

## Single Resolution Fund (SRF)

*The Single Resolution Fund<sup>1</sup> (SRF) is owned by the Single Resolution Board (SRB). The SRF can be used to allow the SRB apply its resolution tools and powers effectively and efficiently. The SRF is a way to ensure that the financial industry helps pay for the stabilisation of the financial system. The SRF is composed of contributions from credit institutions and certain investment firms in the 21 jurisdictions part of the Banking Union. It will be gradually built up during its first eight years (2016-2023). The SRF shall reach the target level of at least 1% of the amount of covered deposits of all credit institutions within the Banking Union by 31 December 2023. Based on an assumed annual growth rate of 5% until the end of 2023, this amount is expected to be of approximately €80 billion.*

### Fact Sheet 2022 Contribution period

**Target level:** With the objective of reaching at least 1% of the total amount of covered deposits in the Banking Union by 31 December 2023, the Single Resolution Board (SRB) set the 2022 target level at 1/8<sup>th</sup> of 1.6% of the average amount of covered deposits in 2021 (calculated quarterly) of all credit institutions authorised in the Banking Union. This coefficient implies a level of ex-ante contributions of **€14.25 billion for 2022** (compared to 1.35% and €11.3 billion in 2021). The increase of the annual target level is driven by the yearly increase in Banking Union covered deposits (6.5%) as well as by the increase of the coefficient from 1.35% to 1.6%. When setting the Target Level 2022, the SRB took also into account the expected evolution of the amount of covered deposits for the remaining two years of the initial period, also considering that only one contribution cycle will be left in the initial period after 2022, thus limiting the Board's options to spread out in time any effects on the final target level from the observed or expected evolution of covered deposits growth. The Board took into account also the analysis of the relevant indicators related to the phase of the business cycle and the impact that pro-cyclical contributions may have on the financial position of the institutions<sup>2</sup>.

- **Amount to be collected:** Taking into account the deduction of the 2015 contributions and the impact of data restatements and revisions, the total amount of 2022 ex-ante contributions to be transferred to the SRF amounts to **€13.67 billion for 2022** (compared to €10.4 billion in 2021).
- **Scope:** In 2022, 2,896 institutions fall within the scope of the SRF (compared to 3,018<sup>3</sup> institutions in 2021).
- **Calculation method:** 43% of institutions are small and pay a lump sum contribution (their total assets are below €1bn), 31% are medium size institutions (total asset below €3bn), 26% are large institutions subject to a risk-adjusted contribution (and pay 97% of the bill) and the rest have a special calculation methodology due to their business model. The distribution did not change significantly compared to 2021.
- **Risk adjustment factor:** in 2022, the level of harmonisation of reporting across the participant Member States is still not sufficient to implement the full methodology<sup>4</sup>. The following risk indicators have not been applied:

<sup>1</sup> Established by Regulation (EU) No 806/2014 (SRM Regulation)

<sup>2</sup> Commission Delegated Regulation (EU) 2017/747.

<sup>3</sup> This number does not include the institutions of Bulgaria and Croatia that joined the SRF scope in October 2020.

<sup>4</sup> The risk pillars and indicators are described in Article 6 of Commission Delegated Regulation (EU) 2015/63.

- Risk Pillar I: Own funds and eligible liabilities held by institutions in excess of MREL (Minimum requirement for own funds and eligible liabilities);
  - Risk Pillar II: Net Stable Funding Ratio (NSFR);
  - Risk Pillar IV: Complexity and resolvability.
- **2022 contributions versus 2021 contributions:** the amount of contributions to be paid is the result of the combination of different factors. Institutions may notice an increase of their contributions that may depend, among other factors, on:
    - **Changes in the Target level:** The growth of covered deposits in 2021 was 6.5%, indicating that the growth rate of covered deposits has accelerated considerably compared to the previous year. Given that, in order to be able to reach the target level at the end of the initial period, the coefficient used for setting the 2022 target level was increased from 1.35% to 1.60%.
    - **Changes in BAC:** relative changes in size (BAC<sup>5</sup>) of the institutions are still one of the main drivers of the changes in the ex-ante contributions.
    - **Phase-in of Single Resolution Mechanism (SRM) calculation approach during the initial period (2016-2023):** In 2022, the BRRD/SRM weights are 6.67/93.33% instead of 13.33/86.67% in 2021. This change may cause an increase of contributions for institutions located in countries with a relative small weight in terms of covered deposits and relatively bigger institutions.
    - **Change in the risk adjustment factor:** an increase in the risk adjustment factor (at national or Banking Union level) does not necessarily lead to a proportional increase in contribution (and vice versa). The change depends on the change in risk adjustment factor of all other institutions.

**The overall effect of the driving forces is not known in advance:** it depends on the combination of country-specific and institution-specific forces. The contributions to the SRF are computed in relative terms, and the effect of the drivers on one specific institution depends on the country where the institution is located and on the institution's relative position in terms of size and riskiness.

- The **next phases** of the 2022 contributions period are the following:
  - **1 May 2022:** institutions shall be notified by the National Resolution Authorities (NRAs) about the contributions to be raised;
  - **28 June 2022:** the NRAs transfer the contributions to the SRB. NRAs will set the payment window during the period 1/5/2022 – 26/06/2022.

For more information about the SRF, see [www.srb.europa.eu](http://www.srb.europa.eu)

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<sup>5</sup> The 'basic annual contribution' (BAC) is defined as total liabilities less own funds minus covered deposits, adjusted, when applicable, in accordance with Article 5 Commission Delegated Regulation (EU) 2015/63.