

7TH SRB – BANKING INDUSTRY DIALOGUE MEETING **SINGLE RESOLUTION FUND**

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Brussels, 10 December 2018





AGENDA



1. UPDATE ON EX-ANTE CONTRIBUTIONS TO THE SRF

2. UPDATE ON CONTRIBUTIONS TO THE ADMINISTRATIVE EXPENDITURES OF THE SRB

Single Resolution Board – Industry Dialogue

1. UPDATE ON EX-ANTE CONTRIBUTIONS TO THE SRF

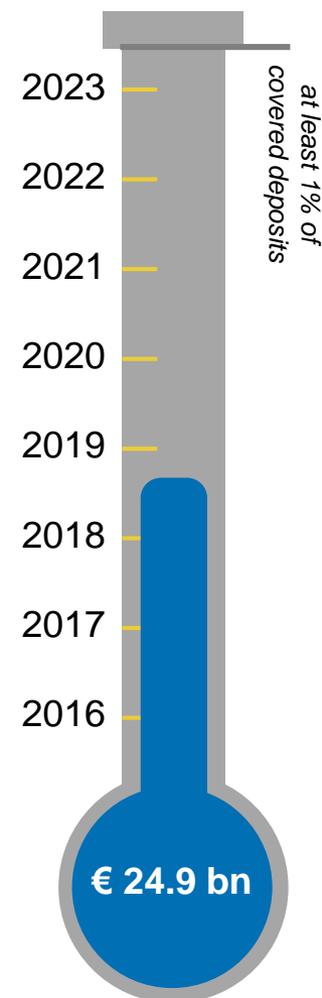
WHERE ARE WE IN THE BUILDING OF THE FUND?



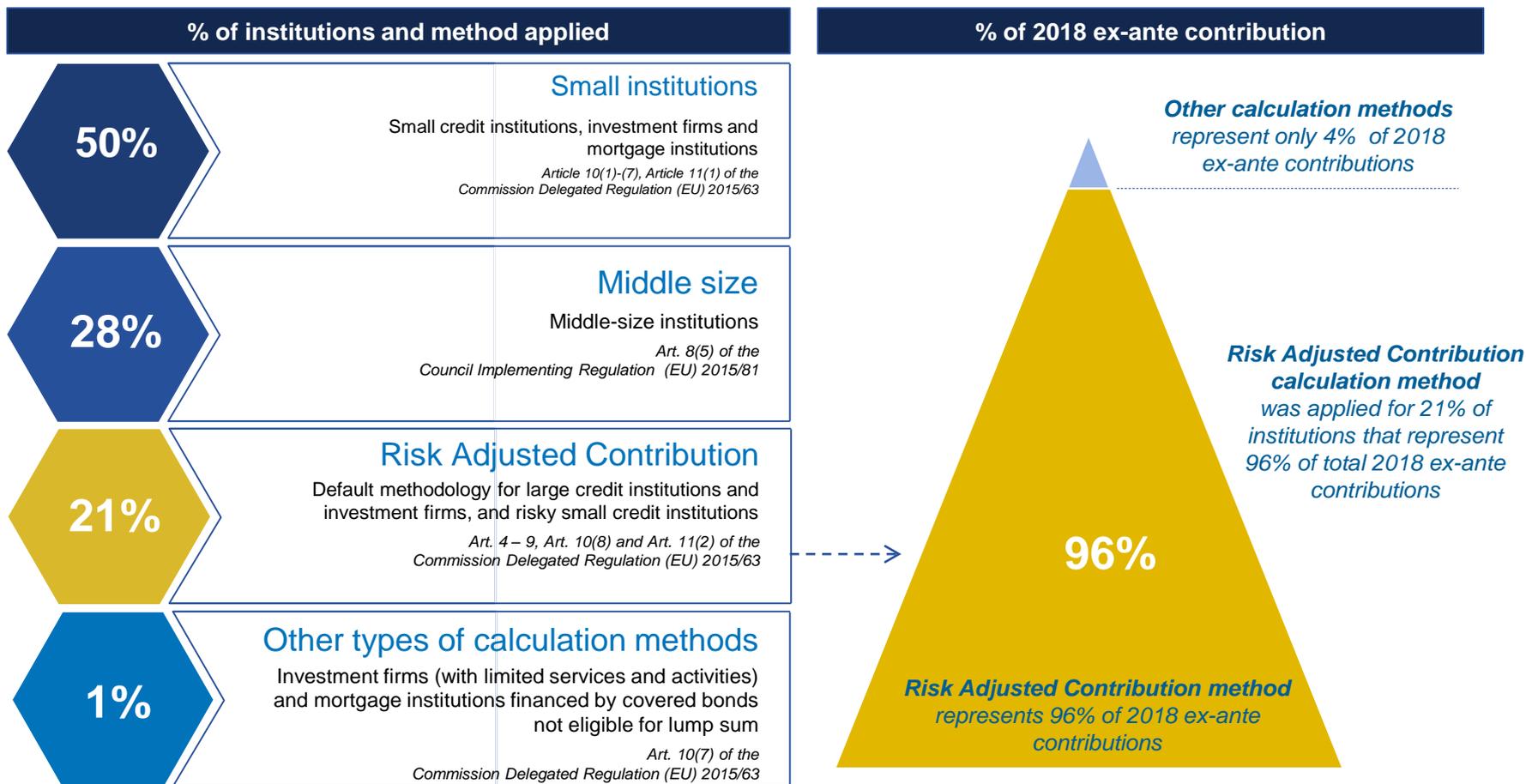
By 1 January 2024, the available financial means of the Fund shall reach **at least 1 % of the amount of covered deposits** of all credit institutions authorised in all of the participating Member States.

In 2018, the SRB collected **€ 7.5 bn** in **2018 ex-ante contributions** (after deductions and adjustments) and the Fund now stands at approximately **€24.9 bn**.

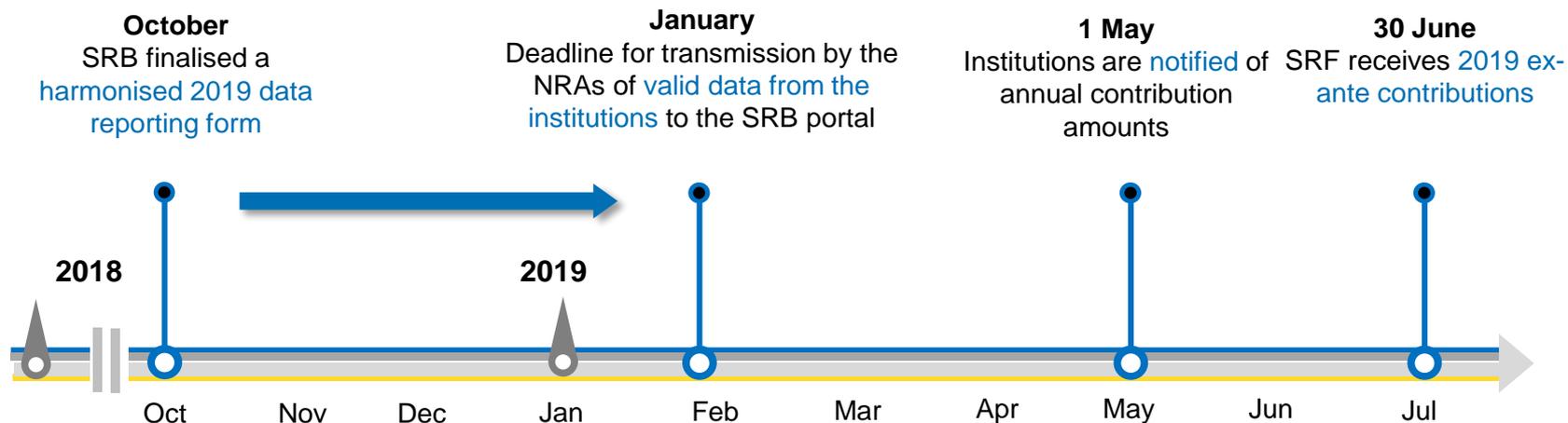
The Fund pools contributions raised at national level from **credit institutions** and **certain investment firms** within the 19 participating Member States. In 2018, 3315 institutions were in the scope of the Fund.



HOW WERE THE EX-ANTE CONTRIBUTIONS DISTRIBUTED IN 2018?



2019 EX-ANTE CONTRIBUTION PROCESS



SRB	NRAs
<ul style="list-style-type: none"> Responsible for the calculation of ex-ante contributions 	<ul style="list-style-type: none"> Are the first point of contact for institutions
<ul style="list-style-type: none"> Sets out data reporting formats and representations used by institutions to report data 	<ul style="list-style-type: none"> Assist SRB in collecting data reporting formats and representations
<ul style="list-style-type: none"> Communicates ex-ante contributions to the NRAs (and provides a Master Decision document and Harmonised Annexes) 	<ul style="list-style-type: none"> Notify institutions about the SRB's decision on calculation of ex-ante contributions as well as raise the ex-ante contributions
<ul style="list-style-type: none"> Manages Irrevocable Payment Commitment (IPC) contracts and collateral 	<ul style="list-style-type: none"> Transfer ex-ante contributions collected nationally to the Single Resolution Fund

TARGET LEVEL

Annual Target Level = Total covered deposits (T-1) x coefficient(%) / 8

How to set the coefficient considering that:

- ✓ the mandate is to reach at least 1% of the total amount of covered deposits in the euro area by 31 December 2023;
- ✓ covered deposits increased by 2% in 2016 and over 3% in 2017;
- ✓ **due to the annual growth of covered deposits, setting the coefficient at 1% would not be sufficient to reach the expected target by end 2023.**

- In **2016** and **2017**, the SRB set the coefficient at **1.05%**
- In **2018**, the SRB set the coefficient at **1.15%**:

*2018 Target Level = Total covered deposits in 2017 x 1,15% / 8 = € 8,1 billion**

Effect of change in the target level: 13%
(coefficient effect: +9,5%, growth of CD: 3,2%)

- **Projection of covered deposits growth** is estimated based on:
 - EC Joint Research Centre based on econometric model; and
 - Growth projection/simulation based on historical data

* After deduction of 2015 contributions, the final amount collected in 2018 was equal to € 7,5 billion.

WHAT DATA IS USED IN THE CALCULATIONS?

The SRB applies the methodology set out in the Commission Delegated Regulation (EU) No 2015/63 ('**CDR**') and the **CIR**, which guarantees a level playing field among participating Member States.

Data used in the calculation of ex-ante contributions *(reference date in most cases: N-2)*

1. Basic Annual Contribution:

- Total Liabilities (= Total Balance Sheet)
 - Own Funds
 - Covered Deposits
 - Accounting on-balance sheet derivative liabilities
 - + Derivative liabilities (leverage methodology) after floor
 - Deductions (if any)

2. Risk adjustment:

- i. Risk Exposure:
 - a) MREL
 - b) Leverage Ratio
 - c) Common Equity Tier 1 Capital (CET1) Ratio
 - d) Total Risk Exposure (TRE)
 - e) Total Assets (TA)
- ii. Stability and variety of funding
 - a) NSFR
 - b) LCR
- iii. Interbank loans and deposits
- iv. Additional risk indicator
 - a) Risk exposure on traded debt and equity (out of TRE, CET1, TA)
 - Off-balance sheet nominal (out of TRE, CET1, TA)
 - Derivative exposure (out of TRE, CET1, TA)
 - Of which: CCP exposure (risk reducing)
 - Complexity of business model (Y/N)
 - b) IPS membership and authorisation (Y/N)
 - c) Extent of previous extraordinary public financial support (Y/N)

Source

Annual financial statements
EU COREP
DGSs / Institution
Annual financial statements
Institution
Institution

Not yet included

EU COREP
EU COREP
EU COREP
Annual financial statements

Not yet included

EU COREP

Data requested for the first time for 2019 cycle

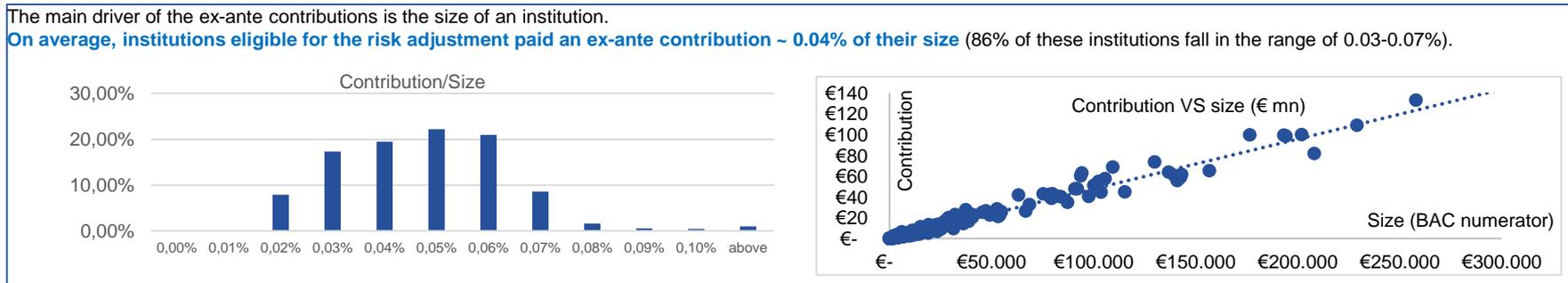
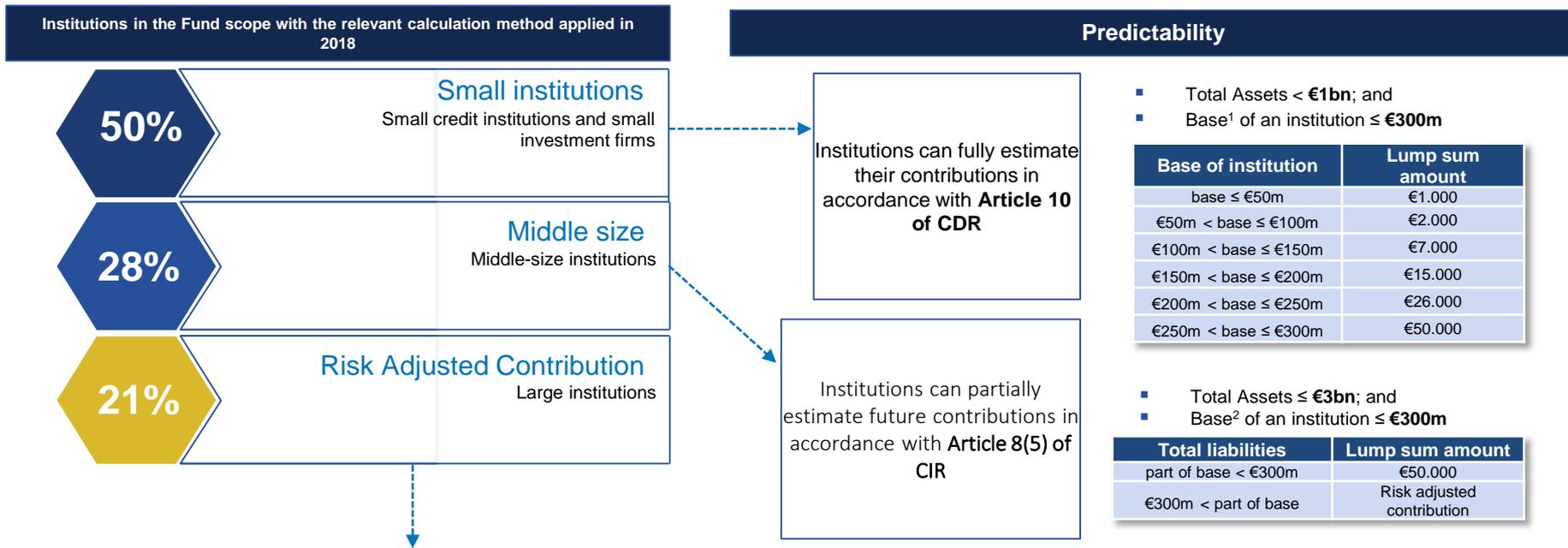
EU COREP
EU COREP
EU COREP
Institution

Not yet included

Institution
Institution

COULD AN INSTITUTION ESTIMATE ITS EX-ANTE CONTRIBUTIONS?

Based on the calculation methodology defined in the CDR and using the data published by the SRB on the webpage, institutions **can estimate their ex-ante contributions**. A complete recalculation of ex-ante contributions is only possible for small institutions.



¹ Total liabilities – own funds – covered deposits

² Total liabilities – own funds – covered deposits + derivative adjustments – deductions

Single Resolution Board – Industry Dialogue

2. UPDATE ON CONTRIBUTIONS TO THE ADMINISTRATIVE EXPENDITURES OF THE SRB

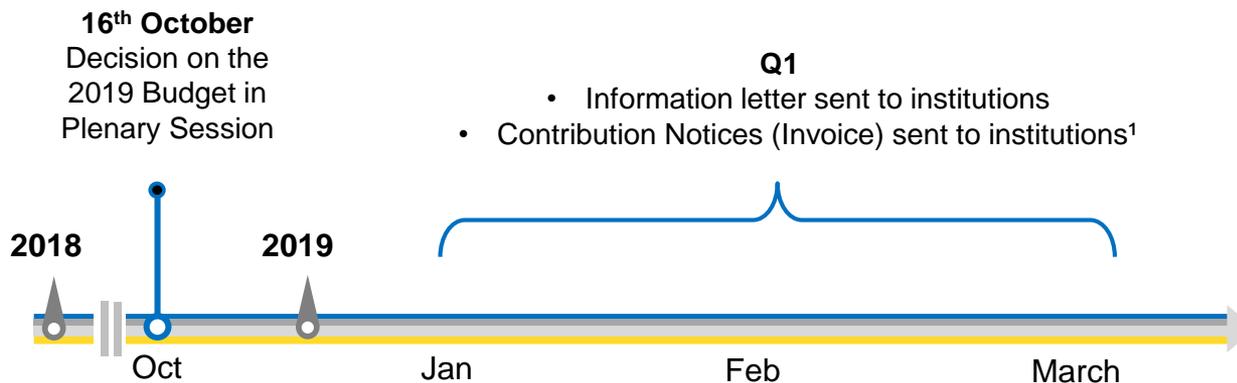
STATISTICS ON 2018 CYCLE



- ▶ Total **annual amount raised** in 2018 = **EUR 94 million**
- ▶ **Institutions in scope** in 2018: **2 729**
 - Less significant institutions (**LSIs**): **2 605**
 - Significant institutions (**SIs**), incl. cross border groups: **124**
- ▶ **Communication sent to institutions:**
 - **Introduction letter** on 10 January 2018
 - **Contribution Notice (Invoice)** on 9 March 2018
- ▶ In **2018**, almost **80% of all institutions** needed to **pay** a contribution **lower than EUR 5 000**:

Final amount paid in 2018	
x < 0	0%
x < 500	8%
500 < x < 1 000	28%
1 000 < x < 2 000	22%
2 000 < x < 5 000	21%
5 000 < x < 15 000	12%
x > 15 000	9%
Total	100%

2019 ADMINISTRATIVE CONTRIBUTIONS PROCESS



SRB	NRAs	ECB
<ul style="list-style-type: none"> • Calculating the administrative contributions • Notifying institutions about the SRB's decision on administrative contributions and collecting the contributions from the institutions • Assisting institutions in case of questions (first point of contact) 	<ul style="list-style-type: none"> • Supporting the administrative contributions process of the SRB 	<ul style="list-style-type: none"> • Providing the SRB with the data² to be used for the calculation

¹ Deadline of payment (35 days after invoice is sent)

² This data corresponds to the data collected by the ECB for the purpose of its supervisory fees, in accordance with Regulation (EU) No 1163/2014

WHAT EXACTLY WILL HAPPEN IN 2019 CALCULATION?

Depending on your specific situation, the final amount to be paid in 2019 will consist of the following:

1

Calculation: Calculation of 2019 contribution amounts

- For all **institutions in scope of Article 2 of SRMR** as reported in the data transmitted by the ECB, a contribution for the 2019 financial year will be calculated.

2

Settlements: Settlement of the remaining balance from provisional period

- For all institutions whose **settlements** resulting from the recalculation of the provisional period (2015 – 2017) could **not** be **fully settled in 2018**, the remaining amount will be **settled in 2019**. In case this amount is **larger** than **2019 annual administrative contribution**, the amount will be capped and the remaining adjustment will **continue in the following years**¹.

3

Recalculation: Recalculation of previous contribution amount due to changes in scope, status and other changes

- For all institutions whose **status or scope changed** in the previous financial year(s), **based on the new data** set transmitted by the ECB, the **contribution** will be **recalculated** for the **concerned months**. The **difference** between the recalculated contribution and the amount initially invoiced will be **added to** the amount of **contribution invoiced in 2019**.

¹ If an institution left the scope of administrative contributions and has no legal successor in scope, the total amount of outstanding settlements will be settled in 2019.

WHAT IS THE ANNUAL AMOUNT OF CONTRIBUTIONS RAISED?



The total annual amount of administrative contributions raised in a financial year consists of:

1. The **Budget adopted by the Board** for that financial year (Y) (and any subsequent amendments)¹;
2. The **result of the Budget of the latest financial year** (Y-2) for which the final accounts have been published¹;
3. Any **aggregated surplus/deficit resulting from all adjustments** made in accordance with Art. 7 of the Delegated Regulation (EU) No 2017/2361 (on the changes in scope, status or other data) to the contributions of the previous financial year(s).

¹ In accordance with the financial regulation, the SRB Budget and the result of the Budget are published on the SRB website after their approval.

HOW ARE THE ADMINISTRATIVE CONTRIBUTIONS CALCULATED?

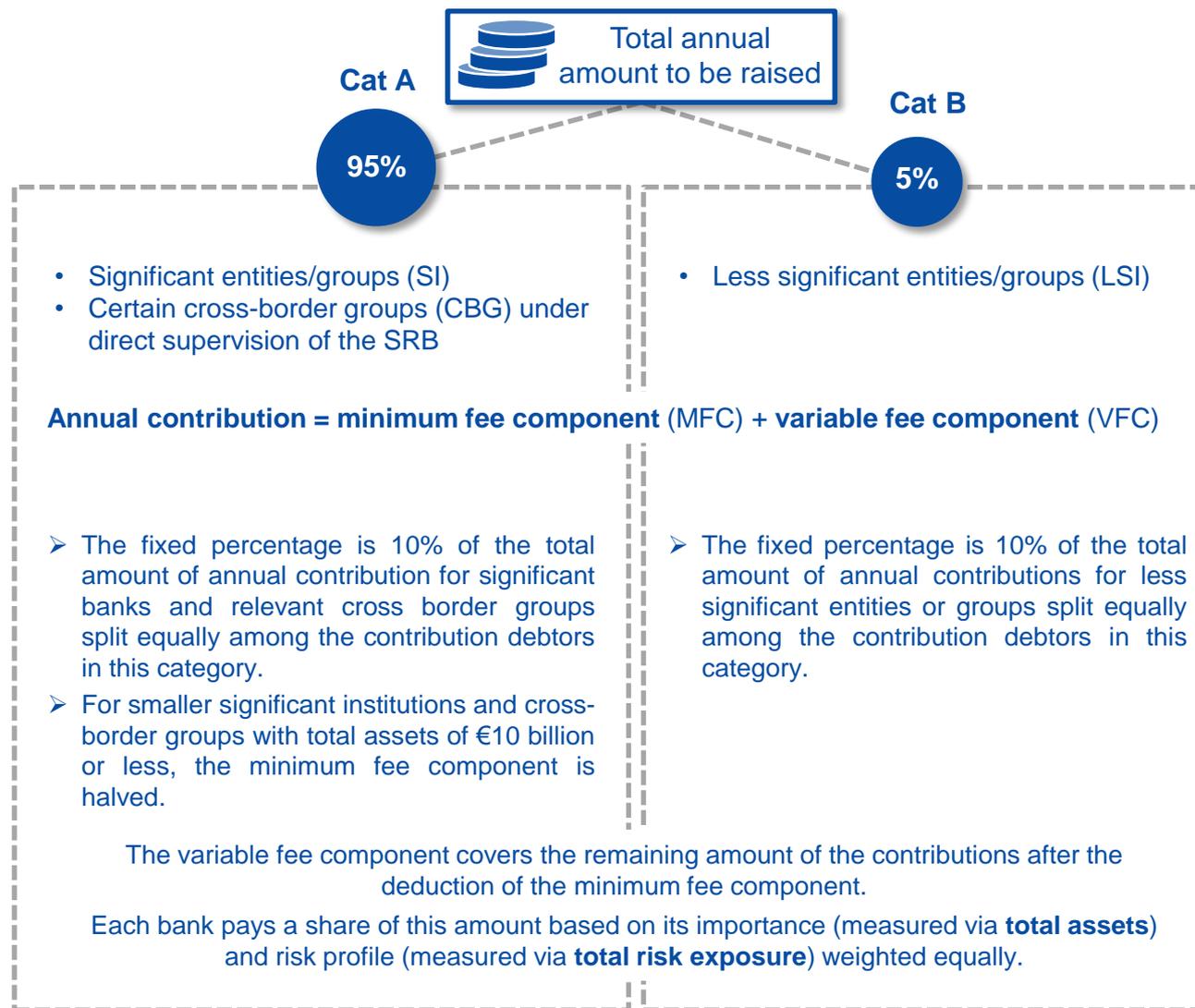
How is the **total annual amount to be raised** allocated? ¹

Which **institutions** fall in each **category**?

How are the **annual contributions** calculated?

➤ **Minimum fee component (MFC)**

➤ **Variable fee component (VFC)**



¹ The allocation to one or the other category is determined on a monthly basis.

THANK YOU!

