage stress tests along with the FGDR's other departments, including defining and implementing them and the associated corrective measures.

The communication and training department consisted of two people at the end of 2019, including the Head of Communications. One person was also hired under a work-study programme to help the department achieve its objectives. The department is responsible for developing information content regarding the FGDR's missions and activity intended for the general public, the authorities and the press. In addition, this department provides training for the compensation operators together with the operations department and implements the continuous training plan for FGDR employees.

The legal and administrative department consists of one person, its manager, who is tasked with analysing, monitoring and implementing regulations regarding the FGDR's activity, monitoring lawsuits related to the FGDR's interventions and managing the FGDR's business activities (including acting as secretary of the Supervisory Board). This person also defines and implements the internal control policy and handles labour law matters.

The finance department consists of three people, including the Head of Finance. It handles the FGDR's administrative management and accounting, and produces the financial statements, ensures compliance with the operating budget through appropriate management control, works with the ACPR to determine the amount of member contributions, and collects these contributions within the specified time periods. In addition, the Head of Finance is responsible for implementing the FGDR's asset management policy in accordance with the objectives and criteria set by the Supervisory Board.

The FGDR's office manager, who reports directly to the Executive Board, ensures that the organisation runs smoothly and assists the communication and other departments as needed.

1.3. Members

All companies that are licensed by the ACPR to operate as a credit institution, an investment services provider or a financial intermediary authorised to issue regulated performance bonds, are members of the FGDR under the deposit guarantee, investor compensation or performance bonds guarantee schemes, respectively. This membership is mandatory and a prerequisite for obtaining a licence.

All financial institutions that fall within the scope of resolution at a national level, and therefore contribute to the National Resolution Fund (NRF), are also members of the FGDR.

At 31 December 2019, the FGDR had 465 members (seven fewer than at 31 December 2018 for all mechanisms). Many of these members participate in several schemes. Taken separately, each mechanism has:

- for the deposit guarantee scheme: 339 members (-11 year on year);
- for the investor compensation scheme: 304 members (+5);
- for the performance bonds guarantee scheme: 286 members (-14);
- for the NRF: 84 members (+1).

1.4. Legal framework

The FGDR's legal framework is mainly derived from the French Monetary and Financial Code (particularly Articles L. 312-4 to L. 312-18 for the FGDR's missions, intervention mechanisms and governance and for the deposit guarantee scheme; Articles L. 322-1 to L. 322-10 for the investor compensation scheme; and Articles L. 313-50 to L. 313-51 for the performance bonds guarantee scheme). This framework was originally established by Law No. 99-532 of 25 June 1999 on savings and financial security.

More recently, Order No. 2015-1024 of 20 August 2015 containing various provisions for adapting legislation to European Union financial law transposed both Directive No. 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes ("DGSD2") and Directive No. 2014/59/EU of the European Parliament and of the Council of 15 May 2014 on the resolution of credit institutions ("BRRD"). It revised the framework applicable to the deposit guarantee scheme and made changes to the FGDR's governance for all guarantee mechanisms.

The resulting overall legal framework is summarised in the following sections.

1.4.1. Provisions relating to the guarantee mechanisms

The French Monetary and Financial Code establishes, in Articles L. 312-4, L. 312-4-1, L. 312-16 and L. 312-18, the general principles governing the various guarantee mechanisms (deposit, investor compensation and performance bonds): the institutions concerned, scope of the guarantees and their exclusions, limitation periods, obligations to inform customers of the institutions about these guarantees, and the framework of cooperation between the FGDR and its European counterparts, particularly in terms of cross-border compensation under the deposit guarantee scheme.

For the deposit guarantee scheme, and pursuant to Article L. 312-16 of the Code, these legislative provisions were supplemented on 27 October 2015 (Official Journal of 30 October) by:

- a decree on the implementation of the guarantee scheme, specifying its scope, the persons covered (customers of institutions, but also successors and attaching creditors), the compensation ceiling (including specific provisions regarding temporary high balances), the terms and conditions of compensation, the role and powers of the FGDR to prepare compensation, and the appeal and claims procedures. This decree was amended in 2019 to set out in addition the provisions applicable to factoring activities;
- a decree on the notification of depositors regarding the deposit guarantee scheme which defined

Changes to the regulatory framework in 2019

Five texts revised the FGDR's framework of activity in 2019: one on the application of the deposit guarantee scheme to factoring transactions, one on the FGDR's borrowing capacity and the other three on the method used to calculate contributions to the various guarantee schemes.

Factoring
Following in-depth work with the banking industry, a decree of 18 February 2019 defined the rules regarding the application of the deposit guarantee scheme to factoring activities. Through an amendment to the decree of 27 October 2015 on implementation of the deposit guarantee scheme and given the specificities of factoring contracts, the amounts resulting from these contracts and considered eligible for the deposit guarantee scheme (the "total net balance of factoring transactions") were clearly defined. Based on these clarifications, the dates on which the obligations to inform customers apply were modified accordingly.

Borrowing capacity over more than one year
A new decree of 25 March 2019 amending the decree of 27 October 2015 on the FGDR's financial resources defined the conditions and limits under which it may borrow over more than one year. Given its missions, the FGDR, which is classified as a central public administration, is exempt from the rule prohibiting the issue of debt over more than 12 months applicable to its entities (Article 25 of Law No. 2018-32 of 22 January 2018 on public finance planning). The new decree limits the scope of this exemption by stipulating that the FGDR may borrow over more than 12 months only in the event of an intervention and to the extent that it is unable to finance the cost of the intervention with its own readily available resources, including the collection of duly authorised special contributions. A cap was also established on the use of certificates of membership issued by the FGDR, which are subordinated debt.

The notice of this decree stipulates that the guarantee deposits collected by the FGDR as security for payment commitments made by members are considered neither borrowings nor debt instruments. Their term is therefore not limited by the FGDR's classification as a central public administration and not mentioned in the decree.

Guarantee of ring-fenced accounts
Regarding the application of the deposit guarantee scheme to ring-fenced accounts, the law transposing the "PSD2" directive (Law No. 2018-700 of 3 August 2018) added a provision to include, in the scope of the deposit guarantee scheme, ring-fenced accounts opened by a payment and electronic money institution (PI/EMI) at a credit institution, with a ceiling of €100,000 per end customer of PI/EMIs. The same provision was introduced for financing companies.

In line with this change in legislation, a modification of the ACPR's instruction regarding the information needed to calculate contributions to the deposit guarantee scheme substantively changed, with the approval of the FGDR's Supervisory Board, the existing mechanism: from now on, all amounts in ring-fenced accounts, without limit, will be included in the calculation of contributions, unless the institution can determine that the amount actually guaranteed is lower.

Calculation of contributions
Lastly, two other instructions issued by the ACPR, with the approval of the FGDR's Supervisory Board (decision No. 2019-C-24 of 28 June 2019, in conjunction with the AMF, and decision No. 2019-C-25 of 28 June 2019), slightly adjusted the method used to calculate contributions to the investor compensation scheme and the performance bonds guarantee scheme, respectively.

the content and type of information that must be provided by the FGDR and by the institutions;
- a decree on the connection between the deposit guarantee scheme managed by the FGDR and savings accounts guaranteed by the French government (Article 120 of amending finance law No. 2008-1443 of 30 December 2008 for 2008), applicable in practice to *Livret* type "A" savings accounts and former *Livret Bleu* savings accounts, *Livret* type "LDDS" savings accounts and *Livret* type "LEP" savings accounts, which sets out the conditions under which the FGDR shall fulfil its mission as operator of the French government guarantee on behalf of the latter.

The above three decrees apply to the investor compensation scheme and the performance bonds guarantee scheme where relevant. Otherwise, amended CRBF Regulations No. 99-14 and 99-16 of 23 September 1999 and amended CRBF Regulations No. 99-12 of 9 July 1999 and No. 2000-06 of 6 September 2000, respectively, currently take precedence.

In addition, the revision in 2015 of the regulatory framework of the deposit guarantee scheme made it necessary to revise that of the investor compensation scheme, without waiting for an update to European Directive No. 97/9/EC on that scheme. The investor compensation scheme and the deposit guarantee scheme may be implemented simultaneously for the same member, which means that both mechanisms must function in a consistent manner. The FGDR therefore prepared, in agreement with the banking industry (FBF and AMAFI), a draft decree on the implementation of the investor compensation scheme designed to replace CRBF Regulation No. 99-14. This draft decree is being reviewed by the public authorities but could result in a new text in 2020.

In the meantime, the order transposing Directive No. 2014/65/EU ("MIF 2") regarding markets in financial instruments authorised market undertakings "to provide the investment services referred to in sections 8 and 9 of Article L. 321-1" of the French Monetary and Financial Code and, in return, requires them to join the FGDR's investor compensation scheme. The authorisation for market undertakings to manage trading facilities ("MTF" or "OTF") has been effective since 3 January 2018. With this order transposing "MIF 2", two market undertakings became members of the investor compensation scheme managed by the FGDR in 2019. The method used to calculate their contributions was developed together with the AMF and the ACPR.

1.4.2. Provisions relating to the FGDR's terms of intervention

Pursuant to Articles L. 312-5 to L. 312-6-1 of the French Monetary and Financial Code, the FGDR may intervene in a troubled institution through compensation, on a preventive basis or through resolution. It is also entrusted with the management of the National Resolution Fund (NRF) and is responsible for collecting contributions to the fund from the institutions that fall within its scope; it also collects contributions to the European Single Resolution Fund (SRF).

With respect to prevention and resolution, the FGDR may intervene at various levels, through capital or financing of the failed institution, through capital or financing of a bridge institution or defeasance structure, through the acquisition of assets or by assuming the cost of measures intended to restore the institution's solvency. It may also replace certain creditors in the bail-in cascade if the ACPR decides to exclude such creditors from this mechanism for reasons of feasibility or excessive risk of contagion (Article L. 613-55-1).

With respect to the deposit guarantee scheme, the FGDR may also be asked to participate in the bail-in of the institution under resolution in the event that the deposits must be drawn on, but under two conditions: firstly, given the preference established (see above), the deposits covered by the guarantee scheme, below €100,000, are used last and are not affected (the FGDR bears the cost of the adjustment), and secondly, the amount of the FGDR's contribution may not exceed the losses that it would have incurred if the institution had been liquidated (fourth subparagraph of paragraph III of Article L. 312-5).

Moreover, in the event of court-ordered liquidation, the law established a depositor preference in the hierarchy of creditors (Article L. 613-30-3 of the Code), immediately after the preferential creditors and up to the €100,000 ceiling of the guarantee provided by the FGDR.

1.4.3. Provisions relating to the FGDR's funding

Articles L. 312-7 to L. 312-8-2 of the French Monetary and Financial Code define the FGDR's funding principles. The FGDR is funded by its members through contributions, which are calculated based on a method established by the ACPR after obtaining the opinion of the FGDR's Supervisory Board; however, the total amount, or the rate, of contributions is set by the FGDR's Supervisory Board, at the Executive Board's proposal and after obtaining the assent of the ACPR.

The texts also establish the types of instruments that may be used for this purpose: premiums, member's certificates, certificates of membership and collateralised payment commitments, which are allocated to losses in a specific order in the event of an intervention. The Code also stipulates that the FGDR's reserves are not distributable (third subparagraph of Article L. 312-9).

These provisions are supplemented by various decrees:

- a first decree of 27 October 2015, amended by a decree of 13 April 2017 on the FGDR's financial resources. This decree specifies the procedure for collecting annual and special contributions, in particular the population concerned, the legal and accounting scheme relating to the various contribution instruments, various accounting provisions relating to the definition of losses, and the terms and conditions of possible loans and borrowings between the FGDR and its European counterparts;
- a second decree of 27 October 2015 on the criteria to be taken into account for opinions issued by the ACPR on decisions regarding the contributions collected by the FGDR, and on the conditions under which the power of substitution may be exercised by the ACPR in the event of a disagreement with the Supervisory Board on such matters.

The method used to calculate contributions to the guarantee mechanisms is derived from three ACPR instructions:

- decision No. 2016-C-51 of 10 October 2016 for the deposit guarantee scheme;
- joint ACPR and AMF decision No. 2015-C-113 of 1 December 2015 amended by joint decisions No. 2016-C-79 of 14 November 2016 and No. 2019-C-24 of 28 June 2019 for the investor compensation scheme;
- decision No. 2015-C-112 of 1 December 2015 amended by decisions No. 2016-C-78 of 14 November 2016 and No. 2019-C-25 of 28 June 2019 for the performance bonds guarantee scheme.

The FGDR's accounting and tax scheme is derived from amending finance law No. 2016-1918 of 29 December 2016 for 2016. In keeping with earlier provisions, Article 92 of this law authorised the creation of a provision for intervention risk for each mechanism or scheme in the FGDR's accounting system. This provision is equal to all excess income, including income resulting from the conversion of certificates and guarantee deposits into premiums in the event of an intervention, and the sums collected following an intervention, but excluding non-recurring income, relative to all the expenses for the year, including intervention expenses. It is added to the FGDR's reserves and is transfered in the event of an intervention by the FGDR under the conditions set out in Article L. 317-7 of the French Monetary and Financial Code.

In terms of taxation, this same article of the law added an Article 39 *quinquies* GE to the General Tax Code stipulating that this provision for intervention risk must be tax-exempt.

This accounting and fiscal framework, specific to the FGDR, has been the reference framework used for the closing of the accounts since 2016 and, therefore, for this year.

Lastly, the FGDR's borrowing capacity is established by Law No. 2018-32 of 22 January 2018 on public finance planning for the years 2018 to 2022. At the end of 2016, the FGDR was statistically reclassified by the national (INSEE) and European (Eurostat) statistics bodies as a "public administration", thereby losing the ability to contract new loans of more than one year under French domestic law. Article 25 of the above-mentioned law lifted this prohibition as a matter of principle, while an additional decree of 25 March 2019 (see box on regulatory developments in 2019) specified the terms and limits of such borrowings and loans of more than 12 months. Similarly, the total amount of certificates of membership is capped, while the term of guarantee deposits provided as collateral for payment commitments is unrestricted.

1.4.4. Provisions relating to the FGDR's organisation and operation

The FGDR's organisation and operation are defined in Articles L. 312-9 to L. 312-15 of the French Monetary and Financial Code, particularly as regards its governance method, with a Supervisory Board that includes full members and elected members representing each of the mechanisms, an Executive Board, and a non-voting member appointed by the Minister for the Economy. The text defines the powers conferred on each body, as well as voting rules (proportional to contributions, but with the principle of "one member/one vote" applied for decisions related to contributions).

As the FGDR has no articles of association in the usual sense of the term, its internal regulations (dated 29 March 2017, approved by ministerial decree of 28 April 2017) apply for provisions that are covered neither by law nor by implementing decrees. These internal regulations include additional information about the FGDR's organisation and operation (Supervisory Board, Executive Board, ethics), as well as rules regarding the use of funds and accounting rules.

1.5. International framework

The FGDR's activity is governed at European level by various European Union directives, including:
- Directive No. 2014/49/EU of 16 April 2014 on deposit guarantee schemes, DGSD2;
- Directive No. 97/9/EC of 3 March 1997 on investor compensation schemes, "ICSD";
- Directive No. 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, BRRD, amended by Directive No. 2019/879/EU ("BRRD2").

These directives were transposed into French law through the above-mentioned texts.

The FGDR's activity also has a highly international dimension, as evidenced by supranational projects to overhaul or update the banking and financial crisis management framework, including the single European Deposit Insurance Scheme project, and by the FGDR's exchanges with European authorities in general and the European Banking Authority (EBA) in particular, as well as its counterparts around the world. These counterparts are members of two associations: the European Forum of Deposit Insurers (EFDI) and the International Association of Deposit Insurers (IADI).

In this area, together with the authorities and its counterparts, the FGDR plays an active role both when regulations are developed and at the time of their individual and collective operational implementation.

1.5.1. Single European Deposit Insurance Scheme – EDIS project

In November 2015, the European Commission unveiled its proposal to create a single European Deposit Insurance Scheme (EDIS). This initiative aims to complete the "third pillar" of the Banking Union by organising a euro-wide system of reinsurance/coinsurance among the national funds. It fulfils the desire to de-link sovereign risk and banking risk and responds to concerns that the guarantee schemes of some countries may be unable to deal with a local bank crisis if the failed institutions, whose compensation they would need to pay, became too large in size.

In late 2016, Ms Esther de Lange, the European Parliament's Rapporteur on this matter, presented an alternative EDIS project that places more emphasis on reducing risks and is built around a phase of liquidity sharing among European funds, followed by a reinsurance phase for excess loss. The proposal would keep half of the resources to be mobilised at local level.

In substance, the BRRD directive and the Single Resolution Mechanism (SRM) regulation introduced powerful Europe-wide bank crisis resolution instruments, particularly for systemic crises. Under this new framework, excluding residual participation in the financing of extreme bank crisis resolution, deposit guarantee schemes today have greater resources than they had previously, devoted solely to dealing with non-systemic local crises. From this standpoint, whether there is a need to go beyond the institutional system created pursuant to the DGSD2 directive is probably less related to a concern about financial stability than to an objective of solidarity within the euro zone.

While the DGSD2 directive made great strides towards harmonisation at European level, the EDIS project would add full sharing of the costs of the guarantee scheme among all banks in the euro zone. This would therefore imply further harmonisation of the national deposit guarantee schemes, particularly in terms of defining covered deposits and coverage rules, as well as the costs borne by each national system.

Moreover, once common rules are adopted, it will be important for the European principle of subsidiarity to prevail: local operators, in which depositors place their trust, must be the players on the ground that implement the deposit guarantee scheme at an operational level. They must therefore have immediate access to resources. The activity of a deposit guarantee scheme must also be rooted in national and local realities: the failure is local, as are the banking products concerned, the applicable law, particularly bankruptcy law, civil law and consumer law, the use of language and direct contact with the depositor whose fast and efficient compensation is an absolute priority in order to maintain confidence in the banking system.

In a consistent manner, and independently of the political options that would involve varying degrees of solidarity among Member States of the euro zone, the FGDR is endeavouring to send a mainly technical message: to ensure depositors' trust, the deposit guarantee scheme may be European, but must at the same time remain local in its practical application; what is even more important for a deposit guarantee scheme than sharing the financial burden is access to liquidity; lastly, a more effective system, as the EDIS must be, is also less expensive than the existing one and, in any case, avoids increasing the expenses of the banking system.

The work that began in Brussels on this draft text is still under way between the Council, the Parliament and the Commission. It involves the very structure of the single European guarantee fund, an important issue for the FGDR which is aware of the concerns of its members, and includes an important component aimed at reducing the risks of the national banking sectors as a precondition for partially or totally collective financing. The EFDI, for its part, published an in-depth analysis in December 2018 regarding the technical feasibility of the EDIS project (Technical Considerations for the Design of EDIS: www.efdi.eu/publications), which was approved by all the European Union's guarantee funds and made various recommendations regarding access to liquidity, governance of the system, the method of contribution and the inclusion of preventative and alternative interventions in banking crises (see section 1.5.3. Activities of the European Forum of Deposit Insurers – EFDI).

It became increasingly clear in 2019 that the proposed single European Deposit Insurance Scheme, on which attention has long been focused, could be just one of several elements of a real Banking Union. In light of its goals, the Banking Union project requires that multiple components, summarised at year-end by the High-Level Working Group formed for this purpose at the EU level, be taken into account, including perhaps:

- a study on the establishment of capital charges and concentration ratios on banks' sovereign exposure;
- the harmonisation of liquidation procedures applicable to banks;
- broader use by guarantee schemes of crisis management measures other than compensation;
- a change in the "public interest test" criterion to allow a possible extension of the resolution scheme to small- and medium-sized banks;
- identification of prudential and non-prudential obstacles to greater trans-border integration of banking groups.

The European Banking Authority

The European Banking Authority (EBA), created on 1 January 2011 pursuant to EU Regulation No. 1093/2010 of 24 November 2010 to strengthen the European system of financial supervision, is an independent authority of the European Union that works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its main objectives are to maintain financial stability in the European Union and ensure the integrity, efficiency and orderly functioning of the banking sector. The EBA contributes to the creation of a single rulebook in the banking sector by adopting binding technical standards and guidelines.

The guidelines are subject to prior consultations with the relevant public, and then to the decisions of the Authority's competent college, before being proposed to Member States based on a "comply or explain" procedure. Although these regulations are therefore not directly binding, they have the full scope of a legal ruling because of the manner in which they are developed and the general discipline of the States.

The EBA also has authority with respect to deposit guarantee schemes. Article 26 of the above-mentioned regulation stipulates that: "The Authority shall contribute to strengthening the European system of national deposit guarantee schemes […] with the aim of ensuring that national deposit guarantee schemes are adequately funded by contributions from financial institutions [...] and provide a high level of protection to all depositors in a harmonised framework throughout the Union".

With the conclusion in May 2014 of the main constituent provisions of the Banking Union, and particularly the directive on European Union deposit guarantee schemes ("DGSD2"), the EBA was tasked with developing extensive secondary regulations relating to deposit guarantee schemes.

1.5.2. The EBA's guidelines – Task force on deposit guarantee schemes ("TFDGS")

Since the DGSD2 directive entered into force, the EBA has published four guidelines concerning the deposit guarantee scheme, relating to the following fields:

- general rules for calculating contributions to deposit guarantee schemes;
- characteristics of the "collateralised payment commitments" by which institutions may fulfil up to 30% of their contribution-related obligations;
- stress tests that must be conducted by deposit guarantee schemes to assess the degree of preparation and resistance of their intervention systems;
- definition of the cooperation agreements among the Union's deposit guarantee schemes to allow the arrangement of cross-border compensation, as well as any loans and transfers of contributions between funds.

The last two guidelines are the most recent (2016). The FGDR's activity was already compliant with these guidelines, but the following years were also an opportunity to further implement the FGDR's objectives corresponding to these guidelines, particularly in terms of stress tests. In 2019, the FGDR continued to implement its multi-year 2017-2019 stress test programme. In 2019, based on work begun in 2018, the EBA conducted a general evaluation of the stress tests of the European Union's deposit guarantee schemes, in which the FGDR naturally took part. This exercise is expected to continue in 2020, with a report sent to the European Commission in the middle of the year.

In the autumn of 2018, the EBA launched a task force known as TFDGS with the EU's public authorities and guarantee funds, which serves as a platform of cooperation on the technical and operational aspects of deposit guarantee activity. The FGDR has participated in the task force since its creation, along with the ACPR.

In 2019, the EBA used this task force to gather data and analysis regarding the implementation of the DGSD2 directive within the EU, as part of the review that it was required to conduct, together with the European Commission, pursuant to the directive. This work led to the issuance in the second half of 2019 and early 2020 of three very detailed "Opinions" regarding eligibility, coverage and cooperation among schemes, the compensation processes, and the resources of the deposit guarantee schemes and the use thereof, respectively. The main issues covered by these Opinions were the guarantee schemes' level and types of resource instruments, the use of additional resources (*ex-post* contributions, lines of credit), the schemes' investment policy, the eligibility and coverage of specific types of deposits (temporary high balances, accounts with successors, etc.), the processing of fraudulent or suspicious transactions, and cross-border compensation, issues on which the EFDI often developed common positions prior to the work of the task force.

Although this work binds neither the Commission nor the member countries at this stage, it nevertheless offers a unique summary of the diverse practices for implementing the DGSD2 directive, as well as an in-depth analysis of the adjustments that may be made to this directive in due course.

1.5.3. Activities of the European Forum of Deposit Insurers – EFDI

To facilitate its operation and expand the scope of services provided to its members while remaining lightweight, the association adopted a permanent structure, with its own Secretary General, in early 2018. The recruitment of the Secretary General, followed by the recruitment of an assistant in 2019, gave new momentum to the association's activities.

The roadmap adopted by the association for the coming years covers various objectives, particularly in terms of scheduling and conducting stress tests (Stress Test Working Group), the guarantee schemes' relations with the public (Public Relations and Communication Committee), research (Research Working Group – risk-based contribution systems, changes in covered deposits, etc.), cooperation among investor compensation schemes (ICS Working Group), and of course a specific programme for the European Union's deposit guarantee schemes (EU Committee).

Thus, within the EU Committee and under the guidance of the EU Management Executive, various important work priorities have been outlined for the collective practice and consideration of the European Union's deposit insurers:

- the "D2I" initiative (DGSD Implementation Initiative), which is working on a complete review of the implementation of the 2014 DGSD2 directive by the EU's funds so as to assess the difficulties encountered and solutions developed by each of them in fulfilling the European regulation's objectives (see in particular at https://www.efdi.eu/publications the Non-Binding Guidance issued by this forum in 2018 and 2019 on compensation in seven days, investment policies, alternative funding, complex compensation and preventive and alternative interventions);
- the Banking Union Working Group, which is examining the feasibility and technical procedures for applying the objectives of the Banking Union, and particularly the EDIS project (see in particular the above-mentioned Technical considerations for the design of EDIS report of November 2018);
- the Cross Border Working Group, which is responsible for harmonising the working methods of the European schemes in terms of cross-border cooperation and compensation and which began work on updating and expanding the Multilateral Cooperation Agreement prepared by the EFDI in 2016 to define these technical terms of cooperation.

Through the election of its Chair as head of the EFDI, and their re-election in September 2019, as well as the collective support of its teams, the FGDR has proudly taken on the challenging responsibility of managing this association since September 2016, giving it a greater role than ever in the European and international dimension of deposit guarantee schemes.

The EFDI's activities

Since its creation in 2002, the European Forum of Deposit Insurers (EFDI) has brought together all European funds (deposit guarantee and investor compensation schemes), including those of countries outside the European Union, to enable deposit insurance practitioners to exchange experiences and share their thoughts on the European legal framework specific to their activities. Following substantial changes to its statutes, in 2017 the EFDI adopted an ambitious and demanding roadmap.

The revision of the EFDI's statutes, which took place over a long period of time, was submitted to the community of 57 European member guarantee schemes and approved almost unanimously at an extraordinary general meeting held in Brussels in May 2017.

The changes to the statutes, which sought to preserve the association's genetic code (exchanges among practitioners, priority given to the technical approach, consensus building, a lightweight operation), resulted in an operating framework characterised mainly by the following elements:

- redefinition of the missions so as to encompass resolution activities;
- the ability to issue non-binding guidance to members;
- better integration of members and issues relating to investor compensation schemes;
- enhanced governance for the EU Committee, the centre of the EFDI's activities, through an independent EU Management Executive responsible for coordinating the work regarding the European Union's schemes;
- maximum fee increased to €10,000;
- less onerous quorum rules and more stringent proxy rules.

The IADI's activities

The International Association of Deposit Insurers (IADI) was founded in 2002 with the aim of increasing the effectiveness of deposit insurance worldwide through the issuance of guidelines and through international cooperation among deposit insurers.

At the end of 2014, the IADI issued a revised set of Core Principles For Deposit Insurance. The Core Principles constitute the basic doctrine of all deposit insurers around the world, as well as the standard used by the International Monetary Fund as the basis for the periodic assessments of national financial sectors and regulation that it conducts in all Member States (Financial Sector Assessment Program - FSAP).

The new set of Core Principles provided a more solid and more rigorous structure to the previous version and attempted to address the issues of moral hazard and resolution and define increasingly stringent action principles. It includes a seven-day target repayment period, the shortest possible compensation initiation times, rules related to funding and management, and monitoring or elimination of conflicts of interest.

In accordance with these Core Principles, the IADI has subsequently finalised another key element of the standards for the deposit guarantee scheme, the Assessor Handbook. This handbook is a detailed technical guide to the Core Principles for FSAP assessors and clearly defines the content of the standards applicable to deposit insurers.

1.5.4. Activities of the International Association of Deposit Insurers (IADI)

The IADI changed its mode of governance in 2017, with tightened governance around its Chair and the elected members of the association's Board (including Mr Michel Cadelano, FGDR Executive Board member, since October 2019), as well as the more frequent use of majority votes rather than the longer and more demanding search for consensus.

In the absence of significant new regulations in terms of guidance or research, in 2019 the IADI continued to implement its strategic priorities which aim, in particular, to ensure the dissemination of deposit insurance principles worldwide, provide technical cooperation and expertise in this regard to jurisdictions that express a need for this and produce analysis and research related to deposit guarantee schemes.

In 2019, the IADI also completed an assessment of the implementation of the first phase of its strategic plan; this enabled it to move on to the second phase, at the cost of much higher member contributions, which involves strengthening the structure of its Secretariat General.

2

Management bodies

2.1.
Composition and operation of the Executive Board

The composition of the Executive Board is as follows:

Position	Name	Effective date of appointment	End of current term
Chair	Thierry Dissaux	Reappointed on 23 August 2018	22 August 2022
Member	Vincent Gros	Appointed on 1 July 2017	28 February 2019
Member (interim)	E-Clara Cohen	Appointed on 27 March 2019	30 September 2019
Member	Michel Cadelano	Appointed on 1 October 2019	30 September 2023

The contractual framework applicable to members of the Executive Board was set by the Supervisory Board at its meeting on 8 December 2010. As it does each year, at its meeting on 27 March 2019, the Supervisory Board reviewed the aspects relating to the compensation of the members of the Executive Board, at the recommendation of the Nomination and Compensation Committee.

2.2.
Composition and operation of the Supervisory Board

Pursuant to Article L. 312-10 of the French Monetary and Financial Code, the seven banking groups that are the largest contributors to the deposit guarantee scheme are entitled members of the Supervisory Board. The others are elected at a rate of two members for the deposit guarantee scheme, two members for the investor compensation scheme, and one member for the performance bonds guarantee scheme.

The seven largest contributors to the deposit guarantee scheme at the time of the Executive Board's renewal in 2016 were Crédit Agricole, BPCE, Crédit Mutuel, Société Générale, BNP Paribas, La Banque Postale and HSBC France. They have appointed their permanent representative to the FGDR's Supervisory Board.

The other members of the Supervisory Board were elected by the members of each mechanism, it being stipulated that:

- only credit institutions not represented by the entitled members may elect members for the two seats to be filled for the deposit guarantee scheme;
- only members of the investor compensation scheme that are not credit institutions (investment firms) may elect members for the two seats to be filled for the investor compensation scheme;
- only members of the performance bonds guarantee scheme that are not credit institutions (financing companies) may elect the member for the seat to be filled for the performance bonds guarantee scheme;

For the deposit guarantee scheme, the following were elected to the Supervisory Board for the current term: Orange Bank (originally Groupama Banque), represented by Ms Delphine d'Amarzit, and Oddo BHF SCA, represented by Mr Christophe Tadié.

Elected for the investor compensation scheme were Exane, represented by Mr Benoît Catherine, and Epsens, represented by Mr Frédéric Bourdon.

Crédit Logement, represented by Mr Jean-Marc Vilon, was elected for the performance bonds guarantee scheme.

The table below shows the composition of the Supervisory Board on the date of the Supervisory Board meeting of 10 December 2019. During the year, three Supervisory Board members appointed new permanent appointed new permanent representatives as a result of changes involving certain representatives. Thus, Laurent Goutard was replaced by Gilles Briatta at the Supervisory Board meeting held on 26 June 2019 and Pierre-Edouard Batard (Crédit Mutuel) was replaced by Isabelle Ferrand on the same date. In addition, Florence Lustman was replaced by François Géronde at the Supervisory Board meeting held on 10 December 2019.

Chair	
Nicolas DUHAMEL Advisor to the Chair of the Executive Board in charge of public affairs - BPCE GROUP	
Vice-Chair	
Gilles BRIATTA Secretary General - SOCIÉTÉ GÉNÉRALE	
Members	
Delphine d'AMARZIT Deputy Managing Director - ORANGE BANK	**Jérôme GRIVET** Deputy Chief Executive Officer - CRÉDIT AGRICOLE S.A.
Jean BEUNARDEAU Managing Director - HSBC France	**Isabelle FERRAND** Deputy Chief Executive Officer - CNCM and CCM
Benoît Catherine Deputy Managing Director - EXANE	**François GÉRONDE** Chief Financial Officer - LA BANQUE POSTALE
Frédéric BOURDON Chief Executive Officer - EPSENS	**Christophe TADIÉ** Manager - ODDO BHF SCA
Jean-Marc VILON Chief Executive Officer - CRÉDIT LOGEMENT	**Jean-Jacques SANTINI** Director Institutional Affairs - BNP PARIBAS
Non-voting member appointed by the Minister for the Economy	
Jérôme REBOUL Assistant Director Banking and General-Interest Financing - Treasury Directorate	

The members of the Supervisory Board are elected for four years. Their term of office will end after the Executive Board meeting called in 2020 to approve the financial statements for the fourth financial year of the term. The Supervisory Board also appointed the FGDR's legal director as secretary.

It has set up two specialised committees:

Audit Committee	
Chair	
Jean-Jacques SANTINI	
Members	
Gilles BRIATTA	**Jérôme GRIVET**

Nomination and Compensation Committee	
Chair	
Nicolas DUHAMEL	
Members	
Delphine d'AMARZIT	**Jean BEUNARDEAU**

The FGDR's Supervisory Board held four meetings in 2019, during which detailed reports were routinely presented on asset management (performance and outlook), issues under discussion with the authorities, and international developments.

In addition, the main topics discussed at the four 2019 Supervisory Board meetings included, but were not limited to, the following:

- meeting of 27 March 2019: approval of the FGDR's 2018 financial statements and management report, contributions to the various mechanisms managed by the FGDR, the work of the European Banking Authority's (EBA) TFDGS task force;
- meeting of 26 June 2019: presentation of the 2018 internal control report, appointment of an Executive Board member, 2019-2022 stress test programme, Tercas ruling handed down by the European Court on 19 March 2019 and preventive actions of the European guarantee schemes;
- meeting of 1 October 2019: scenarios for contributions to the deposit guarantee scheme, review of the first half-year financial statements, review of the regular controls carried out with deposit guarantee scheme members;
- meeting of 10 December 2019: budget package (2019 income forecasts and 2020 budget), planning related to collections of contributions for the deposit guarantee scheme, analysis of compensation risks incurred by the FGDR for the deposit guarantee scheme.

The breakdown of votes (in thousands) on the FGDR's Supervisory Board at 31 December 2019 was as follows:

Group or member name	Represented by	Breakdown of votes: deposit guarantee		Breakdown of votes: investor compensation		Breakdown of votes: performance bonds guarantee		Breakdown of votes: all guarantees	
		Number	%	Number	%	Number	%	Number	%
CRÉDIT AGRICOLE GROUP	Mr Jérôme GRIVET	1,399,017	**31.21**	30,590	**19.62**	5,529	**14.23**	1,435,135	**30.69**
BPCE GROUP	Mr Nicolas DUHAMEL	1,032,226	**23.03**	19,997	**12.83**	7,745	**19.93**	1,059,968	**22.66**
CRÉDIT MUTUEL GROUP	Ms Isabelle FERRAND	699,209	**15.60**	14,510	**9.31**	3,390	**8.72**	717,109	**15.33**
SOCIÉTÉ GÉNÉRALE GROUP	Mr Gilles BRIATTA	421,285	**9.40**	24,215	**15.53**	8,004	**20.59**	453,504	**9.70**
BNP-PARIBAS GROUP	Mr Jean-Jacques SANTINI	351,366	**7.84**	30,139	**19.33**	9,350	**24.06**	390,855	**8.36**
LA BANQUE POSTALE GROUP	Mr François GÉRONDE	383,553	**8.56**	5,500	**3.53**	24	**0.06**	389,078	**8.32**
HSBC GROUP FRANCE	Mr Jean BEUNARDEAU	46,362	**1.03**	3,740	**2.40**	863	**2.22**	50,965	**1.09**
ORANGE BANK	Ms Delphine d'AMARZIT	101,847	**2.27**	195	**0.13**	39	**0.10**	102,081	**2.18**
ODDO BHF SCA	Mr Christophe TADIÉ	47,080	**1.05**	1,274	**0.82**	0	**-**	48,354	**1.03**
EXANE	Mr Benoît CATHERINE	0	**-**	17,282	**11.09**	0	**-**	17,282	**0.37**
EPSENS	Mr Frédéric BOURDON	0	**-**	8,456	**5.42**	0	**-**	845	**0.18**
CRÉDIT LOGEMENT	Mr Jean-Marc VILON	0	**-**	0	**-**	3,923	**10.09**	3,923	**0.08**
Total		**4,481,945**	**100**	**155,898**	**100**	**38,868**	**100**	**4,676,711**	**100**

3

Activity during the year

3.1. Collection of resources

The FGDR's resources come from the contributions paid by its members. These are annual contributions determined in accordance with the regulations outlined below.

3.1.1. Regulatory framework and collection of contributions

Except for contributions to the two resolution funds for which different procedures exist, Articles L. 312-8-1 and L. 312-10 of the French Monetary and Financial Code, resulting from Order No. 2015-1024 of 20 August 2015 applicable since the collection of 2015 contributions, stipulate that:

- the Prudential Supervision and Resolution Authority (ACPR) determines the method used to calculate each member's contributions, after obtaining the opinion of the FGDR's Supervisory Board. This calculation method includes defining the basis of calculation, each member's specific risk factors, their weighting and how they are taken into account in the calculation in terms of increasing or decreasing the contributions, all of which must reflect the guidelines issued by the European Banking Authority (EBA);
- the Supervisory Board sets the amount or rate and the nature of the contributions levied each year, at the recommendation of the Executive Board and after obtaining the assent of the ACPR. The Supervisory Board has a choice of two methods. Either it sets the amount of an overall contribution to be allocated among the members, or it sets the rate to be applied to the basis weighted by each member's risks and adjustment factors to determine its individual contribution. It also determines the possible legal forms of the contributions (premium, member's certificate, certificate of membership and payment commitment backed by a guarantee deposit in an equal amount given to the FGDR);
- lastly, the ACPR calculates individual contributions, by incorporating the risk factors specific to each institution, and notifies the members and the FGDR, which then collects them.

Pursuant to the decrees of 27 October 2015, since the calculation methods for the three mechanisms are now established, contributions for the three guarantee mechanisms are set based on the following sequence:

- transmission to the ACPR of a proposal for discussion by the FGDR's Supervisory Board of the amount or rate and the nature of the contributions to be levied for a given year for each of the mechanisms;
- opinion of the ACPR's Collège de Supervision regarding this proposal;
- final decision of the Supervisory Board on this basis, in compliance with the opinion of the ACPR. If the decision does not comply with the opinion of the ACPR, the procedure is repeated, on an urgent basis (eight days), based on a draft decision prepared by the ACPR. If non-compliance persists, a finding of non-compliance is issued by the ACPR whereby its opinion becomes the decision.

It should be noted that, for contributions to be levied for the investor compensation scheme, the opinion of the Financial Markets Authority (AMF) must also be obtained before each decision is taken.

3.1.2. Contributions collected in 2019

The procedures for collecting contributions have remained largely unchanged since 2016. Contributions are broken down into two categories:

- the first, and largest, portion (97.3%) is intended to provide the FGDR with the resources needed for a possible intervention;
- the second, and smaller, portion is intended to finance the FGDR's operating expenses.

The net contributions collected by the FGDR in 2019 for its own account totalled €452.1 million (including €440.3 million for the deposit guarantee scheme and €11.8 million for the investor compensation and performance

bonds guarantee schemes and the National Resolution Fund). They broke down as follows:
- €18.3 million in premiums, including €11.4 million to finance the FGDR's operating expenses;
- €354.6 million in member's certificates;
- €0.04 million in certificates of membership;
- €79.2 million in guarantee deposits.

Following the collection of 2019 contributions, the FGDR's own funds for all mechanisms totalled €4.712 billion at 31 December 2019.

The FGDR is also responsible for collecting contributions on behalf of the Single Resolution Fund (SRF) and transferring them to that fund after receipt.

3.1.3. Other resources

To supplement its available resources, in January 2018 the FGDR took out a one-year stand-by line of credit, which can be renewed twice, amounting to €1.4 billion. At the end of 2019, the due date of the line of credit was extended until January 2021.

As provided for in the French Monetary and Financial Code, in 2019 the FGDR also collected €1.45 million in monetary penalties imposed on investment services providers by the AMF.

3.2. Changes to the integrated Compensation and Communication System (CCS)

The year 2019 was marked by several changes to the FGDR's already highly functional Compensation and Communication System (CCS) and by the launch of its new 2019-2022 stress test plan, which is increasingly a part of the teams' day-to-day work and essential to ensuring the operational capability of the compensation system.

In 2019, the work on the CCS for the deposit guarantee scheme focused mainly on three areas:
- the inclusion of factoring companies in the compensation system for the deposit guarantee scheme;
- the delivery of a new version of the Secure Compensation Area (SCA) with improvements to depositor information and support;
- expansion of the operational capability of the Teleperformance call centres on a national scale.

3.2.1. Inclusion of factoring companies in the deposit guarantee scheme

The timetable for implementation was as follows:
- September 2019: delivery by the FGDR of the portal that allows factoring companies to control the production of their Single Customer View (SCV) file and their final Deposit Account Statement (DAS), and provision of additional information related to factoring companies on all FGDR's information media;
- December 2019: delivery of the CCS version that handles the specific requirements related to factoring companies, for example the calculation of compensation and specific information in correspondence, and inclusion of information about the deposit guarantee scheme in the periodic statements and factoring contracts.

3.2.2. An improved version of the SCA

The first version of the SCA was released in 2016. After working on the operational readiness of the SCA through the 2015-2019 simulation plan, the need for an upgrade became apparent.

To fulfil this objective, two projects were carried out in 2019.

A redesign of the home page, which made it easier to view:
- the processing status of a compensation file;
- a breakdown of the compensation showing the amounts:
  - immediately eligible for compensation,
  - requiring processing in order for compensation to be paid,
  - exceeding the €100,000 compensation ceiling,
  - not covered by the deposit guarantee scheme;
- these graphics include a link to the document, along with the instructions, explaining point-by-point all the elements of the compensation procedure completed or not yet completed.

A review of the depositor enrolment procedure with a twofold objective:
- ensure successful enrolment on the SCA for as many depositors as possible, yet without compromising the security conditions for identification and authentication. This higher enrolment rate allows as many depositors as possible to receive their compensation quickly and understand and track their compensation on their own;
- make the enrolment process more fluid and easier for the depositor.

The focus in 2019 was on developing and making these changes, with rollout scheduled for late March 2020.

3.2.3. Expansion of the Teleperformance call centres on a national scale

In 2013, the FGDR implemented a telephone call centre system that could be opened in the event of a high call volume. This system, managed by Teleperformance, has been deployed at two sites in France.

In 2019, all 13 production sites in France received training in the implementation of a system designed specifically for the FGDR. Operational production testing was successfully completed with two of the sites at the end of the year.

The FGDR's stress test methodology

The aim of the **2019-2022 stress test plan** is to ensure that the production of the stakeholders involved in a credit institution's failure meets the necessary requirements in terms of processes, content, quality, lead times, volume capacities and security.

These tests involve all stakeholders including, in addition to the FGDR, the member credit institutions and the FGDR's internal players, partners and service providers. To cover fully the wide range of players and aspects to be tested, the tests are organised into eight categories.

Two types of tests conducted with credit institutions:

- **Regular controls**: ensure that each institution meets the FGDR's regulatory requirements. Control relates to production of the Single Customer View (SCV) file and final Deposit Account Statements (DAS), and to transmission to the FGDR of descriptive elements of the institution's communication systems.
- **Failure simulations**: exchange information about the compensation security protocols to be implemented in the event of a failure. The exchanges and developments, which take place *in situ* with a volunteer bank, concern the closing of customer transaction channels, crisis communication, generation of the SCV file and production of the DAS.

Six types of tests conducted with the FGDR's internal players, partners and service providers:

- **Operational test**: ensures that the service and procedure applied are in line with the expected results. These tests, applied to a representative sample of depositors, ensure that the systems remain operational and that vigilance is maintained regarding the probability of intervention.
- **Dimensioning test**: ensures the ability to determine the size of the system according to the contractual conditions. The development of these tests is based on a large failed institution.
- **Cross-border test**: in the event of the failure of an institution with branches in the European Union, verifies the operability of exchanges between the FGDR and its counterpart in the country where the institution is located. These exchanges are verified between the deposit guarantee scheme of the failed institution (home position) and the guarantee schemes of the country in which a branch of this institution is located (host position).
- **Total Flow test**: verifies the ability of the FGDR's system to handle all situations resulting from a compensation process. The compensation system is implemented in its entirety (all activities, all stakeholders, all organisations, all tools) to verify that it fully meets its objectives.
- **Area-specific simulation**: stresses a specific part of the system in order to improve it. This entails fully ensuring the operability, efficiency, robustness or security of a part of the system.
- **Intrusion test**: ensures that the computer systems are resistant to malicious attacks. Experts simulate attacks on the FGDR's computer systems (institutional website, CCS, contribution management platform, office equipment) in order to detect any security flaws.

3.3. Deployment of the stress test plan

After implementing an initial stress test plan from 2015 to 2018 to ensure progressive testing for each of the key elements of the compensation system for the deposit guarantee scheme, in late 2018 the FGDR developed its new test methodology and created its 2019-2022 plan.

3.3.1. To summarise

The 25 actions taken in 2019 in the stress test plan included:

- regular control of 262 institutions;
- six dimensioning tests;
- eight operational tests;
- six cross-border tests;
- three simulations with volunteer banks;
- one happy flow standard test;
- one area-specific simulation.

All stakeholders were mobilised and actively involved in these operations. The vast majority of the results met the objectives, which confirmed the strong performance of the CCS tested through this 2015-2019 stress test plan.

However, it is important to keep these simulation and test systems under stress since they revealed improvements that need to be made in terms of:

- training and setting up the operators at the call centre, the volume capacity of which still needs to be tested in order to fulfil the contractual conditions;
- the continued roll-out of the call centre at multiple sites to be completed by the next total flow test in mid-2020;
- stabilisation of the digitisation of letters received from depositors. Corrections were made and further tests confirmed the restoration of nominal operation;

- adjustment of the customer communication messages based on the fact that the failed bank's final DAS would probably not be delivered to the customer before the FGDR's compensation letter;
- configuration of the CCS prior to any operation, since the incorrect configuration of a payment account prevented some cheques from being cashed during a simulation. The verification procedure was updated to avoid this type of error in the future;
- the need to update certain tools (SCA, activity management and reporting tools);
- coordination between the FGDR's technical operations and communication campaigns to ensure the well-managed, fully coordinated dissemination of information between the channels (mass SMS and e-mails, SCA and website).

All these improvements are currently under way.

3.3.2. Focus on regular controls with credit institutions

Of the 355 institutions that are members of the deposit guarantee scheme and for the 2019 campaign:

- 262 collect deposits or hold payable guarantee deposits and were required to submit an SCV file. In total, 2 million compensation files were subject to regular controls;
- 93 do not collect deposits and do not hold payable guarantee deposits. As is the case each year, the effective manager of the institution in question requested an exemption from the requirement to submit an SCV file, which was approved by the FGDR after reviewing the situation justifying it.

3.3.2.1. General results

100% of the institutions (262) were subject to the control procedure:

- 90% of the institutions (237) had a "satisfactory" or "relatively satisfactory" assessment;
- For the remaining 10% of institutions (25):
  - 7% (17) had a "less than satisfactory" assessment,
  - 3% (8) had an "unsatisfactory" assessment.

3.3.2.2. Trend in the control results over three years

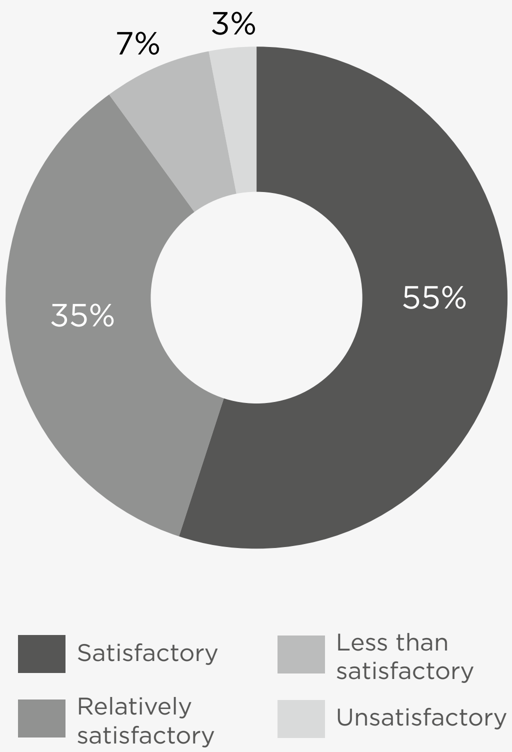
The percentage of "satisfactory" and "relatively satisfactory" scores increased compared with the previous campaign (from 81% to 90%) despite the controls being more in-depth and more stringent.

3.3.2.3. Next steps in the regular control process

For this sixth regular control campaign, the FGDR will pursue the policy of convergence with the conditions regarding compensation, and particularly the deadline for submitting the SCV file.

For the 2020 regular control campaign, the next phase is defined as follows:

- seven working days advance notice of the control given by the FGDR (the target is two days);
- the SCV file generated by the institution on a date imposed by the FGDR within these seven days (as in the case of a date imposed by a failure).



Results of the 2019 campaign for the 262 institutions subject to control

The FGDR's Compensation and Communication System (CCS) partners

To fulfil its mission, the FGDR relies on a number of partners that are prepared to take action in the event of compensation:

- equensWorldline for the technical compensation platform;
- Edokial for printing letters and cheques sent to depositors;
- Tessi for the digitisation of all letters exchanged between the FGDR and depositors;
- Teleperformance for call centre and processing centre services;
- LCL, Banque de Tahiti and Banque de Nouvelle-Calédonie, for the payment of compensation to depositors;
- various assets managers for management of the portfolios;
- Insign for content administration and technical supervision of the FGDR website and moderation of public social networks;
- Skilld for technical development of the website;
- Novalem for statistics tracking and natural and paid search engine optimisation;
- Claranet for website hosting;
- CLAI for institutional communication, press relations and moderation of professional social networks.

3.3.3. Focus on failure simulation with a volunteer institution

In the area of operations, two workshops were conducted with a bank that has 600,000 customers. The "SCV file / final Deposit Account Statement (DAS)" workshop made it possible to measure:

- the institution's ability to produce the SCV file and the final DAS within six hours (far more quickly than the two days required by regulation). This very positive result is confirmed by a vast majority of institutions that also report a production time of less than two days;
- a period of more than seven days to print the DAS. This period would therefore reverse the natural order in which letters would be received by the depositor: first the final deposit account statement from the bank, and then the compensation letter from the FGDR. This receipt of the final statement from the bank after receipt of the compensation statement from the FGDR could be misunderstood and create confusion for depositors. The FGDR will therefore need to adjust the content of its communication.

The "Shutdown of customer transaction channels" workshop revealed the need for:

- a period of at least two days before the failure is declared in order to shut down the customer transaction channels properly and secure the final account-keeping, simultaneous to the failure being declared;
- a protocol for shutting down the customer transaction channels to be implemented in the event of a crisis. The FGDR is working on modelling and developing this process.

These findings confirm the results observed during the simulation conducted in 2018 with another institution of similar size.

In terms of communication, a first exercise was carried out with a volunteer institution on the preparation of its websites and the messages posted there when the failure is declared, in coordination with the information dissemination plan to be implemented over the course of the failure (announcement, preparation of customer compensation, start of payment of compensation, end of compensation).

This exercise made it possible to:

- test the shared communication and message production process between the FGDR and the institution;
- improve the work tools necessary for proper coordination of the communication campaigns;
- provide information about the constraints related to preparing the communication channels, which may require several days of planning.

This work will continue in 2020 with the designated correspondents.

3.3.4. Focus on cross-border tests

In 2019, four cross-border tests were carried out. The partner deposit guarantee schemes were: Great Britain's deposit guarantee scheme (FSCS), the Central Bank of Ireland (CBI), Germany's private bank guarantee fund (BDB) and Italy's deposit guarantee scheme (FITD).

These tests confirmed the ability of the FGDR's CCS to be operational for the transmission of an SCV file with the FGDR both in the home position, responsible for compensation in terms of payment to and notification of customers of the foreign branch (in the European Union) of a French credit institution, but without being the operator (the operator is the guarantee scheme of the host country), and in the host position, where the FGDR is the service provider of another guarantee scheme for these same operations.

In terms of communication, exchanges of documents were tested successfully on two occasions with the British and Irish counterparts.

3.4. Communication and training

The FGDR's six communication principles

- progressiveness: being appropriately visible, without generating unnecessary questions or fuelling fears of a crisis;
- education: responding clearly to questions and conveying a strong message of customer protection and banking risk prevention for banks and financial institutions;
- support: being available quickly at the public's request, creating and nurturing a relationship of trust;
- consistency: being in line with the messages and information disseminated by the entire banking industry (authorities, banking institutions, representative bodies);
- clarity: conveying a strong message in support of customers and the financial sector regarding the progress made in terms of protecting customer deposits;
- adaptability and responsiveness: immediately initiating a crisis communication process as needed.

3.4.1. Principles and preparation of the FGDR's communication

In 2019, as in previous years, communication and training at the FGDR centred around communication "under normal circumstances" and "crisis" communication. For the FGDR, it is essential to provide information about the protective mechanisms to all its audiences, including partners, financial institutions, media, industry professionals and the general public, and thereby further strengthen trust in the financial sector. In addition, controlling the effects of a media crisis and customer support processes are crucial in the event of an intervention.

3.4.2. Communication under normal circumstances and in times of crisis

Communication under normal circumstances consists of the following activities:

- management of the website and updates to its content;
- relations with banking industry stakeholders: members and representative bodies;
- continued efforts to educate the media and, in turn, the general public;
- management of social network accounts for interaction between the FGDR and external stakeholders: the banking profession, journalists and the general public.

Work related to crisis communication has been a top priority since 2012 with:

- the development and management of the proprietary communication channels associated with the CCS: website, letters and compensation platform, call centre (see section 3.2. Changes to the integrated Compensation and Communication System (CCS));
- stress tests conducted according to the three-year plan (see section 3.3. Deployment of the stress test plan);
- the ramp-up and management of indirect external communication channels: media, social networks;
- the preparation for interaction through communication with an institution's communication departments in the event of a failure.

For both these types of activity, work during the year focused specifically on:

- the technical overhaul of the website;
- ongoing media contacts and social network development;
- further work with the banking industry on the coordination of communication between a failed bank and the FGDR in the event of an intervention for the purpose of compensation.

In 2019, communication activities continued in an intense and carefully managed way in response to the gradual increase in the FGDR's visibility. The expansion of the communication ecosystem was particularly rapid on social networks and in the media. The FGDR also broadened its cooperation with the banking industry through the appointment of its special Crisis Communication correspondents to ensure ongoing interaction with the member institutions. In doing so, the FGDR is pursuing its objective of conveying a strong, clear message – that of the banking industry – about the mechanisms that protect customers and its role as a banking crisis operator in support of responsible finance.

3.4.3. Media and press relations

The FGDR has worked since the end of 2015 to cultivate the link with the community of journalists specialising in the economy and finance, which has gradually grown to include representatives of the regional press and the mainstream press.

In 2019, the continuation of the press relations plan confirmed the strong performance achieved in previous years; the message of a deposit protection mechanism involving the entire industry continues to resonate positively with the economic press, whether specialised or intended for the general public.

The number of articles mentioning the FGDR in 2019 increased substantially and represents an equivalent of 72 million potential readers:

Year	Total press mentions
2017	45
2018	67
2019	87

Articles during the year included:
- *Que Choisir*, June 2019: “The deposit guarantee scheme”;
- *Le Particulier*, February 2019: “Keep your savings safe in the event of a crisis”;
- *Capital*, October 2019: “Protect yourself against a bank failure”;
- *Pleine Vie*, August 2019: “Eight things you should know to guarantee your bank and savings accounts”.

3.4.4. Social networks

These digital communication tools are becoming an increasingly important part of the work of journalists and in terms of media visibility. They are also used on a massive scale by the general public to express themselves individually and collectively. The spread of information many times over prompted the FGDR to create Twitter and Facebook accounts, the first in 2016 and the second in 2018.

As a preventative measure, the FGDR’s presence on social networks provides a communication platform under normal circumstances that is available in the event of a crisis.

Activity on social networks is growing significantly through increased visibility from the articles published throughout the year.

As of 31 December 2019, the FGDR’s Twitter account had close to 600 subscribers and 700 subscriptions. Nearly 300 posted tweets (compared with just under 200 in 2018) generated 425,000 views (compared with 185,000 in 2018) and 9,000 visits to the account (versus 5,000 in 2018).

The FGDR’s Facebook page was opened in September 2018. Organic posts are made at a rate of four per month, in an educational format intended for the general public. Sponsorship of posts targeting audiences with links to the banking sector began this year. It shows very encouraging results with nearly 700,000 people reached and a higher-than-expected engagement rate of 12%. In addition, more than 225,000 videos were watched at 95% of their length.

Finally, in mid-November 2019 the FGDR opened an official page on LinkedIn, a professional network on which banking sector operators and some FGDR counterparts in Europe and around the world have a strong presence. Posts are made at a rate of two per week, and more often in the event of specific news. In mid-December 2019, the account had 130 subscribers, mainly from the banking sector, compared to half that number at the time of launch. This short time period shows a satisfactory result of one new subscription per day. Posting activity will expand in 2020.

3.4.5. Institutional website

Following the distribution by the banking networks of the annual information templates on the deposit guarantee scheme, traffic on the FGDR’s institutional website increased, along with the volume of phone calls. Our institution’s visibility and the public’s interest in it and the guarantees it provides increase each year.

The FGDR’s website was redesigned from top to bottom in September 2013 and activity on the site has continued to grow since then, with traffic increasing from 52,000 visitors in 2014 (4,350 visitors per month on average) to 250,000 visitors in 2019 (21,000 visitors per month on average). The number of visits rose by 35% between 2018 and 2019.

Traffic on the FGDR’s institutional website (number of visits)	Number of visits per year	Monthly average
2014	52,194	4,350
2015	60,186	5,016
2016	201,560	16,797
2017	187,512	15,626
2018	186,234	15,520
2019	252,063	21,005

After six years of operation, a technical overhaul was necessary, and the first phase of the modernisation of the hosting platform was completed at the end of 2019. The functional overhaul will continue in 2020.

3.4.6. The annual awareness and recognition poll

In accordance with international public awareness best practices derived from the Core Principles For Deposit Insurers issued by the International Association of Deposit Insurers (IADI), the Harris Interactive poll on reputation and image was conducted again for the fourth straight year and, although there is still some progress to be made, measured the increase in the FGDR's visibility.

For the general public

In 2019, confidence in the banking system continued to stabilise:

- 59% of French people say they are confident when they deposit their money at a bank (compared with 60% in 2018). This score increases to 81% for people who say they know about the FGDR;
- 50% of them say they are confident that they will not lose all their money if their bank fails (+6 points compared with 2018). This score increases to 61% for those who say they know about the FGDR.

General knowledge among French people of bank deposit protection is relatively stable, and today:

- one in every two people in France knows that a deposit guarantee scheme exists;
- 62% know that their current accounts are covered and 65% know about the guarantee for savings accounts (+5 points).

Customers of online banks say they are better informed (72% know about the deposit guarantee scheme).

However, most of those surveyed are still unclear about the details of the scheme:

- one quarter of French people (25%) are able to give the maximum compensation amount of €100,000 per person, per bank (+3 points compared with 2018);
- only 8% of French people are fully aware of the seven working day compensation period in the event of a bank failure.

The notion of protection of banking assets is increasing, with 46% of French people believing that their money would be protected if their bank were to fail (+7 points compared with 2018).

For banking sector professionals

The banking sector professionals interviewed continue to have a confidence level of 98%, and 85% believe that customers would not lose all their money in the event of a bank failure.

Name recognition of the deposit guarantee scheme among banking sector professionals remains at 90%. However, the FGDR's name recognition fell from 88% to 73% in 2019, with a particularly sharp decline among young recruits in the sector.

For opinion leaders

Opinion leaders continue to play a key role in terms of confidence and their knowledge of the scheme is increasing:

- confidence in the banking system: 78% (89% for specialised journalists and 69% for mainstream journalists);
- confidence that all their money will not be lost in the event of a failure: 60% (71% for specialised journalists);
- knowledge of the deposit guarantee scheme: 80%, +11 points compared with 2018, and +30 points compared with the general public;
- knowledge of the FGDR: 86%, +44 points compared with the general public.

To summarise, this poll shows that knowledge of the deposit guarantee scheme and the FGDR is increasing and French people who say they know about the FGDR have a higher-than-average level of trust in the banking system (81% versus 59%), thereby demonstrating the ability of the deposit guarantee scheme to provide reassurance. The FGDR's mission is to maintain French people's trust in the banking system, and the progress made this year is again significant. These results are also an incentive to step up educational efforts, particularly as regards the maximum amount of €100,000 per customer, per institution and the seven working day compensation period.

Methodology of the FGDR / Harris Interactive awareness and recognition poll

Online poll of a sample of 1,000 people representative of the French population.

Along with a telephone survey of:

- 121 banking sector professionals within institutions based on the quota method;
- 70 opinion leaders: journalists and section editors from business, financial and mainstream media outlets, saver association managers and expert "economy" bloggers.

Field survey conducted from 24 April to 10 May 2019.

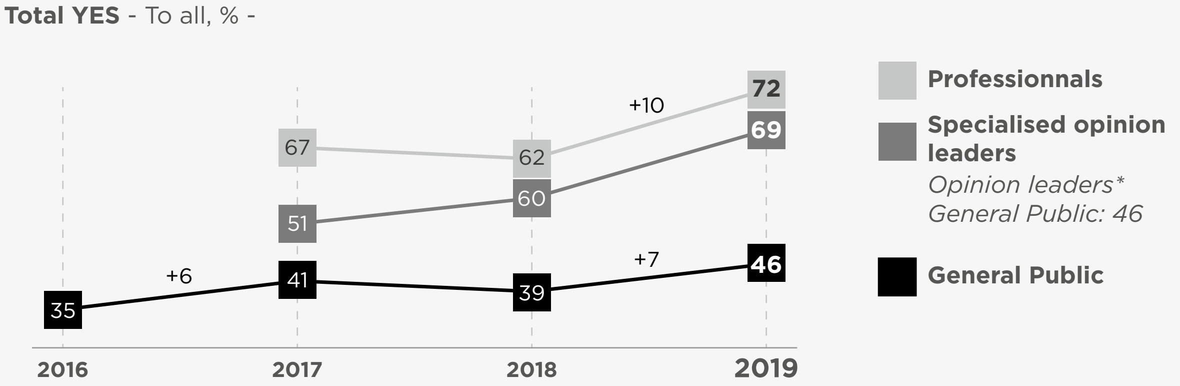
3.4.7. Relations with the banking industry in terms of communication

Recurring plenary meetings with members are an important way to stay in touch with the banking industry. In 2019, meetings with the FGDR's correspondents at member banks focused on work related to the Compensation and Communication System, regular controls of single customer view files and communication with depositors. These meetings take place with support from the Office de Coordination Bancaire et Financière (OCBF) and the Fédération Bancaire Française (FBF).

In terms of communication, the FGDR set up a financial working group in 2015 to deal specifically with customer information and communication, both under normal circumstances and in the event of compensation.

Harris Interactive poll – FGDR 2019

"If a bank at which you have made deposits (into a current account, a passbook or other savings account, etc.) were to fail, do you think your money would be protected?"



***Opinion leaders:** *results should be taken with caution given the smaller number of people polled for this target.*

The banking communication working group was reinstated in 2019 for the launch of the "Seven-Day Communication" project, which entails collaboratively developing the coordination of communication between the FGDR and a member institution in the event of the institution's failure. This work resulted in several workshops, a plenary sharing session and the appointment of special correspondents at the institutions.

This process resulted in three actions being defined:

- the appointment of a "Crisis Communication" correspondent for the FGDR within each member bank; this first action was implemented in 2019 and led to the appointment of 220 correspondents;
- the launch, along with these correspondents, of an exchange of information about the communication systems in place and the resources to be activated in the event of an intervention by the FGDR; this second action will be implemented in 2020 based on a preliminary self-assessment campaign;
- the drafting of a customer communication procedure guide to help coordinate the institution's communication with that of the FGDR in the event of a failure; this guide is being developed based on the lessons learned from the simulation exercise conducted with a volunteer institution in 2019.

This work is essential for the FGDR given the importance of proper coordination of communication within the industry in the event of a media crisis related to an intervention in a member institution. It will continue in the coming years.

In terms of international workshops, in 2019 the FGDR hosted three EFDI meetings and took part in numerous workshops and committees created by the EFDI and the IADI in Europe and around the world.

The meetings held in Paris included a workshop with our counterparts from Morocco's deposit guarantee scheme for technical discussions, three EFDI meetings for the Cross Border Working Group, the Public Relations and Communication committee and the EFDI Board. These meetings are an opportunity to implement the roadmap for work on cooperation and exchanges of best practices validated at the association's annual general meeting.

3.4.8. Training

Training is essential for maintaining and developing the skills of FGDR employees. In 2019, training was geared more towards individualised choices than in 2018, with a focus on business requirements and job profiles. A total of 150 hours of training was offered in management, security, first aid techniques, risk management, social network management and multi-channel organisation of editorial content.

Training also involves the FGDR's various partners. In 2019, the skills maintenance programme for the lead operators at the Teleperformance call centre was enhanced so that the teams could receive an additional annual FGDR training course in operational stress test exercises.

3.5.
Asset management

To help it manage the FGDR's assets, and pursuant to the provisions of the internal regulation, the Executive Board is supported by an advisory committee on financial resources management. The role of this independent committee is to express opinions regarding asset management. It has at least five members, including a Chair. Its members are individuals chosen from member institutions and their subsidiaries who have acquired recognised experience in cash and fund management. They are appointed by the Executive Board, which participates in its meetings.

As of 31 December 2019, the committee's members included the following:

Advisory Committee on Financial Resources Management	
Chair	**Isabelle REUX-BROWN** - NATIXIS
Members	**Laurent CÔTE** - CA-CIB
	Bernard DESCREUX - EDF
	Alexandre ADAM - BNP PARIBAS
	Claudio KERNEL - BPCE
	Laurent TIGNARD - AMUNDI
Members of the Executive Board who participate in meetings	

In 2019, the committee assessed management in 2018 and monitored changes in the performance of the FGDR's asset portfolios in a volatile market environment.

The committee was also asked to issue an opinion on:

- adaptation of the parameters applied to bond management and changes in the bond strategy itself;
- the stock management style and the launch of a new share tender offer;
- the selection of bond managers to replace the existing managers;
- investment of the contributions received by the FGDR in 2019.

3.5.1. Management decisions

The FGDR invested the amounts received for 2019 contributions in dedicated equity, bond and money market funds or in capitalisation contracts. The total amount of these investments rose by €468.8 million in gross value and €532.4 million in market value. The subscriptions broke down as follows:

- €388.6 million invested in dedicated money market funds;
- €45 million invested in capitalisation contracts;
- €35.2 million invested in dedicated equity funds.

The FGDR maintained liquidity in its balance sheet at 31 December 2019 (€171.8 million), of which nearly €140 million was invested in dedicated bond funds in early 2020.

Moreover, in line with changes in its regulatory environment and market conditions, the FGDR made several adjustments to the management styles of some of its dedicated funds:

- to comply with EU Regulation No. 2017/1131 of 14 June 2017 (Regulation on Money Market Funds – MMF Regulation), which became effective at the beginning of 2019, the FGDR asked its dedicated money market fund managers to make the necessary changes in the prospectuses and management agreements and in management itself;
- to broaden the range of stock management styles in the portfolio, the FGDR asked one of its managers to change the management style to adopt a "low volatility" strategy.

3.5.2. Return on the portfolio

Performance				
2019	Net asset value (€ m)	Performance during the year (€ m)	Estimated rate of return %	Unrealised gains (€ m)
Overall portfolio	4,714.8	+63.6	+1.55	+170.4
Equity portfolio	378.0	+61.3	+21.67	+134.3
Bond portfolio	1,370.3	+5.6	+0.42	+24.8
Money market portfolio	2,730.2	-6,3	-0.27	0
Capitalisation contracts	236.3	+3.0	+1.28	+11.3

Performance was positive for all asset classes with the exception of money market funds. The total return on the portfolio was positive at €63.6 million, equivalent to a 1.55% increase over the year.

The equity portfolio was the main contributor to the performance of the overall portfolio. With €61.3 million in gains over the year (+21.67%), the portfolio's performance benefited greatly from the sharp rise in the equity markets during the period. With persistently low interest rates and investors' perception that global economic growth would continue over the coming months, risky asset classes such as equities were particularly in demand in 2019.

The return on the bond portfolio was positive at €5.6 million (+0.42%). After several years of negative performance, bond funds benefited from a tightening of credit margins in 2019. Moreover, despite the low nominal rates of bonds meeting the FGDR's very restrictive risk criteria, the managers were able to find investment solutions that yielded positive returns without significantly reducing their protection against interest rate risk.

Money market investments had negative returns of -€6.3 million (net return of -0.27%, higher than an average Eonia of -0.40% over the period). Portfolio management constraints, which include an average duration of less than six months, led to the fast turnover of securities at negative levels close to the Eonia.

The return on capitalisation contracts was +€3.0 million, i.e. +1.28%; the total amount of unrealised capital gains was €11.3 million and will only accrue to the FGDR if the investment is held for a sufficient length of time. Consequently, a provision was set up for a limited time for the portion of these capital gains not yet definitively acquired (see section 5.1.5. Transferable securities).

3.5.3. Asset allocation

The asset allocation that was decided upon at the Supervisory Board meeting on 15 December 2016 was adjusted through a decision of the Executive Board on 13 December 2018 with respect to the amount of the capitalisation contracts.

It is now as follows:

Historical value of units of mutual funds	
Equity investments	up to 5%
Bond investments	up to 35%
Money market investments	at least 60%, of which a maximum of 10% (6% of the total portfolio) in the form of capitalisation contracts

Assets under management, measured at market value at 31 December 2019, amounted to €4.7148 billion, for a net book value of €4.5444 billion. They break down as follows in market value:

Market value (€ m) Breakdown (%)	End of 2019	End of 2018	End of 2017	End of 2016	End of 2015
Equity mutual fund investments	378.0 8.0%	281.7 6.7%	283.8 7.1%	244.1 6.6%	220.8 6.5%
Bond mutual fund investments	1,370.3 29.1%	1,364.6 32.7%	1,385.6 34.9%	1,207.0 32.7%	782.3 22.9%
Money market mutual fund investments + capitalisation contracts	2,966.5 62.9%	2,529.9 60.6%	2,304.8 58.0%	2,237.5 60.7%	2,418.4 70.7%
Total	**4,714.8**	**4,176.2**	**3,974.2**	**3,688.6**	**3,421.5**

In historical value, the breakdown of investments reflects the Supervisory Board's decision, but with a slight underinvestment in the bond asset class. This situation stems from a temporary freeze on bond investments in 2019 which, however, ended in early 2020 with €140 million invested in January 2020 from available cash (€171.8 million at 31 December 2019).

Historical value (€ m) Breakdown (%)	End of 2019
Equity mutual fund investments	243.7 5.4%
Bond mutual fund investments	1,345.5 29.6%
Money market mutual fund investments + capitalisation contracts	2,955.2 65.0%
Total	**4,544.4**

3.5.4. Breakdown of counterparty risks

The management agreements stipulate that counterparties must have a rating of at least A1 (S&P) or P1 (Moody's) for short-term paper – with an exception up to A2/P2 for non-financial corporate issuers. For long-term paper, the minimum rating is BBB (S&P) or Baa2 (Moody's) for government securities and A-(S&P) or A3 (Moody's) for corporate securities. Risk dispersion rules limit the concentration of investments in issuers. Therefore, all asset classes combined, the ten largest nominal exposures to credit risk represent 13.4% of the total exposure (16.2% in 2018).

At 31 December 2019, this breakdown for all portfolios was as follows:

Rating	%
AAA	1.10
AA	12.60
A	41.53
BBB	7.11
< BBB	-
A1+ (ST)	-
A1 (ST)	19.29
A2 (ST)	21.82
A3 (ST)	-
Not rated	-

3.5.5. Sensitivity of the fixed-income portfolio and stress tests

At the end of 2019, the overall sensitivity of the portfolio to changes in interest rates, which is used to assess the overall interest-rate risk in the FGDR's portfolio, was 0.57. In other words, in the event of a 1% variation in market rates, the performance of the portfolio will vary by 0.57%, all things being equal. This level, although higher than in 2018 (0.30) remains low given the decision taken by the bond fund managers to limit the exposure of the funds to a potential increase in rates.

The annual risk assessment was carried out in accordance with the recommendations of the advisory committee on financial resources management and the Supervisory Board in 2007.

The VaR of the portfolio is calculated based on the parameter approach with probabilities of 95% and 99% and time horizons of one week, one month and one year.

At 31 December 2019, the VaR was as follows:

VaR	1 week	1 month	1 year
VaR 95%	-0.46%	-0.90%	-2.33%
VaR 99%	-0.65%	-1.31%	-3.75%

Over one year, the investment structure of the FGDR's portfolio is such that the probability of a rate of return of more than -3.75% is 99% (-3.50% at end-2018). The VaR thus determined for the various time horizons is slightly higher than at end-2018, but remains roughly the same.

The overall risk associated with the portfolio therefore remains limited, though not insignificant, as the stress tests confirm. Stress tests have a legislative nature and are not associated with a probability of occurrence. They are used to estimate losses based on significant changes in certain assets or interest rates. The main assumptions used are as follows:

- for equities: -20%, -30% and -40% asset deterioration,
- for interest rates: 0.5%, 1% and 2% rate increase,
- for money market and bond assets: 4 and 8 times the historical default per rating published by the rating agencies (S&P and Moody's).

For the extreme scenarios – applied to the portfolio at 31 December 2019 – for all risks taken simultaneously, this results in a loss of 6.65%, i.e. €306 million (versus 6.43%, €263 million in 2018). Risk is stable over the period but increases in absolute value due to the increase in total financial assets.

3.5.6. Socially responsible investment

The FGDR's aim is to incorporate Environmental, Social and Governance (ESG) criteria gradually into its investment and management company selection policy. These criteria are fully in line with its strategy as a "responsible finance operator". They are also taken into account during the FGDR's assessment of fund management performance. With this in mind, the FGDR launched various studies to decide which indicators and principles it would use in determining its investment policy and opted for the following:

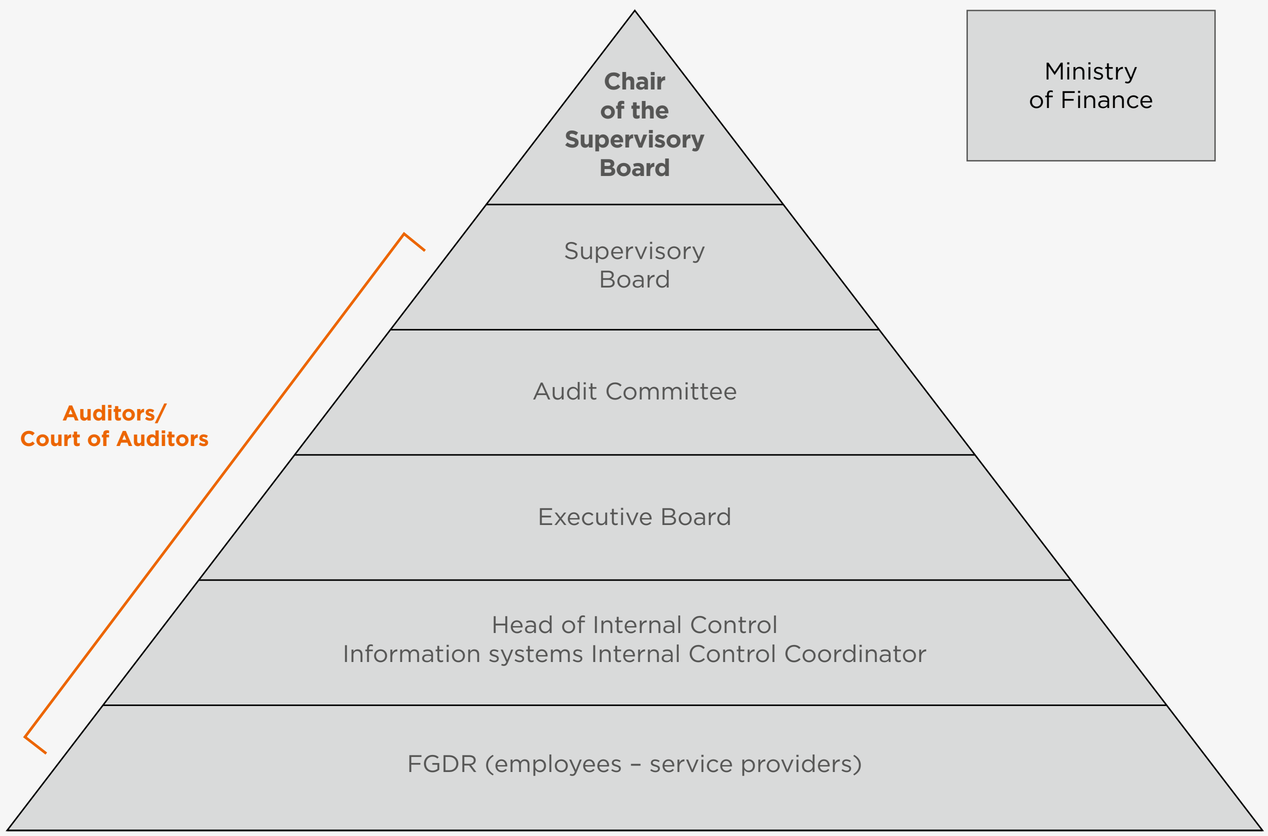
- periodic assessment of the carbon footprint of the equity and bond portfolio;
- verification during fund management tenders that the service providers selected are signatories of the Principles for Responsible Investment (PRI) defined by the United Nations (UN);
- determination of the percentage of securities in its portfolio that is eligible for each management company's "Socially Responsible Investment" (SRI) funds.

3.6. Internal control

The FGDR's internal control system is an essential and necessary component of its operation. In addition, it contributes directly to the FGDR's mission by providing assurance of its operational capability in the event of an intervention.

The internal control system is based on an internal control charter approved by the Supervisory Board. Governance of internal control complies with best practice and includes an internal control officer who is appointed by and reports directly to the Supervisory Board, three successive lines of defence for the control itself, and review and approval by the Supervisory Board of a detailed annual internal control report.

As part of its internal control policy, the FGDR developed a mapping of its risk universe in 2014, which at the time was presented to the Audit Committee and the Supervisory Board. The risk universe corresponds to the FGDR's ecosystem and therefore includes essential service providers.



The FGDR's internal control system

This mapping, developed in compliance with best practice in this area, allows the identification of risks and the measurement of their control and their potential impact on the FGDR's activities. To date, it has identified 13 major risks broken down into sub-risks. Both generic risks and risks specific to the FGDR's work are described. These risks cover the FGDR's two main business cycles, i.e. management under normal circumstances and management in times of crisis.

The risk assessment exercise is conducted annually. It is presented to the Audit Committee and the Supervisory Board. From 2014 to 2017, risks moved in a positive direction in terms of control since most of the actions required in the remediation plan were implemented by the FGDR. The mapping was updated in 2016 and again in 2017. In December 2017, the FGDR wanted to develop the system by increasing the level of granularity in action plan management. The mapping approach and the mapping tool were therefore strengthened. The work carried out led the FGDR to develop a ScoreCard to assess the impact of risks by incorporating feedback from the simulations performed since 2015, on the one hand, and to identify the residual risk factors for each of its risks, on the other hand. These simulations (or stress tests) play a key role in strengthening the FGDR's operational capability.

Today, the FGDR has an accurate tool thanks to new indicators (residual risk and probability of occurrence). Its work continues with the introduction of weighting factors to reduce or increase the weight of sub-risks in the assessment of control. The ultimate goal is to have an increasingly relevant and operational risk control and reduction tool.

In addition, training and awareness-raising are helping to make risk management more appealing to all employees.

Finally, controls covering the main risks identified are being conducted. This plan is updated every year. For instance, the FGDR ensures that service providers that are essential for the fulfilment of its missions have continuity plans. It also has a continuity plan that would allow it to continue its operations in the event of a crisis.

The other key event in the area of internal control in 2019 was the continuation of simulations of the compensation procedure for the deposit guarantee scheme. This entails measuring the ability of the FGDR and its ecosystem to play their part, based on their obligations, in the event of an intervention. These simulation exercises are described in detail in section 3.3 Deployment of the stress test plan of this annual report. They provide valuable lessons and ensure continuous improvement of the processes.

During the year, the FGDR also pursued its policy of implementing intrusion tests performed by companies endorsed by the Agence nationale de la sécurité des systèmes d'information (ANSSI) in order to keep improving the security of its information systems. As has been the case since 2014, intrusion tests were performed on the CCS and non-CCS environments (including the website). These tests demonstrated the high level of IT security of the FGDR's infrastructures while identifying potential improvements. They will be conducted again and diversified in 2020.The intrusion tests help to keep improving the security of the FGDR's information systems by allowing the teams to remain focused on ongoing maintenance of the operational system (CCS and member database).

New internal control tool

In 2019, the methodology used by the FGDR for its ScoreCard led to the definition of three scores – occurrence, impact and criticality – assigned to each of the sub-risks identified. The risk assessment process was completely overhauled by integrating several types of data: actual implementation of remedial actions, monitoring of actions and/or implementation of effectiveness testing, materialisation of residual risk that remains after full implementation of the action and, lastly, assessment of risk control.

3.7. Continuity of activity during the COVID-19 crisis

The FGDR's response to the COVID-19 pandemic has ensured the continuity of its operations, and financial market trends over the first few months of 2020 have had no major impact on its intervention capacity.

4

Monitoring of past interventions

4.1. Crédit martiniquais

Following proceedings brought in 2000 to hold the directors of the former Crédit martiniquais accountable for the problems encountered by the bank, which had justified the FGDR's preventive intervention in 1999, in September 2016 the FGDR appealed a ruling by the Paris Court of Appeal handed down in July of the same year.

In a ruling rendered on 9 January 2019, the Commercial Chamber of the Court of Cassation rejected the FGDR's appeal. The Court based its decision to reject the appeal on the principle of sovereignty of discretion of appeal judges. It also found that the FGDR's action was statute-barred as it referred to a ruling by the Versailles Court of Appeal of 3 May 2007 which had allowed the FGDR's action. According to the Court, this limitation period had expired even before the FGDR's intervention, since it began in 1996 on the date of the managers' misconduct and ended in 1999, and not when the FGDR became aware of it.

4.2. Européenne de gestion privée (EGP)

All the proceedings that were pending in France ended without any decision taken by the FGDR regarding the compensation of EGP's former clients being invalidated. Moreover, the criminal lawsuits in Italy against the former senior managers, and in which the FGDR was a plaintiff claiming damages, continued. In a ruling, the operative part of which was sent to the parties on 2 December 2016, the District Court of Rome, in addition to convicting the individuals charged, referred the determination of injury and the allocation of compensation to the civil court, to which the matter will be presented at the end of the criminal proceedings. Since the ruling of the District Court of Rome is being appealed, the quantification ruling by the civil court will only take place once the Court of Appeal has rendered its ruling. The criminal proceedings continued in 2019; the FGDR continues to be represented even though it is a lengthy process due to its complexity and the large number of parties represented. The hearings were postponed in 2019 due to an error in the procedures for summoning the parties.

4.3. Géomarket (formerly Dubus SA)

Following a review in November 2019, the Commercial Court referred the case to a hearing to be held in the autumn of 2020 to consider the termination of the liquidation proceedings and distribution of the assets. In the meantime, the liquidator will need to publish the order of priority of creditors for distribution of the proceeds from the sale of the real estate assets and pay the share accruing to the FGDR as a preferred creditor. The proceedings will then continue for the distribution of the balance of the assets, bearing in mind that the liquidator must also monitor legal proceedings brought against the company and that these proceedings will impede a final distribution.

5

Financial statements

5.1. Balance sheet

Balance sheet - all mechanisms

Assets (€ thousand)	31/12/2018	31/12/2019
Non-current assets	**3,537**	**2,204**
Net tangible and intangible assets	820	790
• *Gross amount*	*1,613*	*1,796*
• *Depreciation, amortisation and provisions*	*-793*	*-1,006*
Net compensation platform assets	2,717	1,414
• *Gross amount*	*18,130*	*18,349*
• *Depreciation, amortisation and provisions*	*-15,413*	*-16,935*
Short-term receivables	**3,933**	**901**
Amounts due from members	2	5
Other receivables (advances made and credit notes received)	4	4
Members – interest receivable	3,911	876
Net monetary penalties and court costs receivable	16	16
• *Gross amount*	*1,373*	*1,393*
• *Depreciation, amortisation and provisions*	*-1,358*	*-1,378*
Claim-related receivables	**0**	**0**
Net receivables	0	0
• *Gross amount*	*204,715*	*204,715*
• *Depreciation, amortisation and provisions*	*-204,715*	*-204,715*
Transferable securities and cash assets	**4,268,596**	**4,716,155**
Shares	208,493	243,689
Bonds	1,345,468	1,345,468
Money market instruments	2,341,634	2,730,238
Capitalisation contracts	180,000	225,000
Cash assets	193,001	171,760
Accruals	**123**	**129**
Pre-paid expenses	123	129
Total assets	**4,276,189**	**4,719,389**

Liabilities (€ thousand)	31/12/2018	31/12/2019
Equity	**2,014,751**	**2,378,443**
Profit/loss	0	0
Technical provision for intervention risk	1,081,173	1,091,117
Technical provision for compliance	1,720	886
Member's certificates	931,858	1,286,439
Subordinated debt	**2,254,868**	**2,333,666**
Certificates of membership	542,922	542,956
Guarantee deposits	1,711,946	1,790,710
Total equity	**4,269,619**	**4,712,109**
Provisions for claims	**149**	**158**
Provisions for risks and charges	**3,996**	**2,797**
Provisions for risks - capitalisation contracts	3,078	1,399
Provisions for charges	918	1,398
Current liabilities	**2,128**	**3,887**
Trade payables	1,165	1,005
Tax and social security liabilities	948	866
Advances received on monetary penalties	16	16
Misc. debtors	0	2,000
Liabilities to members	**297**	**439**
Members – licence revocations and overpayments	297	439
Accruals	**0**	**0**
Accrued income	0	0
Total liabilities	**4,276,189**	**4,719,389**

Between 2018 and 2019, the FGDR's balance sheet total grew by €443 million from €4.276 billion to €4.719 billion. This increase mainly resulted from the collection of premiums for the various guarantee mechanisms managed by the FGDR: €452 million including operating expenses, of which €433 million in member's certificates or in subordinated debt for the FGDR.

On the asset side, the increase was linked to the rise in transferable securities and cash assets, which were up by €448 million, mainly in the money market segment.

On the liabilities side, the increase was mainly due to:
- the €355 million increase in member's certificates for the deposit guarantee scheme; and
- the €79 million increase in guarantee deposits.

Deposit guarantee scheme balance sheet

Assets (€ thousand)	31/12/2018	31/12/2019
Non-current assets	**2,717**	**1,414**
Net compensation platform assets	2,717	1,414
• *Gross amount*	*18,130*	*18,349*
• *Depreciation, amortisation and provisions*	*-15,413*	*-16,935*
Short-term receivables	**3,783**	**877**
Amounts due from members	0	1
Other receivables (advances made and credit notes received)	0	0
Members – interest receivable	3,783	876
Net monetary penalties and court costs receivable	0	0
• *Gross amount*	*303*	*303*
• *Depreciation, amortisation and provisions*	*-303*	*-303*
Claim-related receivables	**0**	**0**
Net amount due from Crédit martiniquais	0	0
• *Gross amount*	*178,537*	*178,537*
• *Depreciation, amortisation and provisions*	*-178,537*	*-178,537*
Transferable securities and cash assets	**4,041,177**	**4,477,539**
Receivables related to committed costs	**3,382**	**2,593**
Total assets	**4,051,059**	**4,482,422**

Liabilities (€ thousand)	31/12/2018	31/12/2019
Equity	**1,869,083**	**2,224,609**
Profit/loss	0	0
Technical provision for intervention risk	935,505	937,284
Technical provision for compliance	1,720	886
Member's certificates	931,858	1,286,439
Subordinated debt	**2,181,299**	**2,257,336**
Certificates of membership	532,965	533,002
Guarantee deposits	1,648,334	1,724,333
Total equity	**4,050,382**	**4,481,945**
Provisions for claims	**149**	**158**
Current liabilities	**338**	**311**
Trade payables	335	308
Tax and social security liabilities	3	3
Liabilities to members	**190**	**9**
Members - interest payable	0	0
Members – licence revocations	190	9
Breakdown of balance sheet – committed costs	**0**	**0**
Liabilities related to committed costs	0	0
Total liabilities	**4,051,059**	**4,482,422**

Investor compensation scheme balance sheet

Assets (€ thousand)	31/12/2018	31/12/2019
Short-term receivables	**99**	**18**
Net amounts due from members	1	2
• *Gross amount*	*16*	*17*
• *Depreciation, amortisation and provisions*	*-14*	*-14*
Members – interest receivable	81	0
Net monetary penalties and court costs receivable	16	16
• *Gross amount*	*1,070*	*1,090*
• *Depreciation, amortisation and provisions*	*-1,055*	*-1,075*
Claim-related receivables	**0**	**0**
Net amounts due from EGP	0	0
• *Gross amount*	*22,436*	*22,436*
• *Depreciation, amortisation and provisions*	*-22,436*	*-22,436*
Net amounts due from Dubus SA	0	0
• *Gross amount*	*3,742*	*3,742*
• *Depreciation, amortisation and provisions*	*-3,742*	*-3,742*
Transferable securities and cash assets	**155,992**	**158,686**
Receivables related to committed costs	**0**	**0**
Total assets	**156,091**	**158,704**

Liabilities (€ thousand)	31/12/2018	31/12/2019
Equity	**107,203**	**108,912**
Profit/loss	0	0
Technical provision for intervention risk	107,203	108,912
Subordinated debt	**46,921**	**46,986**
Certificates of membership	9,957	9,954
Guarantee deposits	36,964	37,032
Total equity	**154,125**	**155,898**
Provisions for claims	**0**	**0**
Current liabilities	**55**	**64**
Advances received on monetary penalties	16	16
Trade payables	39	48
Tax and social security liabilities	1	1
Liabilities to members	**1**	**8**
Members – licence revocations	1	8
Breakdown of balance sheet – committed costs	**1,910**	**2,734**
Liabilities related to committed costs	1,910	2,734
Total liabilities	**156,091**	**158,704**

Performance bonds guarantee balance sheet

Assets (€ thousand)	31/12/2018	31/12/2019
Short-term receivables	**33**	**-2**
Net amounts due from members	2	-2
• *Gross amount*	*2*	*-2*
• *Depreciation, amortisation and provisions*	*0*	*0*
Members – interest receivable	31	0
Claim-related receivables	**0**	**0**
Transferable securities and cash assets	**39,452**	**39,961**
Transferable securities and cash assets	39,452	39,961
Breakdown of balance sheet – committed costs	**0**	**0**
Receivables related to committed costs	0	0
Total assets	**39,486**	**39,959**

Liabilities (€ thousand)	31/12/2018	31/12/2019
Equity	**20,494**	**20,634**
Profit/loss	0	0
Technical provision for intervention risk	20,494	20,634
Subordinated debt	**18,070**	**18,234**
Certificates of membership	0	0
Guarantee deposits	18,070	18,234
Total equity	**38,564**	**38,868**
Current liabilities	**0**	**0**
Trade payables	0	0
Liabilities to members	**107**	**16**
Members – licence revocations and overpayments	107	16
Breakdown of balance sheet – committed costs	**815**	**1,075**
Liabilities related to committed costs	815	1,075
Total liabilities	**39,486**	**39,959**

NRF and SRF resolution mechanisms balance sheet

Assets (€ thousand)	31/12/2018	31/12/2019
Short-term receivables	**15**	**0**
Net amounts due from members	0	0
• *Gross amount*	*1*	*1*
• *Depreciation, amortisation and provisions*	*-1*	*-1*
Members – penalties receivable	0	0
Members – interest receivable	15	0
Transferable securities and cash assets	**28,315**	**38,050**
Transferable securities and cash assets	28,315	38,050
Breakdown of balance sheet – committed costs	**0**	**0**
Receivables related to committed costs	0	0
Total assets	**28,330**	**38,050**

Liabilities (€ thousand)	31/12/2018	31/12/2019
Equity	**17,970**	**24,288**
Profit/loss	0	0
Technical provision for intervention risk	17,970	24,288
Subordinated debt	**8,578**	**11,111**
Guarantee deposits	8,578	11,111
Total equity	**26,548**	**35,398**
Liabilities to members	**0**	**407**
Members – NRF licence revocations	0	407
Liabilities to the SRF	**0**	**0**
SRF contributions collected	0	0
SRF guarantee deposits collected	0	0
SRF contributions to be transferred	0	0
SRF guarantee deposits to be repaid	0	0
Breakdown of balance sheet – committed costs	**1,782**	**2,245**
Liabilities related to committed costs	1,782	2,245
Total liabilities	**28,330**	**38,050**

5.1.1. Composition of own funds

Equity (€ thousand)	Deposit guarantee scheme	Investor compensation scheme	Performance bonds guarantee scheme	Resolution mechanism	Total
Equity	**2,224,609**	**108,912**	**20,634**	**24,288**	**2,378,443**
Technical provision for intervention risk	937,284	108,912	20,634	24,288	1,091,117
Technical provision for regulatory compliance	886	0	0	0	886
Member’s certificates	1,286,439	0	0	0	1,286,439
Subordinated debt	**2,257,336**	**46,986**	**18,234**	**11,111**	**2,333,666**
Certificates of membership	533,002	9,954	0	0	542,956
Guarantee deposits	1,724,333	37,032	18,234	11,111	1,790,710
Total equity	**4,481,945**	**155,898**	**38,868**	**35,398**	**4,712,109**

Provisions (€ thousand)	31/12/2018	Additions	Reversals	31/12/2019
Technical provision for intervention risk	1,081,173	9,944	0	1,091,117
Technical provision for regulatory compliance	1,720	0	833	887
Total	**1,082,893**	**9,944**	**833**	**1,092,004**

Member’s certificates (€ thousand)	31/12/2018	Calls	Repayments	31/12/2019
Member’s certificates	931,858	354,585	4	1,286,439

Subordinated debt (€ thousand)	31/12/2018	Calls	Repayments	31/12/2019
Guarantee deposits	1,711,946	134,193	55,429	1,790,710
Certificates of membership	542,922	39	4	542,956
Total	**2,254,868**	**134,232**	**55,434**	**2,333,666**

5.1.2. Gross non-current assets

Gross non-current assets (€ thousand)	31/12/2018	Acquisitions	Disposals	31/12/2019
Tangible, intangible and financial assets	**1,613**	**184**	**0**	**1,797**
Intangible assets	**902**	**181**	**0**	**1,083**
• *Software*	*126*	*1*	*0*	*127*
• *Website*	*189*	*0*	*0*	*189*
• *Member database*	*587*	*101*	*0*	*688*
• *Website - assets under construction*	*0*	*79*	*0*	*79*
Tangible assets	**638**	**1**	**0**	**639**
• *General facilities and fixtures*	*352*	*0*	*0*	*352*
• *Office and computer equipment*	*62*	*1*	*0*	*63*
• *Furniture*	*224*	*0*	*0*	*224*
Financial assets	**73**	**1**	**0**	**74**
• *Miscellaneous*	*3*	*0*	*0*	*3*
• *Guarantee deposits paid*	*70*	*1*	*0*	*71*
Compensation platform project	**18,131**	**372**	**154**	**18,349**
Compensation platform - operating assets	18,085	154	0	18,239
Compensation platform - asset under construction	46	218	154	111
Total non-current assets	**19,744**	**556**	**154**	**20,146**

5.1.3. Depreciation and amortisation

Depreciation/amortisation (€ thousand)	31/12/2018	Additions	Reversals	31/12/2019
Tangible, intangible and financial assets	**793**	**213**	**0**	**1,006**
Intangible assets	**394**	**143**	**0**	**537**
Software	*93*	*15*	*0*	*108*
Website	*188*	*0*	*0*	*188*
Member database	*113*	*128*	*0*	*241*
Tangible assets	**399**	**69**	**0**	**468**
General facilities and fixtures	*203*	*42*	*0*	*245*
Office and computer equipment	*57*	*3*	*0*	*60*
Furniture	*139*	*24*	*0*	*163*
Compensation platform project	**15,413**	**1,522**	**0**	**16,935**
Compensation platform - operating assets	15,413	1,522	0	16,935
Compensation platform - asset under construction	0	0	0	0
Total depreciation and amortisation	**16,206**	**1,734**	**0**	**17,940**

5.1.4. Receivables and debts

Gross receivables (€ thousand)	31/12/2018	31/12/2019
Receivables due in less than one year	5,286	2,274
Receivables due in one year or more	204,715	204,715
Total receivables	**210,001**	**206,989**

Receivables due in one year or more represent the cost of past interventions which the FGDR is trying to recover through the proceedings it has initiated.

Debt (€ thousand)	31/12/2018	31/12/2019
Debt due in less than 1 year	1,705,755	1,783,925
Debt due in 1 to 5 years	38	33
Debt due in more than 5 years	551,500	554,067
Total debt	**2,257,294**	**2,338,024**

Debt due in less than one year consists mainly of guarantee deposits received as collateral for payment commitments made by members. Debt due in more than five years includes certificates of membership issued to members of the deposit guarantee and investor compensation schemes and guarantee deposits of the NRF.

5.1.5. Transferable securities

Mutual funds	Total cost price (€ thousand)	Total net asset value 31/12/2019 (€ thousand)	Unrealised capital gain/loss (€ thousand)
Equity mutual funds	243,689	378,034	134,345
Bond mutual funds	1,345,468	1,370,259	24,791
Money market mutual funds	2,736,939	2,730,238	-6,701
Total mutual funds	**4,326,096**	**4,478,531**	**152,435**

Capitalisation contracts Amount (€ thousand)	31/12/2018	31/12/2019
Capitalisation contracts no. 1	50,000	50,000
Accrued interest on contract no. 1	4,074	4,904
Capitalisation contracts no. 2	50,000	50,000
Accrued interest on contract no. 2	3,640	4,661
Capitalisation contracts no. 3	60,000	60,000
Accrued interest on contract no. 3	451	958
Capitalisation contracts no. 4	20,000	20,000
Accrued interest on contract no. 4	147	316
Capitalisation contracts no. 5	0	45,000
Accrued interest on contract no. 5	0	462
Total	**188,312**	**236,301**

5.1.6. Revenue accruals

Revenue accruals – Gross amount (€ thousand)	31/12/2018	31/12/2019
Monetary penalties (Autorité des Marché Financiers)	1,070	1,090
Members - interest receivable	3,911	876
Repayment of court costs receivable	303	303
Total	**5,284**	**2,269**

Given the negative performance of the money market funds, the FGDR will apply negative rates of return to certificates of membership and guarantee deposits for 2019, which means that it will collect €876,000 from its members in 2020 corresponding to a rate of -0.04%.

Monetary penalties Amount at 31/12/2018 (€ thousand)	Penalties imposed in 2019	Payments received in 2019	Amount at 31/12/2019
1,070	1,450	1,430	1,090

Provisions for monetary penalties at 31/12/2018 (€ thousand)	Additions	Reversals	Provision at 31/12/2019
1,055	25	5	1,075

5.1.7. Accrued expenses

Accrued expenses (€ thousand)	31/12/2018	31/12/2019
Trade and similar payables	842	704
Tax and social security liabilities	548	444
Liabilities to members	297	439
Total	**1,687**	**1,587**

Liabilities to members correspond to contributions to be repaid to them following the revocation of their licence.

5.1.8. Provisions for risks and charges

Provisions for risks and charges (€ thousand)	31/12/2018	Increases	Decreases	31/12/2019
Retirement and end-of-contract payments	918	595	114	1,398
Provision for claims	149	9	0	158
Provisions for risks - capitalisation contracts	3,078	802	2,480	1,399
Total	**4,145**	**1,405**	**2,595**	**2,956**

5.1.9. Off-balance sheet commitments

Financial commitments (€ thousand)	31/12/2019
Total commitments received / Line of credit	1,400,000

A €1.4 billion credit line was set up in January 2018 to:
- have an additional liquidity reserve in the event of a failure, calibrated so as to achieve the target amount of total resources early, set at 0.5% of covered deposits;
- ensure the FGDR's compliance with the guidelines issued by the European Banking Authority (EBA) on stress tests of deposit guarantee schemes of countries in the European Union.

5.2.
Profit and loss statement

Income +; Expenses - (€ thousand)	31/12/2018 12 months	31/12/2019 12 months	Change 2019/2018
Income	**20,047**	**21,500**	**7%**
Premiums	18,568	18,279	-2%
Income on licence revocations and European transfers	551	1,779	223%
Other income	928	1,442	55%
Cost of claims	**-378**	**-86**	**-77%**
Risk management expenses	-680	-77	-89%
Provisions for claims	298	-9	-
Claim-related income	4	0	-100%
Financial income/expenses	**-4,730**	**-3,240**	**-31%**
Financial income (equities and bonds)	0	0	-
Financial income (money market mutual funds)	-15,288	57	-
Financial income (capitalisation contract)	2,805	2,990	7%
Provisions for risks (capitalisation contract)	-598	-802	34%
Reversal of provision for impairment (capitalisation contract)	0	2,480	-
Provisions for impairment of transferable securities net of reversals	7,673	-6,356	-
Negative interest on bank accounts	-97	-48	-50%
Interest receivable from members	3,992	1,024	-74%
Credit line charges	-3,218	-2,586	-20%
Overhead costs	**-7,883**	**-8,230**	**4%**
Committed costs	-5,275	-5,655	7%
Depreciation and amortisation (computer equipment, furniture)	-108	-84	-22%
Directly assignable expenses	-106	-106	0%
Compensation platform operation and member database expenses	-2,394	-2,385	0%
Non-recurring items	**0**	**0**	**-**
Technical provision for intervention risk	**-7,056**	**-9,944**	**41%**
Profit/loss	**0**	**0**	**-**

5.2.1. Profit and loss statement by mechanism

Income +; Expenses - (€ thousand)	Deposit guarantee scheme	Investor compensation scheme	Performance bonds guarantee scheme	Resolution mechanism[1]	Total
Income	**11,488**	**2,730**	**412**	**6,870**	**21,500**
Premiums	8	0	0	6,870	6,878
Premiums, operating expenses	9,701	1,300	400	0	11,401
Income on licence revocations and European transfers	1,779	0	0	0	1,779
Other income	0	1,430	12	0	1,442
Cost of claims	**-48**	**-38**	**0**	**0**	**-86**
Risk management expenses	-39	-38	0	0	-77
Provisions for claims	-9	0	0	0	-9
Claim-related income	0	0	0	0	0
Financial income/expenses	**-3,163**	**-53**	**-13**	**-12**	**-3,240**
Financial income (equities and bonds)	0	0	0	0	0
Financial income (money market mutual funds)	54	2	0	0	57
Financial income (capitalisation contract)	2,844	99	25	22	2,990
Provisions for risks (capitalisation contract)	-762	-27	-7	-6	-802
Reversal of provision for impairment (capitalisation contract)	2,359	82	20	19	2,480
Provisions for impairment of transferable securities net of reversals	-6,046	-210	-52	-48	-6,356
Negative interest on bank accounts	-46	-2	0	0	-48
Interest receivable from members	1,019	3	1	1	1,024
Credit line charges	-2,586	0	0	0	-2,586
Overhead costs	**-6,498**	**-932**	**-260**	**-541**	**-8,230**
Committed costs	-4,180	-775	-218	-481	-5,655
Depreciation and amortisation (computer equipment, furniture)	-62	-12	-3	-7	-84
Directly assignable expenses	0	-106	0	0	-106
Compensation platform operation and member database expenses	-2,255	-39	-38	-53	-2,385
Non-recurring items	**0**	**0**	**0**	**0**	**0**
Technical provision for intervention risk	**1,779**	**1,708**	**140**	**6,317**	**9,944**

(1) For 2019, the expenses attributable to the collection of contributions intended for the SRF totalled €339,000.

5.2.2. Income

Contributions to the deposit guarantee scheme amounted to €9.7 million in premiums to finance operating expenses.

The contributions to the other mechanisms were collected on the same basis as in previous years, namely:
- investor compensation scheme: €1.3 million contribution to maintain own funds;
- performance bonds guarantee scheme: €0.4 million contribution to maintain own funds;
- national resolution mechanism: €6.9 million in contributions.

Income on European transfers of members between deposit guarantee schemes pertained to four members of the Polish, German and Belgian schemes for €1.8 million.

Other income includes the monetary penalties imposed by the AMF on FGDR members which, as provided by law, are allocated to the investor compensation mechanism. In 2019, two penalties in the amount of €1.45 million were recorded and collected.

5.2.3. Claim-related expenses

Mechanism	Claim-related expenses	Expenses	Change in provision	Cost of claims
Deposit guarantee scheme	Crédit martiniquais	-39	-9	-48
Investor compensation scheme	EGP	-38	0	-38
Investor compensation scheme	Dubus SA	0	0	0
Total		**-77**	**-9**	**-86**

5.2.4. Compensation platform expenses

In 2019, the capital expenditure for the compensation platform was €154,000, bringing the total investment to €18,239,000. The share of these investments placed in service was amortised over five years, generating an addition of €1,522,000 during the year. This addition is partly offset by the reversal of the provision for regulatory compliance corresponding to the amortisation of the investments for the first amount i.e. €833,000.

The amount of the project expenditure recorded as an expense was €2,210,000 and corresponds to operation and maintenance expenses (see section 3.2. Changes to the Compensation and Communication System (CCS)).

5.2.5. Financial income/expenses

The FGDR's financial expenditure was - €3.24 million. The main reasons for this are as follows:
- +€2.2 million in capital gains on the capitalisation contracts in 2019;
- +€2.5 million reversal of the provision for impairment of the capitalisation contracts due to the expiration of the withdrawal clause of the first two capitalisation contracts;
- -€6.4 million in capital losses on the money market portfolio, the return on which was -27 bps during the year;
- +€0.9 million in interest receivable from members on guarantee deposits and certificates of membership at a rate of return of -0.04%, up from -0.18% in 2018;
- -€2.6 million in credit line commitment fees.

5.2.6. Committed costs

Income +; Expenses – (€ thousand)	Actual 31/12/2018	Actual 31/12/2019	Change 2019/2018
Personnel expenses	**3,630**	**3,669**	**1%**
Gross salaries	2,130	2,149	1%
Employer's contributions	1,336	1,356	1%
Other (including directors' fees)	164	164	0%
Administrative expenses	**1,298**	**1,404**	**8%**
Offices	464	468	1%
IT	145	172	19%
Supplies, documentation and telecoms	61	53	-13%
Communication, travel and public relations	493	543	10%
Other (general taxes, third-party liability insurance)	135	168	24%
Professional fees and external services	**347**	**581**	**67%**
Audit, accounting and internal control	220	285	29%
Asset management	54	77	42%
Legal fees	23	15	-33%
Other (recruitment fees, banking services)	50	204	308%
Prior-year expenses	**0**	**0**	**-**
Total	**5,275**	**5,655**	**7%**

5.2.7. Breakdown of expenses by mechanism

The breakdown of committed costs and financial income/expenses is based on two separate keys, which were stable relative to 2018:

- allocation key for committed costs (costs allocated based on the estimated costing-based management cost of each mechanism) (see section 5.3.2.7. Allocation key for committed costs):
  - – deposit guarantee: 73.93%,
  - – investor compensation: 13.71%,
  - – performance bonds guarantee: 3.86%,
  - – resolution mechanism: 8.5%;
- allocation key for financial income (proportional to the managed resources accruing to each mechanism):
  - – deposit guarantee: 95.12%,
  - – investor compensation: 3.31%,
  - – performance bonds guarantee: 0.82%,
  - – National Resolution Fund (NRF): 0.75%.

5.2.8. Profit/loss

Profit before the technical provision for intervention risk was €9,944,000. It breaks down as follows:

- €1,779,000 for the deposit guarantee mechanism;
- €1,708,000 for the investor compensation mechanism;
- €140,000 for the performance bonds guarantee mechanism;
- €6,317,000 for the resolution mechanism (NRF and SRF).

In accordance with the accounting and tax rule established for the FGDR, this entire amount of €9,944,000 will be transferred to the technical provision for intervention to set accounting income to zero (see section 1.4.3. Provisions relating to the FGDR's funding).

5.2.9. Number of employees

Number of employees	2018	New hires	Departures	2019
Management staff – permanent contract	14	2	2	14
Non-management staff – permanent contract	1	0	0	1
Fixed-term contract	0	0	0	0
Total	**15**	**2**	**2**	**15**

5.3. Notes to the financial statements

5.3.1. Accounting rules and methods

General accounting conventions were applied in accordance with the chart of accounts based on the principle of conservatism and the following basic assumptions:

- going concern principle;
- consistency principle;
- time period principle.

5.3.2. Profit and loss statement

To best present the FGDR's fund investment activity and operation, the following interim balances and groupings have been used.

5.3.2.1. Income for the year

This includes definitive contributions, monetary penalties imposed by the Financial Markets Authority (AMF) (see section 5.3.2.7. Allocation key for committed costs), European transfers and penalties paid by members (other income).

In accordance with the regulations in force, contributions paid during the last 12 months to a European guarantee scheme by a member whose activities are transferred to another European guarantee scheme must be transferred to the latter. These provisions, which are derived from Article 14.3 of the "DGSD2" directive, were transposed into French law by the decree of 27 October 2015 relating to the financial resources of the FGDR.

The following internal procedure is used to record monetary penalties:

- automatic recording of the penalty as soon as the decision is made by the AMF, subject to the expiration of the appeal period;
- automatic provision in the same amount, unless:
  - there is no appeal before the Council of State (or the appeal is rejected),
  - the debtor's solvency is certain (assessed differently depending on whether the debtor is an individual or a legal entity and, in the latter case, based on its situation);
- reversal of the provision as payments are received.

5.3.2.2. Cost of claims

The following income and expenses specific to each intervention are recorded in separate accounts and assigned directly to the intervention:

- the cost of compensation paid to the beneficiaries of the guarantees;
- the cost of preventative interventions;
- claim-related administrative expenses;
- provisions set up to manage risks or expenses related to a specific claim before their final account assignment;
- deductions from resources intended for the final financing of a claim.

5.3.2.3. Financial income/expenses

This includes income and expenses resulting from asset management, financial provisions and provisions for interest payable on member's certificates, certificates of membership and guarantee deposits. The remuneration principles of these instruments are set out in the decree of 27 October 2015 on the FGDR's financial resources:

- member's certificates are remunerated based on a decision by the Supervisory Board at the Executive Board's proposal;
- certificates of membership are remunerated based on the conditions set by the Supervisory Board;
- guarantee deposits are remunerated based on a decision by the Executive Board.

The FGDR has taken out several capitalisation contracts since 2015. The accrued interest was set aside to cover the contractual withdrawal penalty clause in the event of divestiture before the end of a four-year holding period. This penalty may not exceed the return in the first 12 months of the contract. As the capitalisation contracts have been in place for more than four years since being signed, the income from their first annual performance was freed up.

5.3.2.4. Overhead costs
These include personnel expenses, external charges that are not directly assignable to a claim or mechanism, depreciation and amortisation and taxes.

5.3.2.5. Technical provision for intervention risk
Excess income is automatically and fully assigned to the technical provision for intervention risk.

5.3.2.6. Provision for regulatory compliance
Given the regulatory nature of the requirement that resulted in the compensation platform development project, to cover the future amortisation costs of this project, and given that the decision to undertake it was taken irrevocably in 2012, it was decided to create a "provision for regulatory compliance" which represents the investment needed for the specification and development of the initial "R1" version of the system. The creation of this provision was justified by the need to ensure that the FGDR is able to fulfil its legal and regulatory requirements related to depositor compensation. However, the subsequent updates to the CCS, particularly those resulting from the changes in the European framework (transposition of the 2014 DGSD2 directive on deposit guarantee schemes), will not be covered by such a provision since the investment is made as the need or obligation arises. The provision was funded by a deduction from the technical provision for intervention risk. It is reversed as amortisation is recorded for the line items for which it was created. Given its purpose, it is assigned directly and fully to the deposit guarantee mechanism.

5.3.2.7. Allocation key for committed costs
The allocation key for committed costs is based on the number of members per mechanism for personnel directly responsible for member management and on the estimated time spent on each mechanism for other personnel. Except in the event of an intervention, this estimate is comprehensive and fixed. The proportional allocation key that results from the combination of these two factors is then applied to the salaries of personnel and, on a pro rata basis, to all the committed costs.

In addition:
- the full amount of the expenses related to the compensation platform is allocated to the deposit guarantee scheme;
- contributions are levied by mechanism and allocated accordingly;
- monetary penalties (other income) imposed by the AMF on a member of the investor compensation scheme and those imposed on one of their managers or employees are allocated to this mechanism, as are the sums (gifts and patronage) deducted by the FGDR from these penalties to finance educational activities in the financial area (section III of Article L. 621-15 of the French Monetary and Financial Code);
- the cost of each claim, including directly assignable administrative expenses, is allocated, per claim, to the respective mechanism, as well as the sums collected by the FGDR;
- the costs for the new member database are allocated in proportion to the number of members (amortisation, maintenance).

Lastly, financial income and financial expenses are allocated in proportion to the balance sheet resources of each mechanism.

5.3.3. Balance sheet

5.3.3.1. Equity
Own funds include:
- under equity:
  - the technical provision for intervention risk,
  - member's certificates;
- under subordinated debt:
  - certificates of membership,
  - guarantee deposits.

5.3.3.2. Provisions for risks
In accordance with section III of Article L. 312-9 of the French Monetary and Financial Code and the decrees of 27 October 2015, and in the event of losses sustained by the FGDR for any of the guarantee mechanisms as a result of its intervention, the losses will be charged firstly to the member's certificates and then to the certificates of membership of the member for which the fund intervened, secondly to the member's certificates and then to the certificates of membership of the other members, and lastly to the reserves.

The commitments undertaken with respect to severance pay are measured based on the acquired rights of all active employees and salaries at 31 December of each year. No discount or employee turnover factors are applied.

5.3.3.3. Tangible and intangible assets
Assets are valued at their acquisition cost (purchase price and incidental costs, excluding asset acquisition costs).

Depreciation of office and computer equipment is calculated using the diminishing balance method. Depreciation of other assets is calculated using the straight-line method based on the probable useful life:

Tangible and intangible assets	Depreciation period
Software	1 year
Member database	5 years
General facilities	8 to 10 years
Office and computer equipment	3 years
Furniture	5 to 10 years
Website	5 years
Compensation platform	5 years

Since 1 January 2005, an impairment test has been performed when there is an indication of a possible significant loss in value of a tangible or intangible asset. The assets held are not suited to a breakdown by component given their lack of complexity, nor to impairment tests given their nature.

5.3.3.4. Equity interests, other long-term investments, transferable securities

The gross value includes the acquisition cost excluding incidental costs. When the inventory value is less than the gross value, a provision for impairment is set up to cover the difference.

The FGDR's resources are managed globally in dedicated mutual funds. Their management is delegated to specialised operators selected via tender procedures that are re-opened at regular intervals. The management objectives are, first and foremost, the liquidity of the resources, followed by the security of the principal amount and, lastly, performance. The mutual funds are divided into three categories, each of which complies with specific and uniform management rules:

- funds invested in equities;
- funds invested in bond products;
- funds invested in money market products.

The inventory value is the net asset value at 31 December. The results of the money market funds alone are generally determined at least once a year at the end of the year. Provisions are set up for any unrealised capital losses on equity, bond and money market funds.

The FGDR also takes out capitalisation contracts in euro funds with insurance companies rated A or higher.

Until 31 December 2018, transferable securities were measured according to the FIFO method.

To facilitate portfolio management, the FGDR decided to measure transferable securities at their weighted average unit cost from 1 January 2019. This change had no effect on the 2019 financial year.

5.3.3.5. Receivables

Receivables are measured at their face value. A provision for impairment is recorded when the inventory value is less than the face value.

5.4. Subsequent events

The FGDR response to the COVID-19 pandemic has ensured the continuity of its operations, and financial markets trends over the first few months of 2020 have had no major impact on its intervention capacity.

5.5. Statutory auditors' reports

See following pages.

FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION

Siège social : 65 rue de la Victoire, 75009 PARIS

Rapport des commissaires aux comptes sur les comptes annuels

Exercice clos le 31 décembre 2019

PRICEWATERHOUSECOOPERS AUDIT   MAZARS

Rapport des commissaires aux comptes sur les comptes annuels

Mesdames, Messieurs,

Opinion

En exécution de la mission qui nous a été confiée par votre Conseil de Surveillance, nous avons effectué l'audit des comptes annuels du Fonds de Garantie des Dépôts et de Résolution (FGDR) relatifs à l'exercice clos le 31 décembre 2019, tels qu'ils sont joints au présent rapport. Ces comptes ont été arrêtés par le directoire le 18 mars 2020 sur la base des éléments disponibles à cette date dans un contexte évolutif de crise sanitaire liée au Covid-19.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine du FGDR à la fin de cet exercice.

Fondement de l'opinion

Référentiel d'audit

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Les responsabilités qui nous incombent en vertu de ces normes sont indiquées dans la partie « Responsabilités des commissaires aux comptes relatives à l'audit des comptes annuels » du présent rapport.

Indépendance

Nous avons réalisé notre mission d'audit dans le respect des règles d'indépendance qui nous sont applicables, sur la période du 1er janvier 2019 à la date d'émission de notre rapport, et notamment nous n'avons pas fourni de services interdits par l'article 5, paragraphe 1, du règlement (UE) n°537/2014 ou par le code de déontologie de la profession de commissaire aux comptes.

Justification des appréciations

En application des dispositions des articles L. 823-9 et R.823-7 du code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les appréciations suivantes qui, selon notre jugement professionnel, ont été les plus importantes pour l'audit des comptes annuels de l'exercice.

Les appréciations ainsi portées s'inscrivent dans le contexte de l'audit des comptes annuels pris dans leur ensemble et de la formation de notre opinion exprimée ci-avant. Nous n'exprimons pas d'opinion sur des éléments de ces comptes annuels pris isolément.

Règles et principes comptables

L'annexe expose les règles comptables et de présentation des comptes qui sont spécifiques au FGDR. Ces règles ont été approuvées par le Conseil de Surveillance en application de l'article 2.4 du Règlement intérieur approuvé par la décision n°2000-01 du Comité de Règlementation Bancaire et Financière et homologué par arrêté du Ministère chargé de l'Economie en date du 6 septembre 2000.

Nous avons examiné la conformité des règles comptables et de présentations suivies par le FGDR avec celles arrêtés par le Conseil de Surveillance, en particulier pour les points suivants :

Estimations comptables

Comme indiqué, respectivement, en notes 5.3.2.1 et 5.3.2.2 de l'annexe, le FGDR constitue des dépréciations et des provisions pour couvrir les risques relatifs aux sinistres et le risque de non recouvrement des sanctions pécuniaires à encaisser.

Dans le cadre de notre appréciation de ces estimations, nous avons examiné les éléments d'information disponibles sur la base desquels ces estimations se sont fondées et avons procédé à l'appréciation de leur caractère raisonnable.

Vérifications spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par les textes légaux et réglementaires.

Informations données dans le rapport de gestion

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion du Directoire arrêté le 18 mars 2020.

Responsabilités de la direction et des personnes constituant le gouvernement d'entreprise relatives aux comptes annuels

Il appartient à la direction d'établir des comptes annuels présentant une image fidèle conformément aux règles et principes comptables français ainsi que de mettre en place le contrôle interne qu'elle estime nécessaire à l'établissement de comptes annuels ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes annuels, il incombe à la direction d'évaluer la capacité du FGDR à poursuivre son exploitation, de présenter dans ces comptes, le cas échéant, les informations nécessaires relatives à la continuité d'exploitation et d'appliquer la convention comptable de continuité d'exploitation, sauf s'il est prévu de liquider le FGDR ou de cesser son activité.

Les comptes annuels ont été arrêtés par le Directoire.

Responsabilités des commissaires aux comptes relatives à l'audit des comptes annuels

Il nous appartient d'établir un rapport sur les comptes annuels. Notre objectif est d'obtenir l'assurance raisonnable que les comptes annuels pris dans leur ensemble ne comportent pas d'anomalies significatives. L'assurance raisonnable correspond à un niveau élevé d'assurance, sans toutefois garantir qu'un audit réalisé conformément aux normes d'exercice professionnel permet de systématiquement détecter toute anomalie significative. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes prennent en se fondant sur ceux-ci.

Comme précisé par l'article L.823-10-1 du code de commerce, notre mission de certification des comptes ne consiste pas à garantir la viabilité ou la qualité de la gestion du FGDR.

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le commissaire aux comptes exerce son jugement professionnel tout au long de cet audit. En outre :

- il identifie et évalue les risques que les comptes annuels comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;

- il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;

- il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que les informations les concernant fournies dans les comptes annuels ;

- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité du FGDR à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes annuels au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;

FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION

Exercice clos le 31 décembre 2019

- il apprécie la présentation d'ensemble des comptes annuels et évalue si les comptes annuels reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle.

Fait à Neuilly-sur-Seine et à Courbevoie, le 9 Avril 2020

Les Commissaires aux comptes

PRICEWATERHOUSECOOPERS AUDIT

Jacques LEVI

MAZARS

Virginie CHAUVIN

Signature numérique de Virginie CHAUVIN
Date : 2020.04.09 15:05:29 +02'00'

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FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION

Head office: 65, rue de la Victoire, 75009 Paris

Auditors' report on the year-end financial statements

Year ended 31 December 2019

PRICEWATERHOUSECOOPERS AUDIT MAZARS

Auditors' report on the year-end financial statements

FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION

Year ended 31 December 2019

Ladies and Gentlemen,

Opinion

Pursuant to the mission entrusted to us by your Supervisory Board, we audited the year-end financial statements of the Fonds de Garantie des Dépôts et de Résolution (FGDR) for the year ended 31 December 2019, as appended to this report. These financial statements were approved by the Board on 18 March 2020 on the basis of information available on that date in the evolving context of the COVID-19 health crisis.

We certify that the year-end financial statements are, based on French accounting rules and principles, true and correct and provide a fair view of the result of the operations of the past financial year and of the financial position and assets of the FGDR at the end of said year.

Basis of the opinion

Audit standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that we collected sufficient and appropriate information on which to base our opinion.

Our responsibilities pursuant to these standards are indicated in the section of this report entitled ‘Responsibilities of the auditors regarding the audit of the year-end financial statements’.

Independence

We conducted our audit in accordance with the rules regarding independence applicable to us, for the period from 1 January 2019 to the date of issuance of our report and, in particular, we have not provided any of the services prohibited by Article 5, paragraph 1, of (EU) Regulation 537/2014 or by the code of ethics for auditors.

Basis of our assessments

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the basis of our assessments, we hereby inform you of the following assessments which, in our professional judgment, were the most significant for the audit of the year-end financial statements.

These assessments fall within the scope of the audit of the year-end financial statements taken as a whole and enabled us to form the opinion expressed above. We do not express an opinion on elements of these year-end financial statements taken separately.

Accounting rules and principles

The notes describe the specific accounting and presentation rules applicable to the financial statements of the FGDR. These rules were approved by the Supervisory Board pursuant to Article 2.4 of the Internal Regulations approved by decision 2000-01 of the French Banking and Financial Regulation Committee (Comité de Réglementation Bancaire et Financière) and approved by order of the Ministry of the Economy on 6 September 2000.

We reviewed whether the accounting and presentation rules applied by the FGDR comply with those adopted by the Supervisory Board, particularly as regards the following:

Accounting estimates

As indicated in notes 5.3.2.1 and 5.3.2.2, respectively, the FGDR records provisions for impairment to cover risks associated with claims and the risk of non-recovery of monetary penalties receivable.

As part of our assessment of these estimates, we reviewed the available information that led to the determination of these estimates and assessed its reasonableness.

Specific verifications

In accordance with the professional standards applicable in France, we also performed the specific verifications required by laws and regulations.

Information provided in the management report

We have no comment as to the accuracy and consistency with the year-end financial statements of the information provided in the Board's management report approved on 18 March 2020.

Responsibilities of management and those charged with corporate governance regarding the year-end financial statements

It is the responsibility of management to prepare year-end financial statements that give a true and fair view in accordance with French accounting rules and principles and to implement internal control as it deems necessary for the preparation of year-end financial statements that contain no material misstatements, whether such misstatements are the result of fraud or errors.

When preparing the year-end financial statements, management must assess the FGDR's ability to continue to operate, present in its financial statements, where applicable, the necessary information regarding its continued operation and apply the going concern accounting convention, unless there are plans to liquidate the FGDR or discontinue its business.

The year-end financial statements were approved by the Executive Board.

Responsibilities of the auditors regarding the audit of the year-end financial statements

Our responsibility is to prepare a report regarding the year-end financial statements. Our objective is to obtain reasonable assurance that the year-end financial statements as a whole contain no material misstatements. Reasonable assurance is a high level of assurance, yet without guaranteeing that an audit conducted in accordance with generally accepted professional standards always leads to the detection of all material misstatements. Misstatements may result from fraud or errors and are considered material when there is a reasonable expectation that they can, when taken individually or combined, influence the economic decisions made by users of the financial statements on the basis of these financial statements.

As set out in Article L. 823-10-1 of the French Commercial Code, our task of certifying the financial statements does not entail guaranteeing the viability or quality of the FGDR's management.

When conducting an audit in accordance with professional standards applicable in France, the auditor exercises his or her professional judgment throughout the audit. Moreover, he or she:

- identifies and assesses the risk that the year-end financial statements contain material misstatements, whether such misstatements result from fraud or errors, defines and implements audit procedures to address these risks, and collects information that he or she considers a sufficient and appropriate basis for such opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement resulting from an error, as fraud may involve collusion, forgery, deliberate omissions, false statements or the override of internal control;

- reviews internal control relevant to the audit in order to define appropriate audit procedures under the circumstances, and not to express an opinion on the effectiveness of internal control;

- assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as related information provided in the year-end financial statements;

- assesses the appropriateness of management's application of the going concern accounting convention and, based on the information collected, whether or not significant uncertainty exists regarding events or circumstances likely to call into question the FGDR's ability to continue to operate. This assessment is based on information collected up to the date of his or her report, it being noted however that subsequent circumstances or events could call into question the continued operation. If the auditor concludes that significant uncertainty exists, he or she brings the information provided in the year-end financial statements regarding such uncertainty to the attention of readers of his or her report or, if such information is not provided or is not relevant, the auditor issues a qualified opinion or a denial of opinion;

- assesses the overall presentation of the year-end financial statements and determines whether they fairly present the underlying transactions and events.

Neuilly-sur-Seine and Courbevoie, 9 April 2020

The Auditors

PRICE WATER HOUSE COOPERS AUDIT	Jacques LEVI
MAZARS	Virginie CHAUVIN

FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION

**Rapport spécial des commissaires aux comptes
sur les conventions réglementées**

Exercice clos le 31 décembre 2019

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine

MAZARS
61, rue Henri Regnault
92400 Courbevoie

Rapport spécial des commissaires aux comptes sur les conventions réglementées

FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION
65, Rue de la Victoire
75009 PARIS

Mesdames, Messieurs,

En notre qualité de commissaires aux comptes du FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION (FGDR), nous vous présentons notre rapport sur les conventions réglementées.

Il nous appartient de vous communiquer, sur la base des informations qui nous ont été données, les caractéristiques et les modalités essentielles des conventions dont nous avons été avisés ou que nous aurions découvertes à l'occasion de notre mission, sans avoir à nous prononcer sur leur utilité et leur bien-fondé ni à rechercher l'existence d'autres conventions. Il vous appartient, selon les termes de l'article R. 225-58 du code de commerce, d'apprécier l'intérêt qui s'attachait à la conclusion de ces conventions en vue de leur approbation.

Par ailleurs, il nous appartient, le cas échéant, de vous communiquer les informations prévues à l'article R. 225-58 du code de commerce relatives à l'exécution, au cours de l'exercice écoulé, des conventions déjà approuvées par le Conseil de Surveillance.

Nous avons mis en œuvre les diligences que nous avons estimé nécessaires au regard de la doctrine professionnelle de la Compagnie nationale des commissaires aux comptes relative à cette mission.

CONVENTIONS SOUMISES A L'APPROBATION DU CONSEIL DE SURVEILLANCE

Nous vous informons qu'il ne nous a été donné avis d'aucune convention autorisée et conclues au cours de l'exercice écoulé à soumettre à l'approbation du Conseil de Surveillance en application des dispositions de l'article L. 225-86 du code de commerce.

CONVENTIONS DEJA APPROUVEES PAR DU CONSEIL DE SURVEILLANCE

Nous vous informons qu'il ne nous a été donné avis d'aucune convention déjà approuvée par le Conseil de Surveillance dont l'exécution se serait poursuivie au cours de l'exercice écoulé.

Fait à Neuilly-sur-Seine et Courbevoie, le 9 Avril 2020

Les commissaires aux comptes

PricewaterhouseCoopers Audit	MAZARS
	Signature numérique de Virginie CHAUVIN Date : 2020.04.09 15:26:03 +02'00'
Jacques Lévi	Virginie CHAUVIN

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FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION

Auditors' special report on regulated agreements

Year ended 31 December 2019

FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION
65, Rue de la Victoire
75009 PARIS

Ladies and Gentlemen,

In our capacity as auditors of the Fonds de Garantie des Dépôts et de Résolution (FGDR), we present to you our report on regulated agreements.

It is our responsibility to inform you, based on the information provided to us, of the characteristics and essential terms and conditions of the agreements brought to our attention or about which we may have learned during the course of our audit, without our being required to comment on their usefulness and relevance or to determine the existence of other agreements. It is your responsibility, pursuant to Article R. 225-58 of the French Commercial Code, to assess the advantage of entering into these agreements with a view to their approval.

It is also our responsibility, where applicable, to provide you with the information set out in Article R. 225-58 of the French Commercial Code regarding the performance, during the previous year, of the agreements already approved by the Supervisory Board.

We have conducted the work that we deemed necessary in accordance with the accounting standards of the Compagnie nationale des Commissaires aux Comptes that apply to this audit.

AGREEMENTS SUBJECT TO THE APPROVAL OF THE SUPERVISORY BOARD

We inform you that we have not been advised of any agreement authorised and concluded during the previous year which is subject to the approval of the Supervisory Board pursuant to Article L. 225-86 of the French Commercial Code.

AGREEMENTS ALREADY APPROVED BY THE SUPERVISORY BOARD

We inform you that we have not been advised of any agreement already approved by the Supervisory Board which remained in effect during the previous year.

Neuilly-sur-Seine and Courbevoie, 9 April 2020

The Auditors

PRICE WATER HOUSE COOPERS AUDIT	Jacques LEVI
MAZARS	Virginie CHAUVIN

Glossary

A	ACPR	Autorité de contrôle prudentiel et de résolution (Prudential Supervision and Resolution Authority)
	AMAFI	Association française des marchés financiers (French Financial Markets Association)
	AMF	Autorité des marchés financiers (Financial Markets Authority)
	ANSSI	Agence nationale de la sécurité des systèmes d'information (National Cybersecurity Agency of France)
	ASF	Association française des sociétés financières (French Financial Companies Association)
B	BDB	Bundesverband deutscher Banken e.V.
	BRRD	Banking Resolution and Recovery Directive
C	CBI	Central Bank of Ireland
	CCS	Integrated Compensation and Communication System
	CSR	Corporate Social Responsibility
D	DAS	Deposit Account Statement
	DGSD2	Deposit Guarantee Schemes Directive 2
E	EBA	European Banking Authority
	EDIS	European Deposit Insurance Scheme
	EFDI	European Forum of Deposit Insurers
	ESG	Environmental, Social and Governance criteria
F	FBF	Fédération bancaire française (French Banking Federation)
	FCP	Fonds commun de placement (Mutual fund)
	FIFO	Scheduling method - First In First Out
	FITD	Fondo Interbancario di Tutela dei Depositi
	FSAP	Financial Sector Assessment Program
	FSCS	Financial Services Compensation Scheme
I	IADI	International Association of Deposit Insurers
	ICSD	Investors Compensation Schemes Directive
M	MiFID2	Markets in Financial Instruments Directive 2
	MMF	Money Market Funds
	MTF	Multilateral Trading Facility
N	NRF	National Resolution Fund
O	OCBF	Office de coordination bancaire et financière
	OTF	Organised Trading Facility
P	PI/EMI	Payment Institution/Electronic Money Institution
	PRI	Principles for Responsible Investment
S	SCA	Secure Compensation Area
	SCV	Single Customer View
	SRF	Single Resolution Fund
	SRI	Socially Responsible Investment
	SRM	Single Resolution Mechanism
T	TFDGS	Task Force Deposit Guarantee Schemes
V	VaR	Value at Risk

FONDS DE GARANTIE
DES DÉPÔTS ET
DE RÉSOLUTION

French deposit insurance and resolution fund

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Fonds de Garantie
des Dépôts et de Résolution
www.linkedin.com/company/fonds-de-garantie-des-dépôts-et-de-résolution

Facts & figures

at 31/12/2019

Available resources at 31/12/2019

€4.712 billion

Member institutions

465 members

Deposit guarantee scheme members

339 members

Investor compensation scheme members

304 members

Performance bonds guarantee scheme members

286 members

Deposit guarantee scheme

Up to
€100,000
per customer, per institution

Compensation in 7 working days

Investor compensation scheme

Up to
€70,000
per customer, per institution

Compensation in 3 months

Performance bonds guarantee scheme

Up to
90%
of the harm sustained

FONDS DE GARANTIE
DES DÉPÔTS ET
DE RÉSOLUTION

French deposit insurance and resolution fund

Path of the FGDR

1999
- **Creation of the FGD**
- **Law of 25 June 1999**
- Crédit martiniquais intervention

2000
- Mutua-Equipement intervention

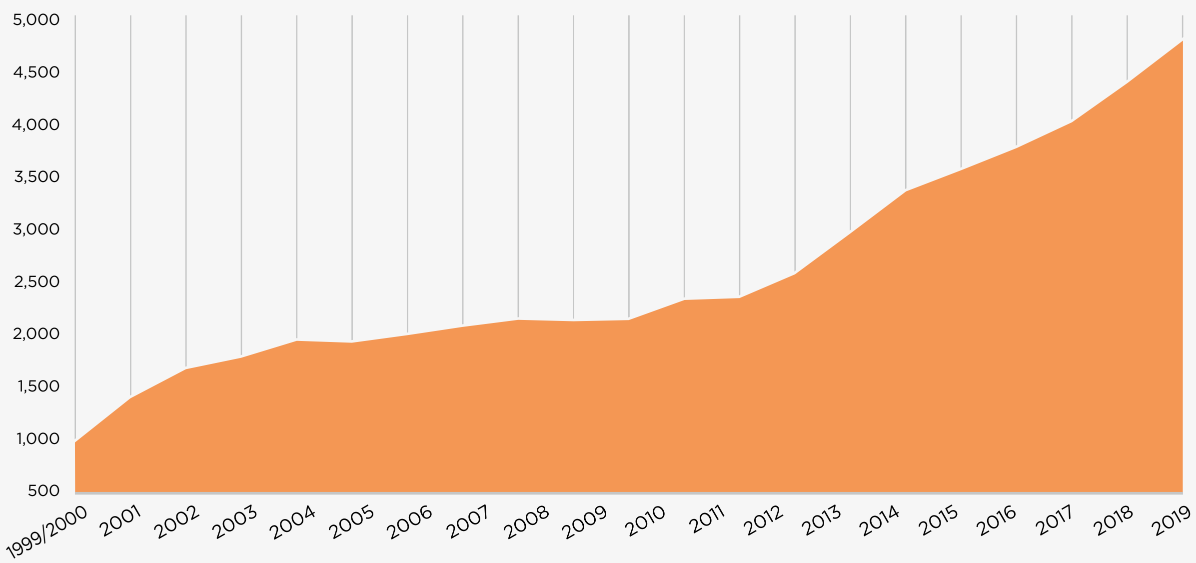
2009
- **Deposit guarantee scheme extended to €100,000**
- **Timeframe of 20 working days**
- **Directive of 11 March 2009**

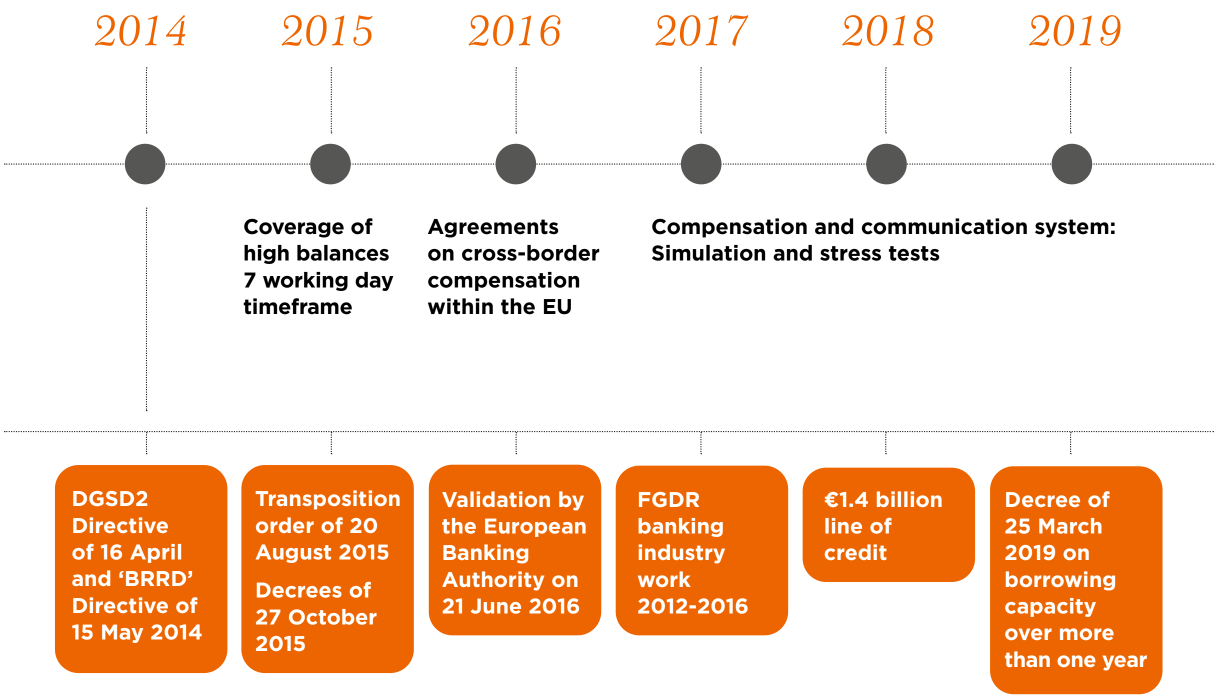
2010
- EGP intervention

2012
- **Launch of the FGDR compensation system project**

2013
- **The FGD becomes the FGDR**
- **Law of 26 July 2013**
- Dubus SA intervention

The FGDR's resources since its creation (€ m)





The FGDR's available resources at 31/12/2019

Guarantee mechanism	Available resources (€ m)	2019 contributions by mechanism (€ m)
Deposit guarantee scheme	4,482	431
Investor compensation scheme	156	0
Performance bonds guarantee scheme	39	0
National Resolution Fund	35	10
Total	**4,712**	**441**

Change in available resources (€ m)

	2014	2015	2016	2017	2018	2019
Deposit guarantee scheme	2,958	3,157	3,382	3,649	4,050	4,482
Investor compensation scheme	135	148	152	153	154	156
Performance bonds guarantee scheme	37	38	38	38	38	39
National Resolution Fund	-	11	14	17	26	35

The FGDR team


Tania Badea-Nirin
Communications Manager


Patrice Bouchet
Deputy Chief of Operations


Magalie Boucheton
Office Manager


Marine Bréchaire
Communications Trainee


Corinne Chicheportiche
Membership Manager


E-Clara Cohen
Head of Legal


Marion Delpuech
Senior Payout Specialist


Thierry Dissaux
Chairman of the Executive Board


Pierre Dumas
Head of Operations


Sylvie Godron-Derozières
Head of Communications


Michel Cadelano
Member of the Executive Board


Kevin Mendes
Analyst and Project Manager


Alexia Prudhomme
Accounting Manager


Arnaud Ribadeau-Dumas
Deputy Chief of Operations


Arnaud Schangel
Head of Finance


Anne-Valérie Seguin
Senior Payout Specialist


Sana Shabbir
Payout Specialist

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