

# ANNUAL REPORT



2016

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SINGLE RESOLUTION BOARD

# **ANNUAL REPORT 2016**

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# 1. FOREWORD



I am pleased to introduce the SRB's Annual Report for 2016, which has been our second operational year as an independent European Union (EU) Agency and our first year after assuming full resolution powers under the European Regulatory Framework. Regarding our mission, ensuring an orderly resolution of failing banks with minimum impact on the real economy and on public finances, I can say with confidence that this is progressively becoming a reality in the Banking Union.

The SRB, in close cooperation with its national partners, the National Resolution Authorities (NRAs), is responsible for achieving the resolvability of significant banks. This joint work has been effective in 2016. The SRB and NRAs complement each other in terms of expertise and resources, and close cooperation and information exchange within the Single Resolution Mechanism (SRM) represented essential ingredients to move to a robust resolution framework. Over the past two years, signifi-

cant steps have been taken forward in the Banking Union regarding planning for resolution, preparing for crisis and taking action, when necessary. The SRB also continued to build its financial resources, strengthened its policy and coordination framework and consolidated its organisation by investing in new infrastructure and ICT.

Looking at the progress made in 2016, I would like to recall that 141 banks were under the SRB's remit and none of them was put under resolution in 2016. However, the first resolution decision had to be enacted in June 2017 with the sale of Banco Popular Español S.A. to Banco Santander S.A. using the SRB's resolution powers. The decision was implemented by the Spanish NRA, FROB (Spanish Executive Resolution Authority). This case demonstrated the functioning of the current resolution framework, preserving taxpayers' money and preventing adverse effects on financial market stability.

In concrete terms, the SRB together with NRAs completed the first and second cycle of resolution planning within cross-border Internal Resolution Teams (IRTs), covering the majority of banking groups by adopting plans for these entities in 2016. While resolution planning is progressing well, it does not mean that our mission is accomplished. Resolution planning is a multi-year process. A number of plans have yet to be developed and existing plans need to be improved further and updated to account for changes within banks and markets. The drafting of resolution plans is an ongoing task and we need to focus on improving and operationalising resolution plans going forward.

Resolution planning also means setting Minimum Requirements for Own Funds and Eligible Liabilities (MREL) as MREL is a key tool to achieve resolvability. In 2016, the SRB adopted a preliminary approach and calculated informative MREL levels for the major banking groups, allowing banks to prepare for future binding targets and to adapt their funding structures if necessary.

The calculation of MREL and other resolution related tasks heavily depend on the availability of accurate data from banks. In 2016, the SRB has been identifying its essential data needs. For data that was not already being collected by other authorities – in particular the ECB – the SRB introduced new data reporting processes with banks and launched a data-collection exercise. A lesson learned from the first data collection cycle is that most banks must significantly improve the availability and quality of reported data as well as the speed at which information is delivered. Robust and timely data is not only relevant for setting MREL, but also plays an important role when assessing the feasibility of resolution tools in times of crisis. Our most recent resolution experience has highlighted the importance of resolution planning and underlined the need to have adequate data available at a very short notice in case of a resolution.

Since 2016, the SRB has also been responsible for the calculation and collection of ex-ante contributions to the Single Resolution Fund (SRF), strongly supported by and in close cooperation with NRAs. The amount held in the SRF at the end of 2016 was EUR 10.78 billion. In 2016, the SRB also signed Loan Facility Agreements with 16 out of 19 participating Member States, to cover – as a last resort – any financial shortfalls in case of a use of the fund during its build-up phase. The remaining Loan Facility Agreements have been signed in early 2017.

For the SRB, a constant dialogue not only with the banks, but also with other authorities and institutions as well as the general public has been a key priority right from the start, with the aim of utmost transparency. In 2016, we held our first public conference, organised three industry dialogues and Board Members delivered speeches and attended public events across Europe and beyond.

Hand in hand with our operational work on resolution planning during the year, the SRB closely followed and contributed to the ongoing European and international regulatory developments. We have worked in close cooperation with the European Banking Authority (EBA), where our experts supported the development of resolution related policy and standards at technical level. At the level of the Financial Stability Board, the SRB engaged in international coordination and the process of further developing and operationalising global resolution standards.

At the European level, we also contributed to the discussion on the implementation of the international Total-Loss-Absorbing Capacity standard (TLAC) into EU-legislation. Regarding the current legislative proposals for amending our Regulatory Framework, the SRB provided its expertise to the European institutions with a special focus on ensuring a strong framework with sufficient flexibility for resolution authorities and on aspects of proportionality.

There is more to do: A real need to harmonise national laws to improve resolution readiness remains. With a view to insolvency law, clarifying the creditor hierarchy to facilitate an efficient application of the bail-in tool is key, as is clarity in terms of MREL eligibility. The SRB is also pre-

pared to assist in further work towards a European Deposit Insurance Scheme and an efficient insolvency regime for banks in all Member States. Both would complement the European resolution regime and further strengthen financial stability.

Looking forward, we will continue operationalising resolution plans, develop MREL at entity level for all major banking groups and address the quality and location of MREL within a group. We will also deepen our analytical work on the preferred resolution strategy and tools, critical functions and material impediments to resolvability. In order to operationalise resolution plans successfully, banks must strengthen their efforts as well, notably in the area of IT infrastructure and comprehensive immediate data availability. This will not only help the SRB and improve resolvability, but will also enable banks' management to improve performance from a multi-year perspective.

Our analyses have furthermore shown that we need to address the issue of liquidity in resolution, which entails two dimensions: On the one hand, banks have to get prepared and set up realistic funding plans. On our side, we need to look at asset encumbrance, identify available private and public sources of funding, including determining the capabilities and limits of the SRF. The appropriate involvement of the National Central Banks and the ECB must also be taken into account.

The development of our oversight function with respect to Less Significant Institutions (LSIs) is another priority. Here the NRAs will play a pivotal role. NRAs know the specific characteristics and local environment of the smaller banks particularly well and, under the SRM Regulation, they are directly in charge of the resolution planning for the numerous LSIs. I am very confident that our cooperation with the NRAs will succeed in this area as it has in others. Consistency and proportionality are key principles to be applied across the Banking Union in this area.

With regards to the SRF we will further improve the contribution collection mechanism, implement the investment policy, and continue to work on funding options. In this context, the SRB will continue to contribute to the development of the common backstop with the EU institutions. In 2017, following the required legislative adaptations, the final system for the administrative contributions by the banks to the SRB shall also be implemented.

All in all, despite many challenges, 2016 marked a successful year. The last 18 months were characterized by a strong building-up of our capabilities and the first resolution case under the new EU resolution regime. This progress would not have been possible without the close cooperation with NRAs and the dedicated work and commitment of the SRB's staff and Board Members. Let me conclude and thank all of them for their contributions to achieving our common goal. I am confident that the resolution framework put in place as a response to the financial crisis will meet the objectives of the Banking Union and that together we will be able to achieve the SRB's mission.

**Elke König**

Chair of the Single Resolution Board



## 2. ABBREVIATIONS

<b>BCBS</b>	Basel Committee on Banking Supervision	<b>EIOPA</b>	European Insurance and Occupational Pensions Authority
<b>BoE</b>	Bank of England	<b>EP</b>	European Parliament
<b>BRRD</b>	Bank Recovery and Resolution Directive	<b>ESM</b>	European Stability Mechanism
<b>BU</b>	Banking Union	<b>ESMA</b>	European Securities and Markets Authority
<b>CBCM</b>	Cross-Border Crisis Management Group	<b>ESRB</b>	European Systemic Risk Board
<b>CBR</b>	Combined Buffer Requirement	<b>EU</b>	European Union
<b>CCP</b>	Central Counterparty	<b>FDIC</b>	Federal Deposit Insurance Corporation
<b>CMG</b>	Crisis Management Group	<b>FinSAC</b>	Financial Sector Advisory Center
<b>CoAg</b>	Cooperation Agreement	<b>FMI</b>	Financial Market Infrastructure e.g. CCP
<b>COFRA</b>	Cooperation Framework Agreement	<b>fmiCBCM</b>	Cross-border Crisis Management Group for FMIs
<b>DG COMP</b>	Directorate-General for Competition	<b>FSB</b>	Financial Stability Board
<b>DG FISMA</b>	Directorate-General for Financial Stability, Financial Services and Capital Markets Union	<b>GLRA</b>	Group-Level Resolution Authority
<b>DGS</b>	Deposit Guarantee Scheme	<b>G-SIB</b>	Global Systemically Important Bank
<b>DR</b>	Delegated Regulation	<b>HR</b>	Human Resources
<b>EBA</b>	European Banking Authority	<b>ICS</b>	Internal Control Standards
<b>EC</b>	European Commission	<b>ICT</b>	Information and Communication Technology
<b>ECB</b>	European Central Bank	<b>IGA</b>	Intergovernmental Agreement
<b>ECA</b>	European Court of Auditors	<b>IMF</b>	International Monetary Fund
<b>ECOFIN</b>	Economic and Financial Affairs	<b>IPC</b>	Irrevocable Payment Commitment
<b>ECON</b>	EP Committee on Economic and Monetary Affairs	<b>IRT</b>	Internal Resolution Team
<b>EDIS</b>	European Deposit Insurance Scheme	<b>IT</b>	Information Technology
<b>EFC</b>	Economic and Financial Committee	<b>JST</b>	Joint Supervisory Team

<b>KA</b>	Key Attributes of Effective Resolution Regimes for Financial Institutions	<b>ReSG</b>	Resolution Steering Group
<b>KPI</b>	Key Performance indicator	<b>SPE</b>	Single Point of Entry
<b>LAA</b>	Loss Absorption Amount	<b>SPV</b>	Special Purpose Vehicle
<b>LDT</b>	Liability Data Template	<b>SRB</b>	Single Resolution Board
<b>LFA</b>	Loan Facility Agreement	<b>SREP</b>	Supervisory Review and Evaluation Process
<b>LSI</b>	Less Significant Institution	<b>SRF</b>	Single Resolution Fund
<b>MCC</b>	Market Confidence Charge	<b>SRM</b>	Single Resolution Mechanism
<b>MoU</b>	Memorandum of Understanding	<b>SRMR</b>	Single Resolution Mechanism Regulation
<b>MPE</b>	Multiple Point of Entry	<b>SSM</b>	Single Supervisory Mechanism
<b>MREL</b>	Minimum Requirement for Own Funds and Eligible Liabilities	<b>TA</b>	Temporary Agent
<b>MS</b>	Member State	<b>TFCA</b>	Task Force on Coordinated Action
<b>NCA</b>	National Competent Authority	<b>TLAC</b>	Total Loss-Absorbing Capacity
<b>NRA</b>	National Resolution Authority	<b>TREA</b>	Total Risk Exposure Amount
<b>RAP</b>	Resolvability Assessment Process	<b>TRP</b>	Transitional Resolution Plan
<b>RC</b>	Resolution College	<b>XBRL</b>	Extensible Business Reporting Language
<b>RCA</b>	Recapitalisation Amount		

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## 3. INTRODUCTION

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In accordance with Art. 50 of the SRMR, this document presents the SRB's annual report 2016, describing the activities and performance of the SRB in 2016. The work carried out during the previous year aims at achieving and implementing the SRB's vision, mission and mandate:

### A) THE SINGLE RESOLUTION BOARD'S VISION

The Single Resolution Board (SRB) strives to be a trusted and respected resolution authority with a strong resolution capacity in the Single Resolution Mechanism (SRM), thus avoiding future bail-outs. The SRB aims to be a centre of expertise in bank resolution.

### B) THE SINGLE RESOLUTION BOARD'S MISSION

The SRB is the central resolution authority within the Banking Union (BU). Together with the National Resolution Authorities (NRAs) of participating Member States (MS), it forms the SRM. The SRB works closely with the NRAs, the European Commission (EC), the European Central Bank (ECB), the European Banking Authority (EBA) and national competent authorities (NCAs). Its mission is to ensure an orderly resolution of failing banks with minimum impact on the real economy, the financial system, and the public finances of the participating MS and beyond. The role of the SRB is proactive: rather than waiting for resolution cases to manage, the SRB focuses on resolution planning and enhancing resolvability, to avoid the potential negative impacts of a bank failure on the economy and financial stability.

### C) THE SINGLE RESOLUTION BOARD'S MANDATE

To enhance financial stability, the SRB will prepare resolution plans as a forward-looking activity. Should a bank within the SRB's remit be failing or likely to fail and fulfil the criteria for resolution, the SRB will carry out its resolution through a so-called resolution scheme. The SRB is also in charge of the industry-funded Single Resolution Fund (SRF), which was established to provide ancillary financing to ensure the effective application of resolution schemes under certain circumstances. In addition, the SRB oversees the consistent functioning of the SRM as a whole. The SRB was established by Regulation (EU) No 806/2014 (the Single Resolution Mechanism Regulation or SRMR), and began operating as an independent European Union (EU) agency on 1 January 2015. It assumed its full legal mandate for resolution planning and adopting all decisions relating to resolution on 1 January 2016.

Throughout its work the SRB remains accountable towards its stakeholders:

### D) ACCOUNTABILITY

The SRMR sets out a substantive and robust accountability framework for the SRB's activities vis-à-vis the European Parliament (EP), the Council of the EU (the Council) and the EC.

One of the main channels of accountability is the Annual Report, which, in accordance with the SRMR (Article 50(1)(g)), has to be adopted by the SRB in its Plenary Session. The SRB must then transmit it to the EP, the national parliaments of the participating MS, the Council, the EC and the European Court of Auditors (ECA).

The Chair must present the Annual Report in public to the EP and to the Council (Article 45(3) of the SRMR). National parliaments of the participating MS may also submit reasoned observations on the Annual Report to which the SRB will reply.

For the implementation of the SRMR, the SRB is held accountable by the representatives of European citizens in the EP through regular public hearings and ad hoc exchanges of views with the Chair at meetings of the EP's Committee on Economic and Monetary Affairs (ECON). The Chair may also be heard by the Council, at the Council's request.

The SRB must reply orally or in writing to questions addressed to it by the EP and by the Council. The national parliament of a participating MS may also invite the Chair to participate in an exchange of views regarding the resolution of entities in the relevant MS.

With regard to the EP, in 2016, the Chair attended several public hearings held by the ECON Committee, the latest of which was held on 5 December 2016 and at which the Chair presented the SRB Work Programme for 2017.

With the aim of informing and communicating with the public about its work, mission and mandate, the SRB actively reached out to stakeholders and the general public by publishing special information on its website, conducting industry dialogues and holding the first SRB conference. The Chair and other Board Members also visited individual countries to build up and strengthen cooperation with the relevant local authorities.

## 4. EXECUTIVE SUMMARY

The year 2016 marked an important milestone for the SRB. It was the second year of the SRB's operation and the first year in which the organisation assumed full resolution powers. The SRB made significant progress implementing its mandate by adopting resolution plans, building up the SRF, and strengthening international and regulatory cooperation. The SRB therefore focused on the following main operational areas:

- (i) ensuring resolution readiness;
- (ii) setting up and managing the SRF;
- (iii) fostering and broadening cooperation; and
- (iv) consolidating its capacity building (human resources (HR), finance and procurement, information and communication technology (ICT) and facilities).

The main objectives identified in the SRB Working Priorities 2016 have been reached, and the SRB's main achievements were:

- ▶ The SRB assumed its full resolution power, covering 141 banks. Together with the NRAs, the SRB drafted and adopted 92 resolution plans in 2016. The SRB increased its capability to act quickly and decisively (i) by establishing 76 IRTs, (ii) by establishing 26 Resolution Colleges (RCs) and (iii) by joining eight Crisis Management Groups (CMGs). For the first time, with assistance from the NRAs, the SRB collected data relevant for resolution planning from all major banking groups under its remit using the Liability Data Template (LDT), which provides granular liability data and, in particular, facilitates the setting of minimum requirements for own funds and eligible liabilities (MREL) and the application of resolution tools such as bail-in.
- ▶ Another milestone in 2016 was the finalisation of the Cooperation Framework Agreement (COFRA) between the SRB and the NRAs, and the finalisation of the Internal Arrangements operationalising certain provisions of the COFRA. In addition, the Resolution Committee, the Fund Committees and the Administrative and Budget Committee (ABC) were set up in 2016 as the main platforms for developing methodologies and common approaches within the SRM along with sharing experiences with NRAs.
- ▶ The SRF received EUR 6.4 billion of 2016 ex ante contributions, as calculated by the SRB. The SRB will continue to calculate ex ante contributions from 2016 onwards. In addition, the Board adopted the first Investment Strategy and an outsourcing model for investment activities. The SRB also signed Loan Facility Agreements with 16 of the 19 participating MS.
- ▶ The SRB took part in all resolution-related groups of the Financial Stability Board (FSB) and evaluated eight European global systemically important banks G-SIBs through the Resolvability Assessment Process (RAP). The SRB also contributed its expertise to regulatory discussions on (i) the transposition of the Total Loss-Absorbing Capacity (TLAC) Agreement into EU legislation, (ii) financial market infrastructure resolution, (iii) the European Deposit Insurance Scheme and (iv) the Common Backstop.

## 5. RESOLUTION READINESS

While the SRB has been established as an independent EU Agency since 1 January 2015, the Board did not assume its complete set of resolution powers until 1 January 2016. Increasing resolution readiness and progressing with the drafting of resolution plans were therefore key priorities for the SRB during 2016.

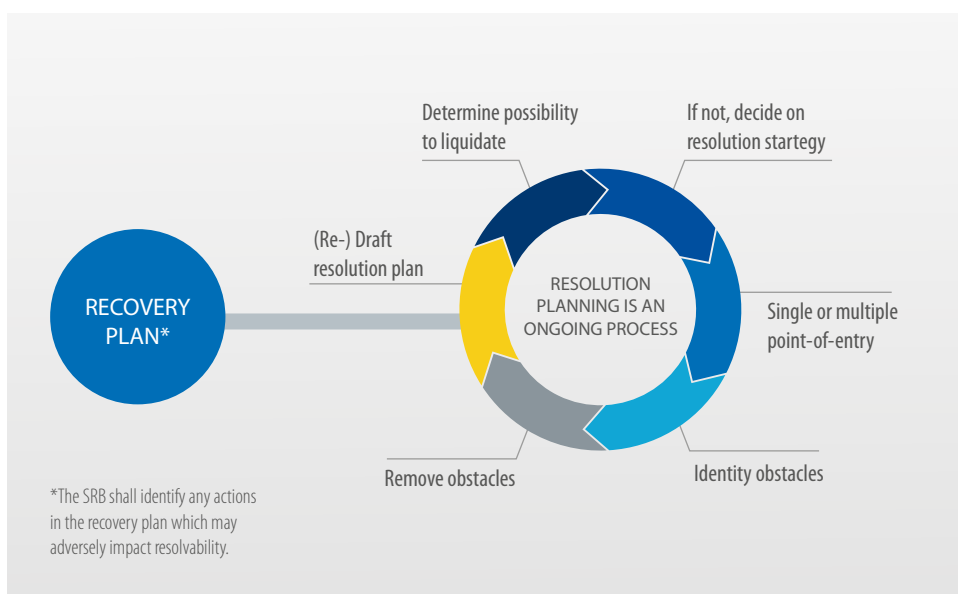
Resolution planning is a process, not a product. Therefore, a lot of the work carried out in 2016 was based on the foundation laid by the SRB and NRAs in 2015, and the outcome of the recent planning cycle will be improved in the years to come.

### RESOLUTION PLANNING IS BOTH AN ITERATIVE AND AN INTERACTIVE PROCESS

On 31 December 2016, the SRB's remit covered a total of 141 banks, including 126 banking groups and 15 other cross-border groups. Starting from the 36 Transitional Resolution Plans (TRPs) that existed in December 2015, the SRB, together with the NRAs, drafted and adopted a total of 92 resolution plans in 2016.

As a result of the 2016 resolution planning cycle, the SRB is in a better position today with regard to understanding the banking groups and operationalising resolution strategies. Compared with the previous year, important steps forward have been made, allowing the SRB to fulfil its mandate to make banks resolvable and to mitigate the economic and public impacts of bank failures.

**Figure 1:** Resolution planning process



### BOX 1: WHAT IS A RESOLUTION PLAN?

Resolution plans prepare for taking resolution action for banking groups. Under the SRB's remit, the plans are prepared by the SRB and the NRA and describe the resolution strategy that could be implemented to resolve a banking group if the need arose.

A resolution plan comprises a description of the banking group (the structure of the group, the critical functions, the core business lines and the material entities), a preferred resolution strategy (notably the point of entry and the preferred resolution tools if the group cannot be put into normal insolvency proceedings), the impediments to the resolution strategy, an implementation plan to address them and an MREL target level.

In 2016, MREL target levels were not included in resolution plans <sup>(1)</sup>. However, informative target levels were communicated to some of the banking groups under the SRB's remit for which a resolution plan exists.

Given the differing levels of readiness of the banks, the SRB developed a tailor-made approach for the 2016 resolution plans, which differ with regard to the level of detail. The granularity of the information provided in the 2016 resolution plans was based on several factors, including (i) the pre-existence of a TRP in 2015, (ii) size criteria, (iii) a 'riskiness' factor and (iv) the specificity of each banking group, especially in terms of resolution preparedness.

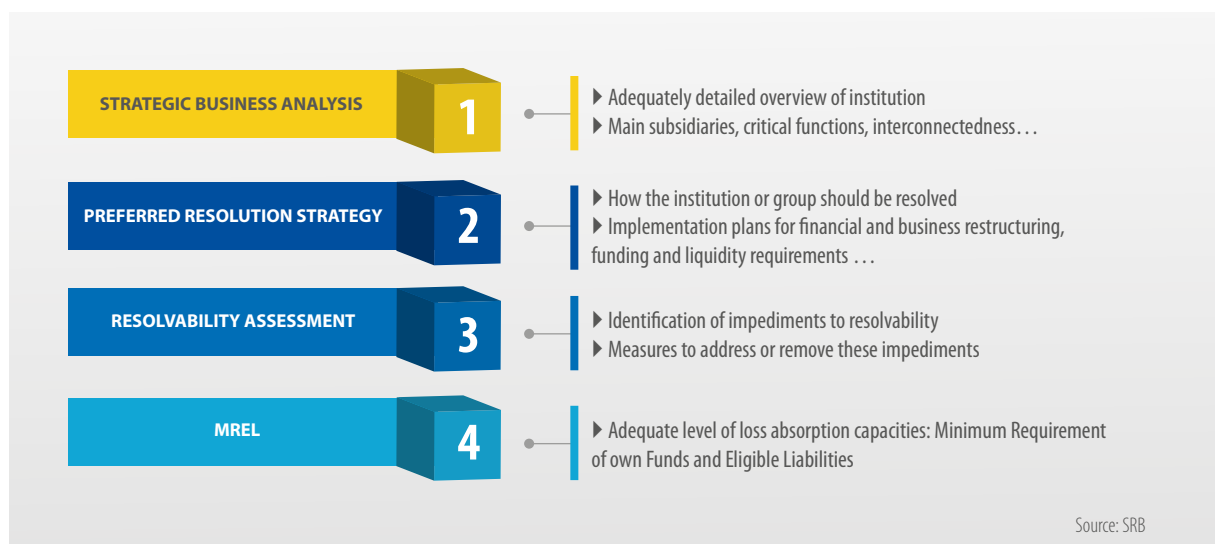
In 2016, two types of plans coexisted: Transitional Resolution Plans and a more comprehensive version called a 'Phase 2' resolution plan. The minimum content of these plans was decided by the SRB and detailed explanations are provided in the so-called Resolution Planning Manual <sup>(2)</sup>, which describes all elements that should necessarily be included in fully fledged resolution plans.

<sup>(1)</sup> Please refer to section 5.2.5 for detailed presentation of the SRB's MREL approach.

<sup>(2)</sup> For more information, please refer to the SRB website, especially the page 'Introduction to Resolution Planning': <https://srb.europa.eu/en/node/163>

Resolution planning is an iterative process. Banks are dynamic entities which continuously adapt to the changing economic and regulatory environment. Consequently, resolution plans must be regularly reviewed and if necessary modified to take into account these important changes that might have an impact on resolution strategies or on the assessment of potential impediments to the proper implementation of the identified preferred resolution strategy.

**Figure 2:** The four main blocks of a resolution plan



## A VERY AMBITIOUS WORK PLAN FOR 2016

In 2016, the SRB committed to drafting resolution plans for 90% of the major banking groups under its remit. Reaching this objective proved challenging given that 2016 was only the SRB's second year in operation and that the capacity of the organisation had yet to be built. The human resources devoted to resolution planning were gradually increased throughout the year in both the SRB and the NRAs.

Because of the novelty and complexity of the resolution planning process, the SRB, together with the NRAs, had to both rationalise and streamline the resolution plan drafting process, while also taking into account the specific situation of each bank in terms of resolution planning readiness. As a result, several actions were put in place during 2016, namely:

- ▶ the organisation of a data collection exercise: templates to be filled in by banks comprised (i) a Liability Data Template (LDT) and (ii) the European Banking Authority (EBA) templates, with the aim of collecting, for resolution purposes, all relevant information not already available from other supervisory sources;
- ▶ the setting-up of dedicated forums for the exchange information and for the discussion of bank-specific issues in the context of resolution planning: IRTs and RCs;
- ▶ the creation of workshops organised in the presence of bank representatives to ensure a proper level of dialogue, cooperation and exchange of information between the banks and the resolution authorities.

## MAIN ACHIEVEMENTS IN 2016

A total of 92 resolution plans were drafted by the SRB together with the NRAs in 2016 and adopted by the Executive Session (compared with 36 in 2015), of which:

- ▶ 59 were 'Phase 2' resolution plans (compared with 0 in 2015);
- ▶ 33 were TRPs (compared with 36 in 2015).

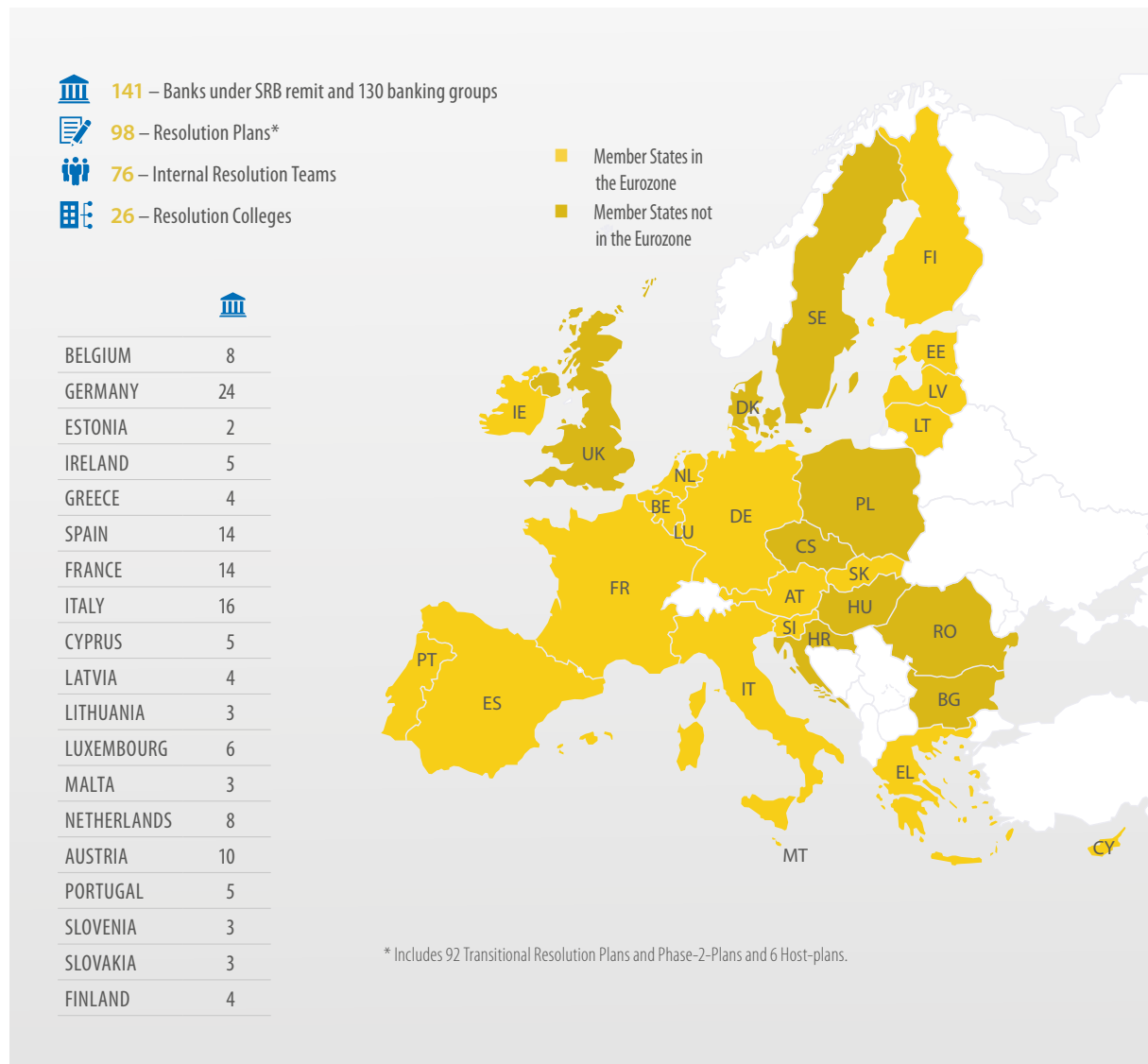
## COORDINATION BETWEEN AUTHORITIES WAS KEY

Resolution planning is a process that involves the contributions of many participants. The number of contributors varies significantly depending on the geographical footprint of each banking group. The SRB and the relevant NRAs are naturally the main contributors to resolution planning. However, other participants, such as the Single Supervisory Mechanism (SSM), the NRAs from non-participating MS and the EC, as an observer in the Board of the SRB, were also involved respectively consulted during the resolution planning phase in 2016.

Coordination among the various resolution authorities was of paramount importance in the resolution planning process. Corresponding to different coordination needs of the resolution planning process, two distinct forums were established in 2016:

- ▶ IRTs; and
- ▶ RCs.

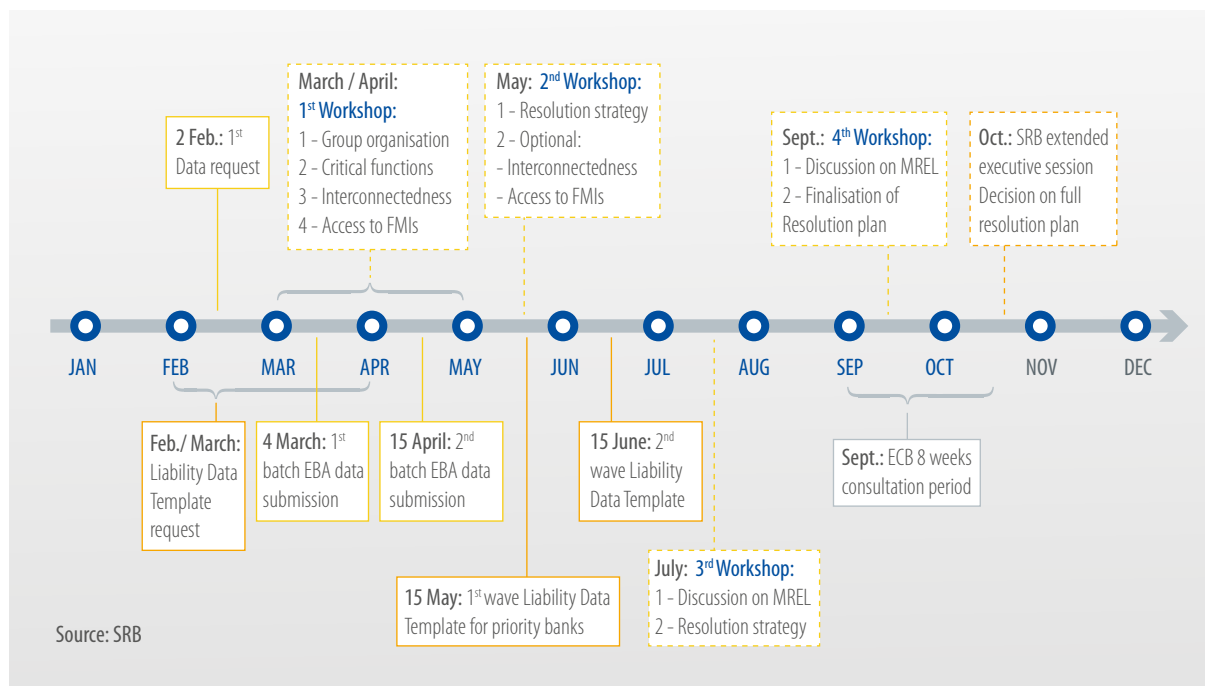


**Figure 3:** Single Resolution Board - overview progress resolution planning for SRB banks in the Banking Union in 2016

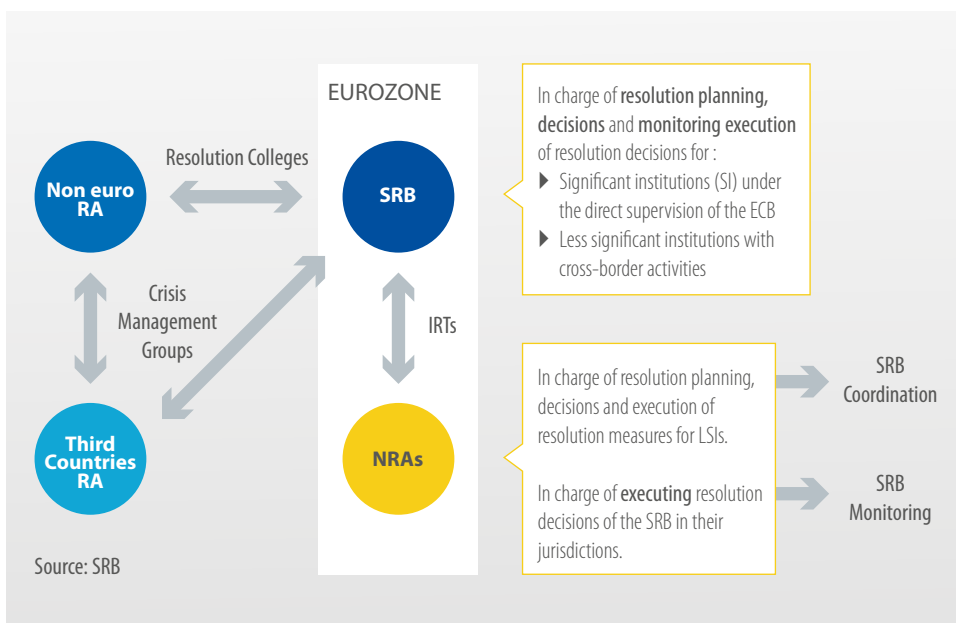
To better coordinate the drafting of resolution plans and to ensure a smooth exchange of information among NRAs, IRTs were created to cover all banks under SRB remit. In 2016, 76 IRTs were officially launched and contributed to the resolution planning exercise.

To coordinate the work between Group Level Resolution Authorities (GLRAs) and the NRAs of non-participating MS, RCs were set up. In total, 26 RCs were established in 2016 with the purpose of reaching joint decisions for groups established in the Eurozone and with at least one entity established in an EU but non-Eurozone country.

Finally, the eight CMGs that were previously established for G-SIBs were the dedicated forums for discussing the resolution plans of G-SIBs with NRAs from MS or non-EU Members States (Third Countries).

**Figure 4:** Illustration of timeline for a resolution plan without a RC**MAIN ACHIEVEMENTS IN 2016**

- ▶ A total of 76 IRTs were established.
- ▶ A total of 26 RCs were established.
- ▶ Eight CMGs were organised.

**Figure 5:** Coordination framework between resolution authorities

## THE NEED TO ESTABLISH A PROPER LEVEL OF DIALOGUE WITH BANKS

For the specific need of drafting resolution plans in 2016, the SRB, in close cooperation with the NRAs, organised thematic workshops with the banks. The format and topics discussed during the workshops were tailor made to address the specific topics of relevance for each banking group. Considering each banking group for which a Phase-2 plan was drafted, 236 workshops took place in 2016.

These workshops were highly useful for (i) explaining the nature of the resolution planning work and what contribution was expected from banks, (ii) exchanging information and (iii) ensuring a proper level of dialogue with bank representatives.

## MAIN ACHIEVEMENTS IN 2016

- ▶ A total of 236 workshops were organised.
- ▶ MREL informative targets were discussed in 104 workshops.
- ▶ On average, 2.65 workshops were held per bank (for banks which had workshops).
- ▶ On average, four workshops were held for each G-SIB.

## GOING FORWARD

Resolution planning is both an iterative and an interactive process that will be enriched by coordination with the banks, the resolution authorities and the other stakeholders involved.

Now that a majority of plans exists, they will need to be improved, complemented and fine-tuned over the coming years. To that extent, working priorities were set in early 2017 with the aim of steadily improving the quality and the granularity of the resolution plans. To that extent, letters giving a summary of the plans and describing the key working priorities for 2017 have been sent to banks for which Phase-2 resolution plans were drafted in 2016.

**Table 1:** The SRB's main objectives for 2017 by operational area

Operational area	New objectives	Recurring objectives
RESOLUTION READINESS	<ul style="list-style-type: none"> <li>• Make further progress in completing resolution plans for major banking groups, including on identifying critical functions, material impediments to resolution and on issues related to liquidity in resolution.</li> <li>• Develop MREL at material entity level within major banking groups and also start to address the quality and location of MREL within banking groups.</li> <li>• Conduct a benchmarking exercise on resolution plans aiming to align quality and depth of existing resolution plans.</li> <li>• Further develop internal documentation on procedural steps to operationalise resolution actions.</li> <li>• Develop an SRM Q&amp;A tool on resolution-related activities within the SRM ICT platform.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop transitional resolution plans for almost all remaining banks under the SRB's remit.</li> <li>• Update the Resolution Planning and Crisis Management Manuals in the light of experience.</li> <li>• Conduct dry-run exercises.</li> <li>• Further enhance teamwork within IRTs and between IRTs and JSTs.</li> </ul>

Source: Excerpt from the SRB 2017 Work Programme.

## 5.1. Tools and policies for resolution planning and action

The SRB, together with NRAs, has developed several tools, including procedures and templates for key aspects of resolution planning.

Following the launch of a pilot exercise with 10 banks and the feedback received, the SRB developed, together with NRAs, a template aimed at guiding banks through the various steps of the critical functions self-assessment. On liquidity in resolution, the SRB worked with NRAs and observers to enrich the existing ECB liquidity template. The additional information should provide authorities with enhanced tools to monitor banks' liquidity positions and their resolvability. The SRB, together with NRAs, developed a new template which incorporated Annex VIII of the template provided by EC Implementing Regulation 2016/1066, in order to gather additional information on banks' participation in financial market infrastructures (FMIs). The additional data collected should improve the assessment of conditions for maintaining access to FMIs in resolution and the potential impact of discontinued access.

The SRB also further progressed work on the policy to calculate MREs and provided banks with informative targets. It also advanced policy work on operational continuity and the operationalisation of resolution tools for the purposes of resolution planning, which will be further developed in 2017. This work has been carried out in cooperation with NRAs and in the context of the relevant committees. These policies will feed into the Resolution Planning Manual in 2018, which will be reviewed and updated accordingly.

### 5.1.1. Resolution Planning Manual

In 2016, the SRB updated the Resolution Planning Manual. A public version entitled 'Introduction to Resolution Planning' has been published on the SRB website <sup>(1)</sup>. The document provides a description of banks under the remit of the SRM and the SRB, and it describes the tasks of the SRB. It also provides relevant information on resolution planning, including on policy issues such as strategic business analysis, preferred resolution strategy, financial and operational continuity in resolution, information and communication plans, assessment of resolvability and the opinion of the bank.

<sup>(1)</sup> <http://srb.europa.eu/en/node/163>



### 5.1.2. Crisis Management Manual

A resolution process comprises an important number of legal, operational and organisational challenges. The main goal of the Crisis Management Manual is to set out these challenges and provide operational guidance on how to tackle them, taking into consideration the key factors for determining the appropriate course of action in a particular scenario and the best practices among jurisdictions. At the beginning of 2016, an update on the Crisis Management Manual was presented at the Plenary Session of the SRB.

Going forward, in 2017 the SRB will focus on the finalisation of the Crisis Management Manual and development of individual policies that complement and deepen the content in different areas, such as the operationalisation of the resolution tools and procedural aspects. The manual should be considered a dynamic document that is subject to continuous updates, taking into account growing expertise and experience.

### 5.1.3. Liability Data Template

For the first time in 2016, the SRB collected data from all the major banking groups under its remit to advance resolution planning and facilitate decisions on resolution schemes and the implementation of resolution measures in a crisis, as well as to allow better analysis of the liability structure of banks. The data, some of which were requested at a high level of granularity, were submitted in a standardised LDT, which was developed in 2015 with the cooperation of the SRB, the NRAs, the ECB and the EBA.

The SRB had to obtain a clear picture of the external and internal funding structures across all the legal entities that could potentially be relevant for resolution planning, i.e. all the banking group entities incorporated in the EU which collect deposits, issue securities or trading derivatives.

The collected data were used for the development of resolution plans, particularly for the assessment of the loss-absorbing capacity of banks, as well as for the analysis of data from a horizontal policy perspective.

The necessity of granular liability data was not limited to the application of the bail-in tool, but was also important to enable the separation of liabilities related to critical functions where the preferred resolution strategy is based on the sale of business or bridge bank tool.

During a crisis, banks need to be able to report liability data on an ad hoc basis and in a standardised format. To minimise errors and increase efficiency, the resolution authorities need to be able to collect, store, process and analyse the data received in a fully automated fashion.

In all, the SRB, via the NRAs of the BU MS, collected data in the format of Excel files from 143 banking groups under its remit. Taking into consideration the reporting at individual and consolidated levels across various entities, approximately 1 500 Excel files were collected in total. The milestones of the 2016 LDT process are shown on the timeline below.

The SRB acknowledged the administrative challenge that the introduction of the LDT posed to the banks, so a gradual approach for data collection was adopted. The mandatory data were kept at the minimum level required by the BRRD, while the non-mandatory data had to be provided on only a priority or best-efforts basis.

**Figure 6:** Timeline LDT process:

From the onset of the 2016 data collection process, the SRB considered that the banks were not producing granular liability information under the existing regulatory or financial reporting requirements, that they would have to identify data sources manually and that the deadlines were relatively tight. To provide guidance to the banks, the SRB produced a guidance note, flagged the prioritisation of data requirements by using colour coding in the template and conducted an extensive question-and-answer (Q&A) process.

Upon the announcement of the 2016 LDT process, the SRB emphasised that the template was not in its final format and that the banks should expect some amendments over the coming years. Following the 2016 LDT collection and analysis, the SRB concluded that (i) the intragroup exposures should be more transparent, (ii) the submission of a single consolidated report from each EU parent entity was insufficient and (iii) the number of reporting entities could be reduced.

Building on the experience gained, the SRB made some changes to the LDT for 2017, in terms of both content and the scope of legal entities. The changes intended to reduce, where possible, the reporting burden on the banks while tailoring the information request towards the needs of the resolution strategy (single point of entry (SPE) or multiple point of entry (MPE)).

In addition, during 2016 the SRB completed a number of steps towards adding information to the 2017 template and establishing a semi-automated data collection process. The template will provide for an increase in the reported data points on both the summary and the granular tables.

Furthermore, the rules to be applied for identifying the entities within the reporting scope for the 2017 data collection period were refined. First, entities under the scope of the BRRD and the SRMR should be identified. Second, the resolution entities to which resolution measures would be expected to be applied under the preferred resolution strategy should be identified. Finally, the relevant subsidiaries within a resolution group should be determined, i.e. the entities that provide critical functions and/or represent more than 5% of risk-weighted assets (RWAs), leverage exposure or total operating income of the (resolution) group. Nevertheless, the IRTs would have the flexibility to adjust the reporting scope, e.g. where the entities with critical functions have not been identified or the preferred resolution strategy has not yet been decided.

## GOING FORWARD

In December 2016, the LDT ([Liability Data Report](#)) and the related guidance ([LDT guidance](#)) were validated by the SRB Plenary Session and published on the SRB website, providing ample time for the banks to start preparing for the 2017 data collection, scheduled for May. To automate

data collection, storage and subsequent analysis, the SRB embarked on a project involving the application of XBRL (Extensible Business Reporting Language) technology and published the 2016 final XBRL taxonomy, including validation rules, at the end of March 2017. The 2016 LDT process was largely successful and the SRB expects the 2017 LDT process to be further improved and successful as well.

#### 5.1.4. Benchmarking resolution plans

In 2016, the SRB performed a cross-cutting analysis of key chapters of the resolution plans. The exercise focused on topics such as critical functions, preferred resolution strategy, liquidity, access to FMI, resolvability assessment and recovery aspects. Although the 2016 resolution plans are more comprehensive and better structured than the 2015 plans, they still need to be enriched based on (new) common SRM methodologies. Therefore, several task forces and networks have been set up to improve horizontal resolution policy, standards and methodologies in the Resolution Planning Manual. In 2017, the SRB will develop a benchmarking methodology and will apply this to a sample of banks.

#### 5.1.5. MREL: approach taken in 2016 and the next steps

The BRRD requires that banks meet an MREL so they are able to absorb losses and restore their capital position in resolution, enabling banks to continuously perform their critical economic functions during and after a resolution.

The SRB is committed to implementing MREL throughout the BU, in accordance with the relevant legislation. Article 12 of the SRMR requires the SRB to determine MREL for entities and groups that are under the direct supervision of the ECB, as well as other BU cross-border groups. NRAs within the BU are responsible for setting MREL for less significant institutions (LSIs), in line with guidance provided by the SRB.

Developing a common methodology represents a considerable challenge given the wide diversity of banking groups in participating MS and the evolving regulatory environment for MREL. Indeed, current rules were clarified only in May 2016, when the EC adopted its Delegated Regulation (DR). Similarly, the publication of the recent EC legislative proposal on EU banking reform might change the future framework, amending the BRRD and affecting MREL calculations. However, this evolving regulatory landscape should not prevent the SRB from developing and start implementing effective loss-absorbing mechanisms.

Therefore, the SRB adopted a preliminary approach towards MREL in 2016. The SRB previously noted that there would not be a final MREL methodology available for the BU in 2016. As a result, the SRB decided to calculate only informative consolidated MREL levels for 2016 which are non-binding, non-enforceable and non-challengeable, but aim to help banks prepare for future targets and gradually adapt their funding structures and funding plans, where necessary.

The SRB started engaging with the industry in the first quarter of 2016. At an Industry Dialogue <sup>(2)</sup> meeting in January 2016, the SRB laid out the main milestones and core principles of its approach and announced its intention to engage in a granular liability data collection exercise (see section

<sup>(2)</sup> [http://srb.europa.eu/sites/srb-site/files/2nd\\_industry\\_dialogue\\_12-1-2016\\_-\\_mrel.pdf](http://srb.europa.eu/sites/srb-site/files/2nd_industry_dialogue_12-1-2016_-_mrel.pdf)

5.2.3 on Liability Data Template). After processing the data and undertaking horizontal quality and consistency checks, and after incorporating the new draft ECB Supervisory Review and Evaluation Process (SREP) figures in September 2016, the SRB fine-tuned its initial approach. The SRB and NRAs facilitated workshops with banks to explain the methodology in detail and to seek feedback. The SRB communicated its final MREL approach for 2016 through another Industry Dialogue <sup>(3)</sup> on 28 November 2016.

### TARGET LEVEL AND LOCATION

The SRB's informative MREL targets are based on DR 2016/1450 of the EC, published on 23 May 2016, and were calculated as the sum of the following components:

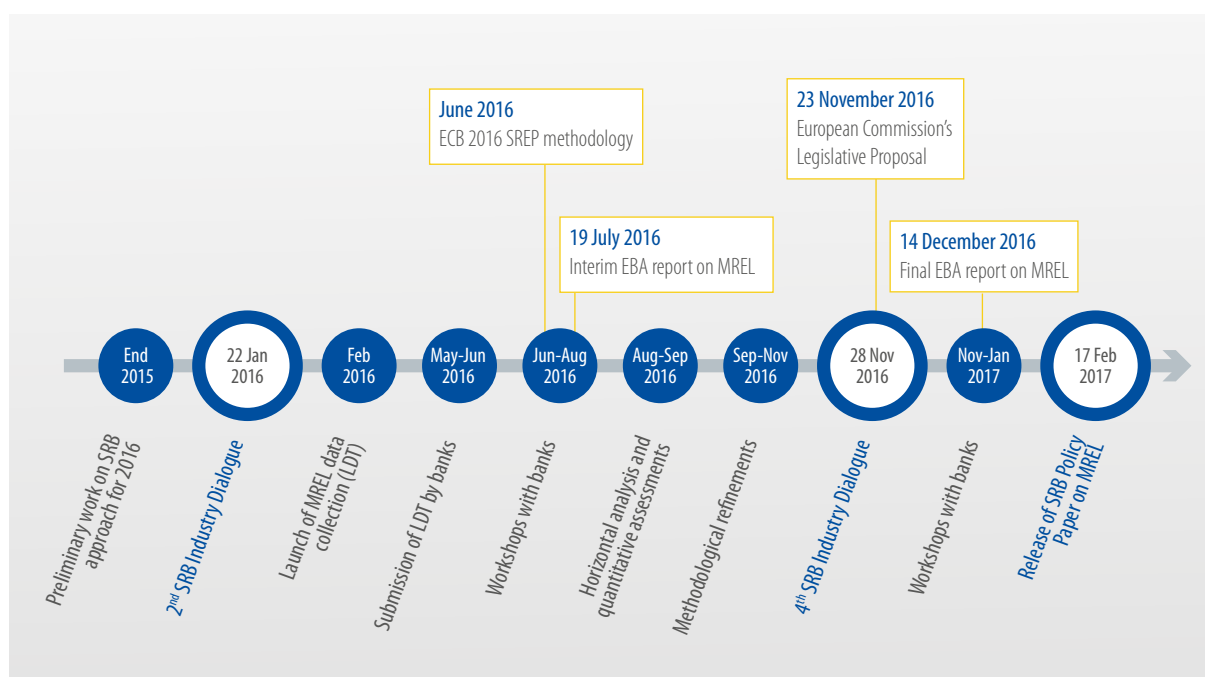
1. A loss absorption amount (LAA) that consists of the higher of:
  - a. the aggregate of a bank's minimum capital requirement (Pillar 1); its Pillar 2 requirement; and its fully loaded combined buffer requirement (CBR); or
  - b. an amount that is required to meet the Basel 1 floor.
2. A recapitalisation amount (RCA) that consists of the higher of:
  - a. a bank's minimum capital requirement (Pillar 1) and Pillar 2 requirement; or
  - b. an amount that is required to meet the Basel 1 floor.

These components are complemented by a market confidence charge (MCC) set for 2016 at the level of the fully loaded CBR minus 125 basis points.

Finally, the leverage ratio was not considered pending the introduction of a final binding requirement into EU law.

<sup>(3)</sup> [https://srb.europa.eu/sites/srbsite/files/20161128\\_slides\\_industry\\_dialogue\\_mrel.pdf](https://srb.europa.eu/sites/srbsite/files/20161128_slides_industry_dialogue_mrel.pdf)

**Figure 7:** The MREL journey in 2016 — overview of the timeline

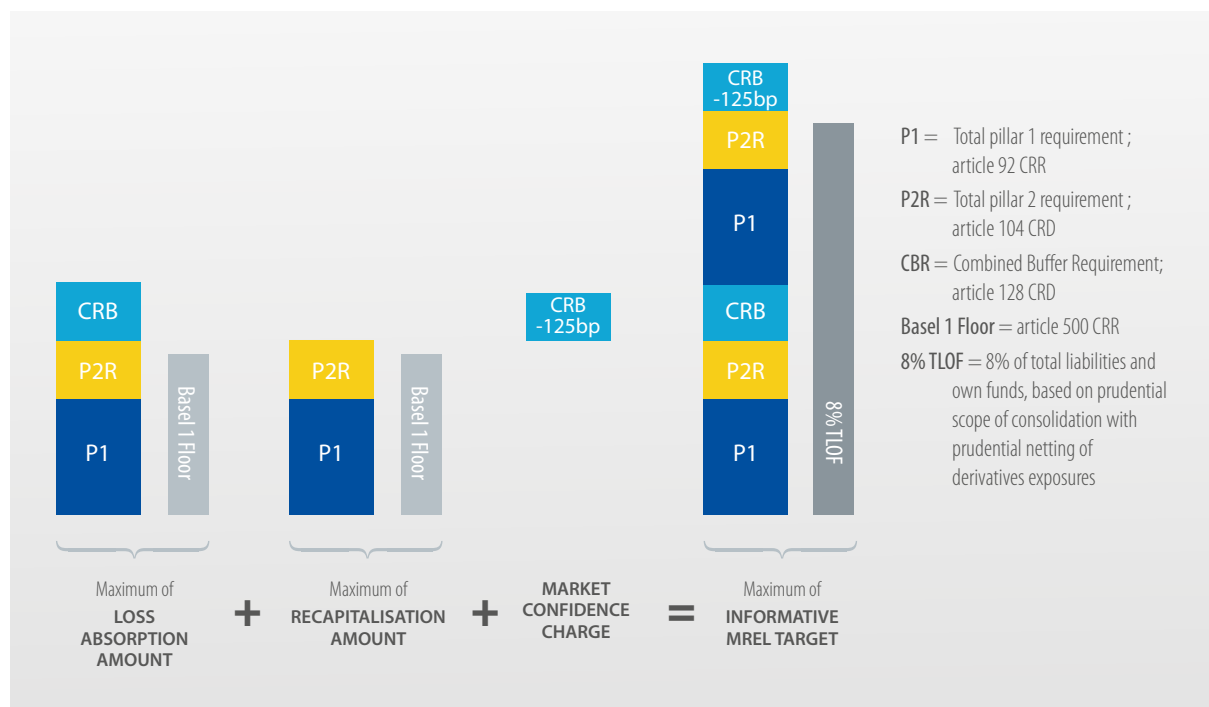




In addition to the formula set out in the DR, the SRB took into account an 8% benchmark. The SRB considered that MREL should be set at a level sufficiently prudent to access, if necessary, financing arrangements like the SRF in the BU. The SRB considered that an MREL level of at least 8% of total liabilities and own funds (TLOF) would generally be required for all major banking groups within the BU.

The 2016 informative MREL targets did not take into account any potential discretionary upwards or downwards adjustments, based on the specific situation of individual banking groups, and applied to the group consolidated level only. In addition, the applied 125 bp discount to the MCC does not necessarily reflect any decisions on the MCC going forward.

**Figure 8:** SRB MREL approach for 2016



## BOX 2: ADJUSTING THE INFORMATIVE MREL TARGETS

**Loss Absorption Amount (LAA):** to determine the informative MREL target in 2016, the SRB used the default LAA with the fully loaded CBR, as per Article 1(4) of the DR, with no adjustment given in light of the new SREP methodology that excludes losses in stress scenarios from the Pillar 2 requirement, but retains, as Pillar 2, all risks that are not captured in Pillar 1. Setting a higher LAA because of impediments to resolvability can be determined only later on, once impediments have been identified.

**Recapitalisation Amount (RCA):** the SRB decided to set default RCA levels, without addressing the bespoke adjustments contemplated in the DR.

**Market Confidence Charge (MCC):** the SRB decided to define an intermediate target for the MCC in 2016. The MCC represents the amount necessary to ensure market participants have confidence in the resolved bank. The SRB set the level of the MCC in 2016 at the CBR minus 125 basis points, taking into account the approach adopted by other resolution authorities in the EU. No further adjustments were made to the MCC in 2016.

## QUALITY AND PHASE-IN

In 2016, the SRB took a cautious approach to eligibility, excluding structured notes as a starting point and highlighting the need for further assessment of liabilities issued by special purpose vehicles (SPVs) and liabilities governed by the law of a country outside the EU.

On the other hand, the SRB assumed uninsured and non-preferred term deposits with a minimum maturity of at least one year as potentially eligible, if banks were fully able to demonstrate the absence of early repayment features. Nevertheless, further analysis of these liabilities is expected, based on guidance provided by the EBA. Furthermore, the assumptions made in 2016 do not necessarily reflect any decisions on eligibility of liabilities going forward.

Other liabilities held by retail investors were considered as MREL eligible if they met the eligibility criteria set out in the BRRD.

### BOX 3: ESTIMATED BANKING UNION IMPACT BASED ON SRB SAMPLE

The SRB performed a horizontal analysis, based on the LDT information, for all major banks for which the SRB drafted resolution plans (except MPE strategies).

**Informative targets:** average 27% of total risk exposure amount (TREA).

**Shortfalls <sup>(1)</sup>:** EUR 112 billion, representing on average 7% of TREA (for banks with shortfalls).

<sup>(1)</sup> Estimated shortfall based on the application of the SRB approach for 2016, without prejudice of further analysis conducted by IRTs on a case-by-case basis. To this end, the estimated shortfall might be subject to change based on additional quality controls and further policy developments at SRM level in 2017.

## GOING FORWARD

The SRB will develop its MREL policy in 2017 to achieve a consistent framework, applicable to all banking groups in the BU. Several aspects will be addressed in the SRB's finalised MREL methodology, taking into account the evolving EU regulatory framework. The SRB will base its policy statements on existing legislation and will closely follow the outcome of the negotiations in respect of the EC's legislative package.

As a first step, the SRB intends to set binding MREL targets at a consolidated level (or at appropriate sub-consolidated levels according to the resolution strategy) for major banking groups under its remit in 2017, followed by determining binding MREL targets at individual level for their legal entities subject to the BRRD by late 2017/early 2018.

The SRB will define the appropriate transition periods, necessary to ensure the credibility of the Resolution Framework, allowing time for institutions to build up the necessary loss-absorbing capacity. During the transition period, the SRB does not intend to publish its individual decisions on MREL targets. Rather, it may require banks to disclose the composition of their MREL-eligible instruments.

## 5.2. Preparing resolution action

In 2016, the SRB and the NRAs worked intensively on drawing up resolution plans and setting informative target levels for MREL. In addition to these preventative and preparatory measures, the SRB also prepared for possible resolution actions that could be implemented immediately if a bank was deemed to be meeting the conditions for resolution. In this respect, several work streams were put in place, as outlined below.

First, the SRB concluded procurement procedures to ensure that framework contracts were in place to provide access to a limited number of external firms in the event of a crisis situation. This includes economic and financial advisors to provide advice in the field of accounting and valuation and to perform the required independent valuation (both for accounting and economic valuations), as well as legal advisors to provide the SRB with advice on legal matters. This potential access to external advice has been paired with a significant enhancement of the SRB's own resources (e.g. HR, IT, physical) described in Chapter 10.

In terms of policy, the SRB has advanced its work on crisis management policies and the related internal documents and templates that specify the modalities for performing the Public Interest Assessments, determining and operationalising the most suitable resolution tools and powers, and the interaction with the concerned stakeholders. For example, templates for the SRB's resolution schemes have been elaborated. In the case of an actual resolution, the templates are filled in depending on the specific situation of the bank that meets the conditions for resolution.

To test the interactions between the different EU bodies with responsibility for the resolution of a bank, on 18 January 2016 the SRB coordinated its first crisis-simulation exercise (a 'dry run') based around a bank-failure scenario. The exercise focused on the procedures and processes governing the interactions between the SRB, the EC (the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) and the Directorate-General for Competition (DG COMP)) and the Council.



The aim of the exercise was to provide indications of possible areas for improvement, in particular on the functioning and implementation of procedures and processes relevant to preparing and deciding on a resolution scheme. The exercise also permitted the testing of the interactions between the SRB, the EC and the Council in a crisis situation, as well as the performance of the ICT infrastructures that are required to support resolution decisions and centralise the exchange of information between EU bodies.

The dry run also represented an important opportunity for the SRB, the European Commission and the Council's teams to test the communications with external stakeholders, notably the press.

In addition, on 10 October 2016, the SRB, together with the UK and US resolution authorities, conducted a top-level cross-border exercise in Washington DC to foster global cooperation. The exercise was hosted by the Federal Deposit Insurance Corporation (FDIC). Other participants from the United States included senior officials from the Treasury Department, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Securities and Exchange Commission, the Commodity Futures Trading Commission and the Federal Reserve Bank of New York. Participants from Europe included senior officials from HM Treasury, the Bank of England (BoE), the United Kingdom Prudential Regulation Authority, the SRB, the EC and the ECB.

The core objective of this exercise was to foster and develop a common understanding among principals regarding cross-border resolution. In particular, the exercise was aimed at improving the understanding, communication and cooperation among US, EU and UK authorities in the event of a failure and resolution of a G-SIB.

The exercise was important for the targeted identification of key open issues for future work aimed at enabling the credible and feasible cooperation among jurisdictions in the event that a G-SIB fails or becomes likely to fail.

In 2017, the SRB will further enhance its preparedness for possible resolution actions. In this respect, the SRB will assess the effectiveness of its current processes, procedures and templates. Where deemed necessary, the SRB will enhance its processes, procedures and templates by implementing concrete solutions. Thereafter, the SRB will perform dry-run exercises to test its crisis preparedness.

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## 6. THE RESOLUTION FRAMEWORK

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### 6.1. Cooperation with national authorities

The SRB works in strong cooperation with the NRAs within the SRM. In 2016, the SRB developed formal cooperation tools with the NRAs, including the setting up of all IRTs within the remit of the SRB, the finalisation of COFRA and the Internal Arrangements operationalising COFRA. In addition, the Resolution Committee, which was set up in 2016, is the main platform for sharing experiences on resolution activities with NRAs and the mutual development of horizontal policies, to ensure consistency and high standards of quality in resolution-related activities within the SRM. In 2017 and beyond, the Resolution Committee will continue its work and deliver its final products in accordance with the mandate of the committee.

The SRB organised specific training programmes and activities, together with the NRAs, to develop the necessary staff expertise. Training activities focused on (i) induction training for new SRB and NRA staff members and (ii) specific legal and financial matters relevant to bank resolution. Several training activities (e.g. induction, valuation) are organised jointly with the EBA.

In 2016, the Chair also visited a number of MS to present the SRB's activities and to promote cooperation. The countries visited were France, Ireland, Italy, Lithuania, Malta, the Netherlands, Slovakia, Slovenia and Spain. Further visits are planned for 2017.

### 6.2. Oversight of less significant institutions

In 2016, the SRB started the implementation of its mandate concerning the oversight of LSIs under the direct remit of NRAs. According to the SRMR, the SRB oversight mandate includes the assessment of the draft resolution measures for LSIs to be notified by NRAs to the SRB. Taking into account the high number of LSIs in the BU (approximately 3 200), this function will represent a significant part of the SRB's work in the coming years.

Operational aspects of the LSI oversight have been included in the provisions of COFRA and its Internal Arrangements. In September 2016, the SRB also adopted a detailed internal procedure on how to internally operationalise this oversight function within the SRB.

During 2016, the SRB started to receive draft resolution measures (mainly draft resolution plans). By the end of 2016, the Executive Session of the Board had made four decisions on whether or not to express its views regarding the draft resolution measures prepared by the NRAs, following Article 31 of the SRMR.

## 6.3. Cooperation with other stakeholders

In 2016, the SRB continued to develop its cooperation with other relevant stakeholders, such as EU institutions and other authorities from non-participating MS and third countries at all levels. This continuous participation in international forums proved to be very helpful for the SRB in advancing with its work.

### (I) EUROPEAN UNION INSTITUTIONS

#### EUROPEAN PARLIAMENT



In line with the SRB's responsibility towards EU institutions, the SRB Chair appeared several times before the EP during 2016. In particular, on July 13, in a public hearing of the ECON, the Chair presented the Annual Activity Report 2015 <sup>(4)</sup>.

The Chair also participated in other public hearings and exchanges of views on specific topics whenever requested, and on 5 December 2016 — in an ECON public hearing — she presented the 2017 SRB Work Programme <sup>(5)</sup>.

Throughout the year, the SRB continuously exchanged information with the ECON Secretariat on all matters relevant for its work and strove to answer parliamentary questions in a timely and comprehensive fashion. The SRB closely follows ECON hearings and the legislative process whenever related to its mandate.

#### COUNCIL OF THE EUROPEAN UNION



The SRB maintained and strengthened its open dialogue with the Council with the aim of contributing to effective policy making. In particular, the SRB Chair attended relevant meetings of the Council's Informal Economic and Financial Affairs Council (ECOFIN), as well as Eurogroup meetings. The SRB was involved in the work of the Eurogroup Working Group (EWG), as well as that of the Economic and Financial Committee (EFC), working on issues including the EC proposal on risk reduction, and ongoing work on the Loan Facility Agreements (LFAs) and the Intergovernmental Agreement (IGA) and in the context of the ad hoc working party on the European Deposit Insurance Scheme (EDIS). The SRB also provided technical support to the discussions within the Task Force on Coordinated Action (TFCA) about a common backstop for the SRF.

The SRB also ensured that the infrastructure was in place and functioning well enough to enable communication between the SRB and the Council during a resolution decision, as required by the SRMR.

<sup>(4)</sup> [http://www.europarl.europa.eu/news/en/news-room/20160706IPR35850/committee-on-economic-and-monetary-affairs-meeting-13072016-\(pm\)](http://www.europarl.europa.eu/news/en/news-room/20160706IPR35850/committee-on-economic-and-monetary-affairs-meeting-13072016-(pm))

<sup>(5)</sup> <http://www.europarl.europa.eu/ep-live/en/committees/video?event=20161205-1515-COMMITTEE-ECON>

## EUROPEAN CENTRAL BANK



In parallel with building the organisational structure for cooperation with the ECB as supervisory authority under the SSM, 2016 was characterised by enhancing the day-to-day workflow with the ECB, particularly the exchange of information in a timely manner. A high-level meeting between the ECB and the SRB took place in February 2016, during which policy topics such as MREL, TLAC and EDIS were discussed. At middle-management level, quarterly meetings or videoconferences were organised to address operational topics arising as part of the cooperation between the SRB and the ECB. At a technical level, the SRB and ECB horizontal units are in regular contact. The SRB also attended meetings of the Supervisory Board of the ECB to discuss resolution-related topics or individual cases (with respect to potential resolution or early intervention actions in the future), whenever invited.

The ECB itself has 'observer' status in the Executive and Plenary Sessions of the SRB, which facilitates timely and close cooperation. Furthermore, ECB representatives attend Resolution Committee meetings as observers and are involved in several technical work streams related to developing policies on horizontal issues.

## EUROPEAN COMMISSION



In 2016, the SRB continued its exchange of views on policy and procedural matters with the relevant directorates of the EC, in particular DG COMP and DG FISMA, at different levels. During the EC's internal discussions on drafting a proposal to amend the BRRD and the SRMR — brought forward to the end of 2016 — the SRB contributed with suggestions, expertise and experience to help identify areas of Level I legislation that require amendments when it was asked to do so by the EC. The EC has 'observer' status in the Executive and Plenary Sessions as well as in the Resolution Committee meetings of the SRB, which facilitates close cooperation.

## (II) THE EBA AND OTHER EU BODIES

### EUROPEAN BANKING AUTHORITY



In 2016, the SRB strengthened its cooperation with and mutual support for the EBA, particularly with respect to its activities in the context of the Single Rule Book and the delivery of training on resolution issues. The SRB notably contributed to the development of several technical standards, guidelines and reports published by the EBA in 2016, including the report on the appropriate target level basis for resolution financing arrangements under BRRD and the report on the implementation and design of the MREL. The SRB was also involved in dedicated work streams that will continue operating in 2017, for instance on the criteria for simplified obligations, the identification of European RCs and other regulatory products dealing with resolution planning and crisis management such as the Regulatory Technical Standard on valuation. An SRB full-time Board Member chaired the EBA Resolution Committee and attended the EBA Board of Supervisors

meeting as an observer. This active role in EBA technical work streams and committees is important for fostering cooperation and ensuring an appropriate harmonisation of rules and practice, relevant for resolution authorities in the BU as well as outside of the BU. The SRB also carried out activities as regards compliance with the EBA's reporting and notification requirements.

Similarly, the EBA itself has 'observer' status in the Executive and Plenary Sessions of the SRB. Besides providing technical inputs to a number of work-streams within the SRB, EBA representatives also attend monthly Resolution Committee meetings as observers and are involved in several technical work streams for developing policies on horizontal issues.

The SRB also strengthened its cooperation with the other EU supervisory agencies, namely the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA), as well as the European Systemic Risk Board (ESRB) and the European Stability Mechanism (ESM).

#### **COOPERATION WITH OTHER AUTHORITIES UNDER THE SRMR AND THE BRRD (MEMORANDUMS OF UNDERSTANDING, COOPERATION AGREEMENTS AND RCS)**

Many of the groups under the remit of the SRB, to a large extent, operate in more than one country, both within Europe but also on a global scale. The BRRD and the SRMR therefore require the SRB to sign three types of arrangements to facilitate the exchange of information and cooperation in the interest of cross-border resolution planning and execution:

- ▶ Memorandums of Understanding (MoUs) with the NRA of each non-participating MS that is home to at least one G-SIB (i.e. UK and Sweden) <sup>(6)</sup>;
- ▶ MoUs with the ECB and with the NRAs and NCAs of each non-participating MS <sup>(7)</sup>;
- ▶ institution-specific, non-binding Cooperation Agreements (CoAgs) <sup>(8)</sup> with resolution and supervisory authorities of third countries, in line with the EBA framework cooperation arrangements <sup>(9)</sup>.

As regards the agreement of MoUs with non-EU authorities, there is no obligation under the BRRD or the SRMR, but it is advisable in the interest of an effective cooperation framework on resolution. However, a particular effort for MoUs and CoAgs involving non-EU authorities is mandatory because of the need for a third-country equivalence assessment as regards data protection and confidentiality requirements (see below).

<sup>(6)</sup> Article 32(2) sub-para 2 SRMR.

<sup>(7)</sup> Article 32(2) sub-para 1 SRMR.

<sup>(8)</sup> These documents, which are not legally binding, establish the functioning of the CMGs.

<sup>(9)</sup> Article 32(1) and (4) SRMR, Article 97(2) BRRD.



### **(III) COOPERATION WITH NON-BANKING UNION EU AUTHORITIES**

In 2016, the SRB focused cooperation efforts vis-à-vis the resolution authorities of those non-participating MS with which the BU has the most relevant cross-border banking activities. Concerning G-SIBs, an MoU, in accordance with Article 32(2) sub-paragraph 2 SRMR, was signed with the SNDO (Swedish Resolution Authority) in December 2016.

In 2016, the SRB continued to engage in valuable discussions with the BoE at both technical and board levels on areas of mutual interest. The BoE is an important stakeholder for the SRB, as the SRB is for the BoE. These areas of discussion included resolution planning, cooperation and policy development.

Concerning the MoUs, in accordance with Article 32(2) sub-paragraph 1 SRMR, between the SRB, the ECB and the relevant resolution authorities and competent authorities of each non-participating MS, the parties engaged in negotiations and the SRB circulated a draft MoU to the resolution and competent authorities of the nine non-participating MS in late 2016. All negotiations are being conducted in close cooperation with the ECB.

RCs, as foreseen under the BRRD, are also an important platform for cross-border cooperation. According to Article 88 of the BRRD, the SRB also has to organise RCs for groups that are established in non-BU MS (Article 88 of the BRRD) and where the SRB is the GLRA.

The SRB has set up RCs for nearly all banks under its remit and initiated joint decision making on resolution plans. Bilateral cooperation with the authorities of some non-BU MS was further deepened in 2016 (e.g. with the BoE and the Swedish and Danish resolution authorities) and it will be pursued with other non-BU European authorities in 2017.

### **(IV) NON-EU AUTHORITIES**

According to the BRRD and the SRMR, the exchange of information with third-country authorities is subject to the equivalence of the requirements and standards for professional secrecy in the third countries with those in the EU. Likewise, this also applies to CoAgs, MoUs, CMGs and RCs.

The EU legal framework for the protection of personal data does not allow the SRB to share personal data with third-country authorities on a regular basis, unless the EC has adopted a decision on the adequacy of the protection of personal data in the relevant third country or a data protection contract has been concluded between the SRB and the third-country authority.

### **MEMORANDUMS OF UNDERSTANDING WITH THIRD-COUNTRY AUTHORITIES**

In 2016, the SRB undertook negotiations for bilateral MoUs with the FDIC (United States), FINMA (the Swiss Financial Market Supervisory Authority, Switzerland), CDIC (the Canada Deposit Insurance Corporation) and the Central Bank Brazil (Banco Central do Brazil). In this process, the SRB had to assess whether or not the confidentiality and personal data protection regimes of these non-EU resolution authorities are equivalent to EU law. The MoUs are expected to be adopted in 2017.

## COOPERATION AGREEMENTS WITH THIRD-COUNTRY AUTHORITIES

Concerning bank-specific CoAgs for groups for which the SRB is the home authority, following the preparations and negotiations in 2016, multiple-party CoAgs are expected to be signed in 2017.

For CoAgs for which the SRB is the host authority, the following must be differentiated between:

- ▶ CoAgs that may be signed as soon as the equivalence assessment as regards the confidentiality standards of the relevant third country has been completed;
- ▶ CoAgs that were signed before 2016, which the SRB needs to join.

For these types of CoAgs, third-country equivalence assessments were launched in 2016 and the agreements are expected to be adopted in 2017.

## (V) INTERNATIONAL FORUMS AND BODIES

In addition to its cooperation with EU institutions and bodies, as well as with resolution and supervisory authorities in and outside the EU, the SRB is also engaged in major international forums and bodies. For more information, please refer to Chapter 7, 'Policy Coordination and International Relations'.

## 7. POLICY COORDINATION AND INTERNATIONAL RELATIONS

The interconnectedness of markets requires cooperation, policy and guidance on a global scale. The FSB and other intergovernmental organisations play an important role in promoting convergence and providing advice in the domain of resolution.

In this context, in its capacity as the resolution authority within the BU with direct responsibility for the most important banks in the euro area and for cross-border banking groups, the SRB sharpened its profile and contributed its growing expertise to the work of such intergovernmental organisations.

The international engagement of the SRB in 2016 proved to be very helpful for its core operational work and development, and the SRB strives to share its expertise with international partners with the aim of benefitting from each other. Thus, the international exchange of experience and know-how will be pursued and strengthened in the future by the SRB.

### 7.1. Coordination of institutional cooperation and relationships

#### (I) THE FINANCIAL STABILITY BOARD

The SRB took part in all of the FSB working groups for which resolution-related topics are the focus. Figure 7 provides an overview of the FSB's main committees relevant for the SRB's activities.

The Resolution Steering Group (ReSG), chaired by the Chair of the SRB, was established in early 2011 and is the encompassing committee that addresses resolution matters within the FSB. It reports to the FSB Steering Committee and is divided into several sub-groups and work streams.

In 2016, in addition to the ReSG, the SRB was engaged in all the relevant resolution-related groups and work streams of the FSB:

**1. The Banking Cross-border Crisis Management Group (CBCM):** this group aims to promote the implementation of resolution planning requirements. In 2016, it was divided into the following work streams (WSs):

- ▶ WS on Funding in Resolution;
- ▶ WS on Continuity of Access to FMs;

- ▶ WS on Bail-in Execution, co-chaired by an SRB member;
- ▶ WS on Internal TLAC;
- ▶ WS on Operational Continuity.

**2. The Legal Expert Group (LEG):** this group facilitates, in particular, a better understanding of legal challenges and procedures for giving effect to cross-border resolution actions.

**3. The Cross-border Crisis Management Group for FMI (fmiCBCM).**

**4. The Joint Study Group on Central Counterparty (CCP) Interdependencies.**

## ACTIVITIES OF PARTICULAR IMPORTANCE IN 2016

As regards the bank Resolution Framework of the FSB, the SRB supported the FSB in its efforts to further operationalise its key elements, notably internal TLAC <sup>(10)</sup> and, more generally, with regard to how the proposal set out in the TLAC Term Sheet should be implemented. Access to FMIs <sup>(11)</sup>, funding in resolution <sup>(12)</sup>, operational continuity <sup>(13)</sup> and bail-in in execution were other focal points during the course of the year.

## RESOLVABILITY ASSESSMENT PROCESS

In accordance with the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions (KAs) endorsed by the G20 heads of state and government in November 2011, the FSB made a commitment in its report to the G20 of September 2013 to assess the resolvability of each G-SIB <sup>(14)</sup>.

The FSB RAP, in line with KA No 10, aims to evaluate, for each G-SIB identified by the FSB, the feasibility of resolution strategies in light of the likely impact of a firm's failure on the financial system and the overall economy. The RAP also promotes consistent reporting on the resolvability of each G-SIB, as well as concerted action to address any remaining issues.

Every year, the FSB publishes a report to the G20 on the progress in resolution which incorporates the feedback of the results of the RAP. A first full round was undertaken for all G-SIBs in 2015, when the SRB did not have its full powers.

In the second RAP of 2016, the SRB had a more prominent role. The SRB was responsible for the RAP for eight European G-SIBs <sup>(15)</sup>. The results then fed into the 2016 FSB progress report published in August 2016 before the G20 meeting in China <sup>(16)</sup>. The progress report showed that recovery and resolution planning work had progressed significantly over the past years and

<sup>(10)</sup> See 'Guiding Principles on the Internal Total Loss-Absorbing Capacity of G-SIBs' (<http://www.fsb.org/2016/12/guiding-principles-on-the-internal-total-loss-absorbing-capacity-of-g-sibs-internal-tlac/>).

<sup>(11)</sup> See 'Guidance on Continuity of Access to FMIs for a Firm in Resolution' (<http://www.fsb.org/2016/12/guidance-on-continuity-of-access-to-financial-market-infrastructures-fmis-for-a-firm-in-resolution/>).

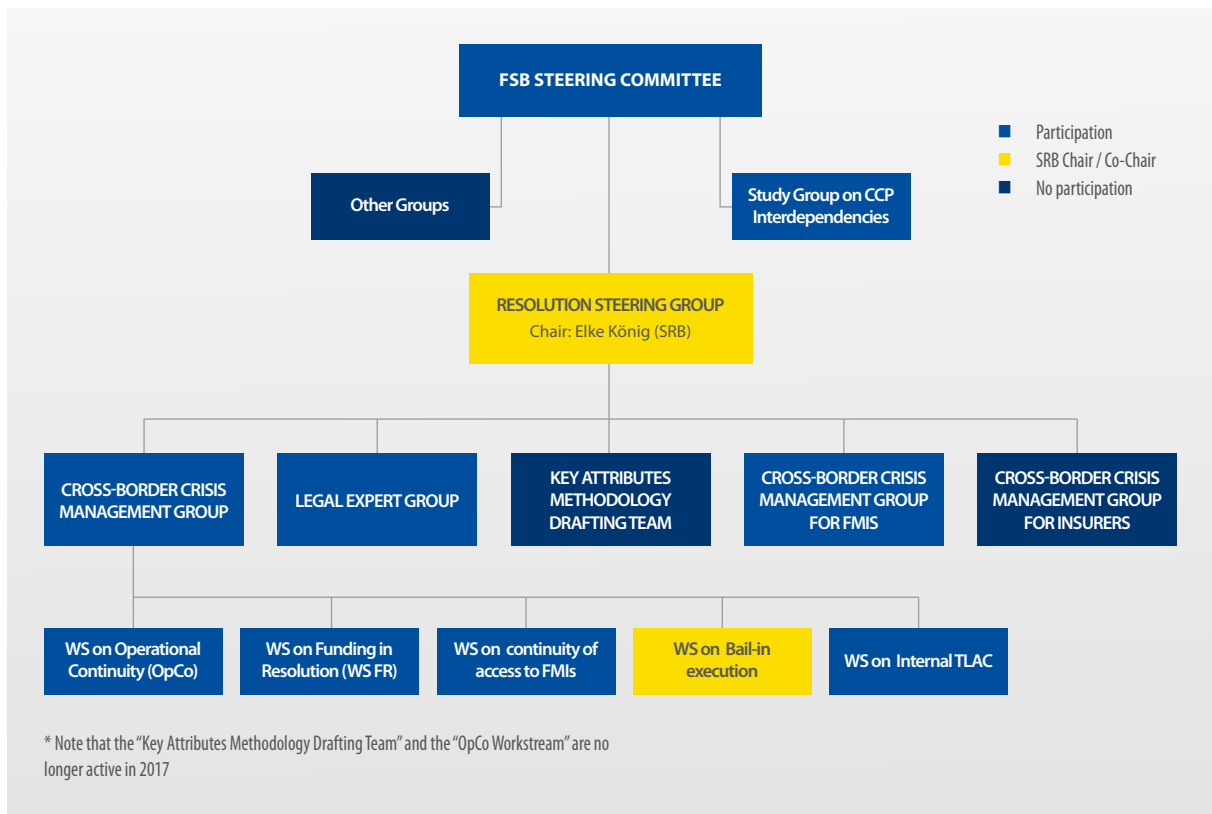
<sup>(12)</sup> See 'Guiding Principles on the Temporary Funding Needed to Support the Orderly Resolution of a Global Systemically Important Bank (G-SIB)' (<http://www.fsb.org/2016/08/guiding-principles-on-the-temporary-funding-needed-to-support-the-orderly-resolution-of-a-global-systemically-important-bank-g-sib/>).

<sup>(13)</sup> See 'Guidance on Arrangements to Support Operational Continuity in Resolution' (<http://www.fsb.org/2016/08/guidance-on-arrangements-to-support-operational-continuity-in-resolution/>).

<sup>(14)</sup> See 'Progress and Next Steps Towards Ending 'Too-Big-To-Fail' (TBTF)' ([http://www.fsb.org/2013/09/r\\_130902/](http://www.fsb.org/2013/09/r_130902/)), 2 September 2013.

<sup>(15)</sup> Deutsche Bank, Santander, BNP Paribas, Crédit Agricole, Société Générale, Unicredit, ING and BPCE.

<sup>(16)</sup> See FSB 2016 report: 'Resilience through resolvability — moving from policy design to implementation' (<http://www.fsb.org/wp-content/uploads/Resilience-through-resolvability-%E2%80%93-moving-from-policy-design-to-implementation.pdf>).

**Figure 9:** FSB committees, groups and work streams in the domain of resolution

also highlighted the areas of further work that had been assessed in the context of the 2016 RAP: TLAC, operational continuity, adherence to the ISDA (International Swaps and Derivatives Association, Inc.) resolution stay protocol, funding in resolution, valuation and management information systems.

The SRB also contributed to the development of guidance for a recovery and resolution regime for CCPs by the FSB. Following a first public consultation on a discussion note <sup>(17)</sup>, guidance on resolution planning, strategies and tools shall be issued in summer 2017. In this context, the SRB took part in the joint study group on CCP interdependencies. The work of this study group is especially relevant for the SRB, as many of the banks under its direct remit are clearing members of major CCPs, which would be exposed to tail-risks. Conversely, should a clearing member fail or be likely to fail, this would have a direct impact on CCPs, particularly if the member is a significantly important member.

## (II) ADVISING INTERGOVERNMENTAL ORGANISATIONS AND BODIES ABOUT THE EUROPEAN RESOLUTION FRAMEWORK

The SRB is continuously committed to rendering, if requested, advice to the World Bank, the International Monetary Fund (IMF) and the United Nations with regard to accession countries and other governments interested in the EU Resolution Framework.

<sup>(17)</sup> See 'Essential Aspects of CCP Resolution Planning' and 'Progress Report on the CCP Workplan' (<http://www.fsb.org/2016/08/fsb-publish-es-discussion-note-on-essential-aspects-of-ccp-resolution-planning-and-progress-report-on-ccp-workplan/>).

Following strong cooperation in 2015, the SRB continued to provide technical advice to the World Bank in 2016, particularly with regard to the work of the Financial Sector Advisory Center (FinSAC), a technical unit that is part of the World Bank's Finance & Markets Global Practice and aims to deliver policy and technical advice and analytical services to client countries in the emerging Europe and Central Asia region. The SRB's support to the World Bank/FinSAC focused particularly on their advisory and analytical services related to bank recovery and resolution, as well as on financial stability, crisis prevention and macroprudential frameworks. The SRB also contributed its expertise to the elaboration of the World Bank Group's November 2016 publication 'Understanding Bank Recovery and Resolution in the EU: A Guidebook to the BRRD' <sup>(18)</sup>. Furthermore, the SRB participated in exchanges of views on resolution regimes in emerging economies.

### **(III) FINANCIAL SECTOR ASSESSMENT PROGRAM OF THE INTERNATIONAL MONETARY FUND**

In 2016, the SRB continued to steadily increase its participation in the Financial Sector Assessment Program (FSAP) of the IMF in different countries of the BU. In 2016, the SRB participated in the FSAP exercises for Ireland, Germany, the Netherlands, Finland and Luxembourg. As, during these events, the IMF was also assessing the national- and EU-level resolution regimes, the involvement of the SRB was particularly important for clarifying different policy elements of the SRM and the progress achieved with regard to resolution planning for significant institutions. The experience gained during these engagements will facilitate cooperation with the IMF during the euro area FSAP, which is envisaged for 2017.

### **(IV) COOPERATION WITH THIRD COUNTRIES**

In 2016, the SRB was engaged, in particular, in a dialogue with the Central Bank of Brazil (Banco Central do Brasil) in its capacity as the resolution authority as regards the functioning of the resolution regime in the EU. This is part of an expanding dialogue that the SRB is establishing with all the G20 jurisdictions in and outside Europe. This engagement may also comprise staff exchanges, as has been envisaged with the Central Bank of Brazil.

<sup>(18)</sup> <http://pubdocs.worldbank.org/en/609571482207234996/FinSAC-BRRD-Guidebook.pdf>



## 7.2. Regulatory activity

During 2016, the SRB was in a continuous dialogue with the EC and the co-legislators (the EP and the Council) on all relevant resolution-related matters. This involved identifying any areas for improvement in existing legislation (e.g. in the BRRD and in the SRMR).

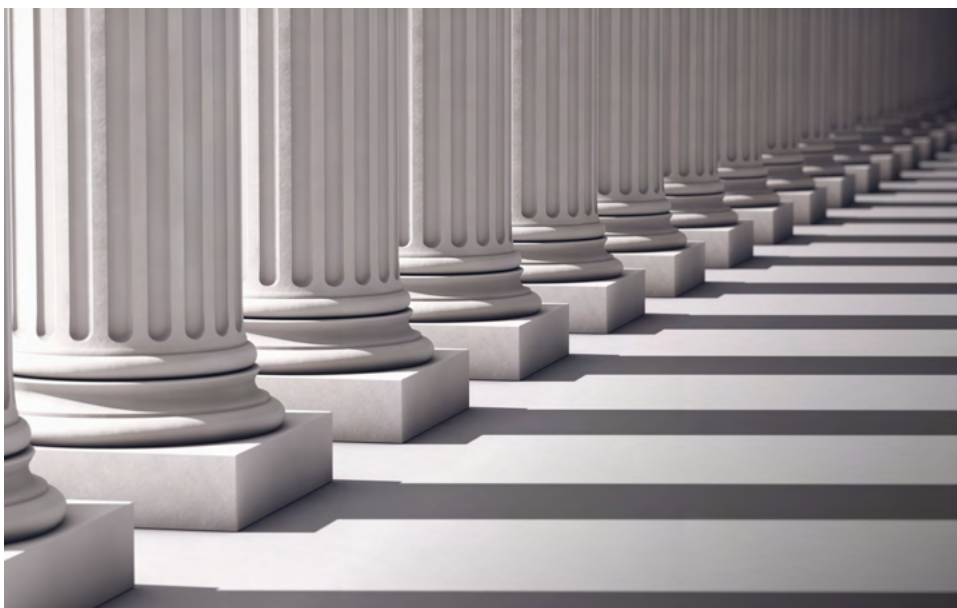
### **(I) TRANSPOSITION OF TOTAL LOSS-ABSORBING CAPACITY AGREEMENT INTO EU LEGISLATION AS PART OF THE RISK REDUCTION PACKAGE**

In 2016, the SRB provided its expertise and positions to the EC on possible ways to transpose the international agreement on TLAC into EU legislation and assure its harmonisation with MREL legislation.

A legislative proposal was put forward by the EC at the end of 2016 as part of the risk reduction package and the SRB has engaged with the EC and the Council to provide technical commentary. The SRB has presented to the Council on a number of relevant policy topics, including the overall design of the proposal, as well as presenting more detailed comments on issues such as the revisions to Article 55 regarding the contractual recognition of bail-in. The SRB will continue to perform analysis on the proposal with regard to how it may affect the SRB's future work on improving resolvability in the BU and will continue to contribute to the discussion on technical issues whenever invited.

### **(II) FINANCIAL MARKET INFRASTRUCTURE RESOLUTION**

Although financial infrastructures play an increasingly important role in European markets, a resolution regime for those entities is not yet in place in the EU. The SRB is engaged at EU and international levels to support legislation in this area. The SRB established and promoted its policy stance in the relevant international forums, particularly the FSB, and shared its knowledge with EU and international bodies. Working on and establishing a CCP Resolution Framework is important for the SRB, given that many of the banks under the SRB's remit are clearing members of CCPs.



### **(III) EUROPEAN DEPOSIT INSURANCE SCHEME**

European deposit insurance is currently based on harmonised rules applied in 28 MS under the Deposit Guarantee Scheme (DGS) Directive and its national implementing laws. Unlike the first two pillars of the BU, the third pillar is not yet based on a centralised system but relies on the traditional concept of rule harmonisation to ensure a common scope and level of deposit insurance (up to EUR 100 000 per person per bank).

In November 2015, the EC adopted a legislative proposal for a 'European Deposit Insurance Scheme' (EDIS), which was discussed in the EP and the EC throughout 2016.

EDIS would provide a centralised deposit guarantee system for euro area MS. It would be mandatory for all euro area MS and — in line with the SSM and the SRM — also open to non-euro area MS.

The SRB contributed to technical debates in this regard throughout 2016, and will continue to support the Council, the EP and the EC at a technical level to further develop the EDIS proposal.

Because EDIS is closely linked to the efforts at EU level for more convergence of national insolvency regimes, as they relate to banks, and following the Council conclusions from June 2016, the SRB also continued to provide technical support to the Council and the EC as regards their work on the creditor hierarchy and the moratorium tool.



## 8. COMMUNICATIONS

The Communications Unit aims to support the core operational functions of the SRB by pursuing the following key goals:

- ▶ to achieve a solid reputation for the SRB as a trusted authority;
- ▶ to achieve good cooperation within the EU and beyond;
- ▶ to achieve greater visibility;
- ▶ to disseminate the SRB's views and policies;
- ▶ to build a clear understanding of the SRB's topics.

The outcomes produced by the Communications Unit contribute directly and positively to the achievement of the SRB's overall objectives as set out in the Agency's mission statement. The Communications Unit protects and reinforces the SRB's reputation and builds public understanding of the SRB's distinctive qualities and of the value and impact of its work.

In 2016, the SRB continued to develop its communication function with three main objectives:

1. to equip the organisation with appropriate tools for steady communication and outreach activities, and reach out to various stakeholders to enhance the SRB's visibility throughout the various MS and beyond the EU;
2. to be prepared for a clear and transparent sequence of actions in the case of a resolution or crisis;
3. to enhance internal communications and the exchange of information.

### MAIN ACHIEVEMENTS IN 2016

#### EXTERNAL COMMUNICATION STRATEGY

During 2016, the SRB revised the first version of its communication strategy, in line with the strategic objectives of the SRB. It focused on the following aspects:

- ▶ Cooperation with the industry: three industry dialogues were organised in 2016 and brought together relevant stakeholders, representatives from European and national banking federations from the BU, NRAs, and representatives from the EC, the ECB and the EBA.
- ▶ Media relations: the first SRB press breakfast and conference took place in January 2016 and several media representatives were present. The SRB Chair and Vice-Chair gave speeches focusing on the SRB's achievements in 2015, the 2016 SRB Work Programme and SRF priorities. This event contributed to building a strong and trusted relationship with the media, as well as being a reliable source of information for the media. Further press briefings fostered the public visibility of the SRB.



- ▶ First SRB conference: the first SRB conference ‘Charting the course: making bank resolution work’ — held in April 2016 — gathered over 400 participants in Brussels. The conference featured opening addresses and keynote speeches from Jonathan Hill, Commissioner for Financial Stability, Financial Services and Capital Markets Union, EC; Roberto Gualtieri, Chair of the Economic and Monetary Affairs Committee, EP; Robert Ophèle, Deputy Governor, Banque de France; Martin J Gruenberg, Chairman, US FDIC; and Jon Cunliffe, Deputy Governor, BoE. The event also featured panel discussions — with the industry, regulators and supervisors — that focused on successful planning in times of crisis and addressing the obstacles, banking resolvability and the means of funding a resolution. The conference enhanced the SRB’s visibility, establishing *the* SRB as the Banking Union resolution authority as well as the reference point for resolution issues in Europe.
- ▶ External events and conferences: such external events contribute to building the SRB’s external presence and visibility throughout the various MS and beyond the EU, as well as disseminating the SRB’s topics and key messages by Board Members and Heads of Unit.
- ▶ Website: the SRB website is well designed, easy to use and links usefully to other resources. It aims to be part of the Communications ‘eco-system’ and was further developed to link to SRB policies, social media, blogs, speaking engagements, press releases, etc., in order to reflect the ongoing work of the organisation.
- ▶ Publications: SRB publications include the SRB 2015 Annual Report, the 2016 SRB Work Programme and the Introduction to Resolution Planning. All publications contribute to relaying the SRB’s key messages and increasing the agency’s visibility.
- ▶ Social media: the SRB uses social media to disseminate its policies, blogs and press releases published online. The SRB conference ‘#SRB2016’ was promoted on the Twitter wall and increased the number of SRB followers on Twitter. The SRB’s LinkedIn account helps the SRB to raise awareness of its published vacancies.

## CRISIS SITUATIONS

The SRB built on the best practices put in place in 2015 and used the policies and tools that have been defined effectively to ensure appropriate interinstitutional communication. The crisis communication protocol, to be activated in exceptional circumstances or during a resolution between SRB, the EC and the ECB, has been improved. These communication protocols could be further enhanced thanks to the implementation of crisis simulation exercises ('dry runs').

## INTERNAL COMMUNICATIONS

The Communications Unit, together with other relevant sectors of the SRB such as HR, contributed to initiatives to improve SRB internal communications, not only to ensure that messages are conveyed effectively for the smooth functioning of the Agency, but also to develop an organisational culture that promotes staff engagement and builds a healthy working environment, leading to improved organisational performance.

Several tools and activities have been enhanced in 2016:

- ▶ media monitoring — daily financial news shared with the SRB staff;
- ▶ internal newsletters — circulated monthly to all staff and include the latest information and developments in various SRB sectors;
- ▶ intranet — SharePoint set up to facilitate information sharing within the SRB, while other options are also being explored (ongoing);
- ▶ HR topics — coordination with other SRB internal teams to disseminate the SRB's culture and values.

## 9. SINGLE RESOLUTION FUND

### BOX 4: WHAT IS THE SINGLE RESOLUTION FUND?

The SRF was established to ensure the efficient application of resolution tools and the exercise of the resolution powers conferred to the SRB by the SRMR. Within a resolution scheme, the SRF can be used in principle after the 8% minimum contribution has been allocated, in particular:

- ▶ guarantee the assets or liabilities of the institution under resolution;
- ▶ make loans to or purchase assets of the institution under resolution;
- ▶ make contributions to a bridge institution and an asset management vehicle;
- ▶ make a contribution to the institution under resolution in lieu of the write-down or conversion of liabilities of certain creditors under specific conditions;
- ▶ pay compensation to shareholders or creditors who incurred greater losses than they would have under normal insolvency proceedings.

The SRF is composed of contributions from credit institutions and certain investment firms in the 19 participating MS within the BU.

### 9.1. Single Resolution Fund contributions mechanism

According to Article 69 SRMR, by the end of an initial period of eight years from 1 January 2016, the SRF shall reach at least 1% of the amount of covered deposits of all credit institutions authorised in all of the participating MS.

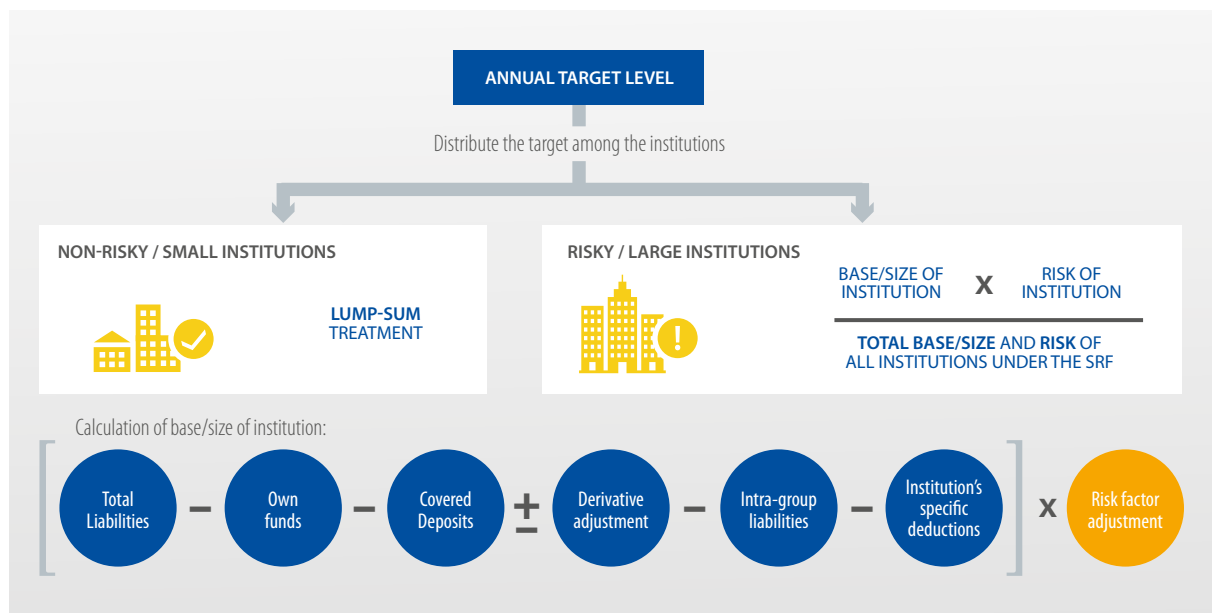
The contributions referred to in Articles 69, 70 and 71 SRMR shall be raised from entities under the scope of the SRMR by the NRAs and transferred to the SRF in accordance with the Agreement on the transfer and mutualisation of contributions to the SRF (the IGA).

The methodology for the calculation of the 2016 ex ante contributions as well as timeline for the collection are illustrated in Figure 10 and 11.

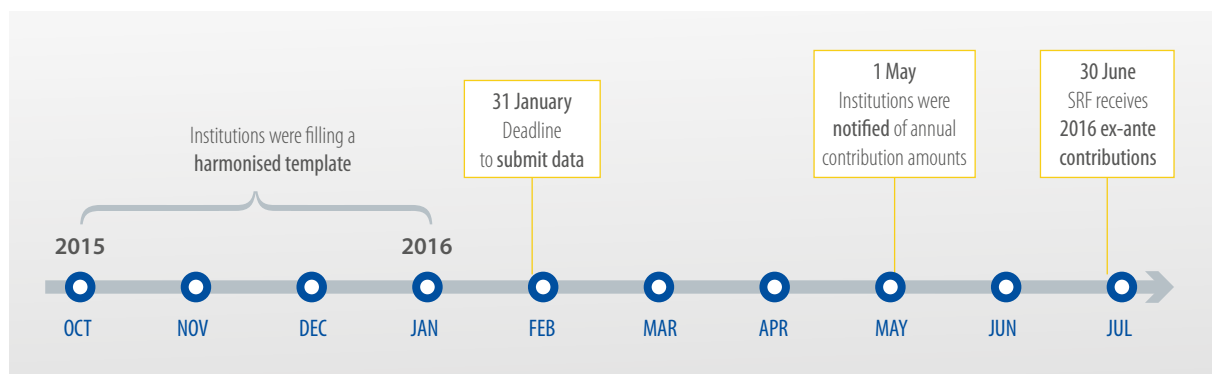
## MAIN ACHIEVEMENTS IN 2016

- ▶ **Ex ante contributions 2015:** in January 2016, the NRAs transferred, to the SRF, EUR 4.3 billion of 2015 ex ante contributions (incl. IPCs), calculated in accordance with the BRRD by the NRAs.
- ▶ **Ex ante contributions 2016:** in June 2016, the NRAs transferred, to the SRF, EUR 6.4 billion of 2016 ex ante contributions, calculated under the SRMR by the SRB (including the Irrevocable Payment Commitments (IPCs)). Since 2016, the SRB has been responsible for the calculation of ex ante contributions. For this purpose, the SRB applies the methodology set out in Commission DR (EU) No 2015/63 and Council Implementing Regulation (EU) No 2015/81, which guarantee a level playing field for participating MS.
- ▶ The SRB has developed an **IT solution** to further automate the collection of the data needed to calculate the ex ante contributions to the SRF. The system, which is ready for the 2017 ex ante contributions cycle, is primarily designed to facilitate the transfer of data between the SRB and the NRAs, which remain the main points of contact for credit institutions and investment firms in their jurisdiction.

**Figure 10:** Ex ante contributions 2016 — calculation methodology



**Figure 11:** Ex ante contributions 2016 — overview of the timeline



## 9.2. Single Resolution Fund investment

The SRB is responsible for the investment, in accordance with Article 75 SRMR, of the ex ante contributions raised. The amounts held in the SRF were, at the end of 2016, EUR 10.78 billion, consisting of EUR 9.4 billion in cash and EUR 1.3 billion in IPCs. The amounts are held in cash accounts with five central banks of the Eurosystem, in line with the Interim Investment Strategy adopted by the Board in its Plenary Session in November 2015.

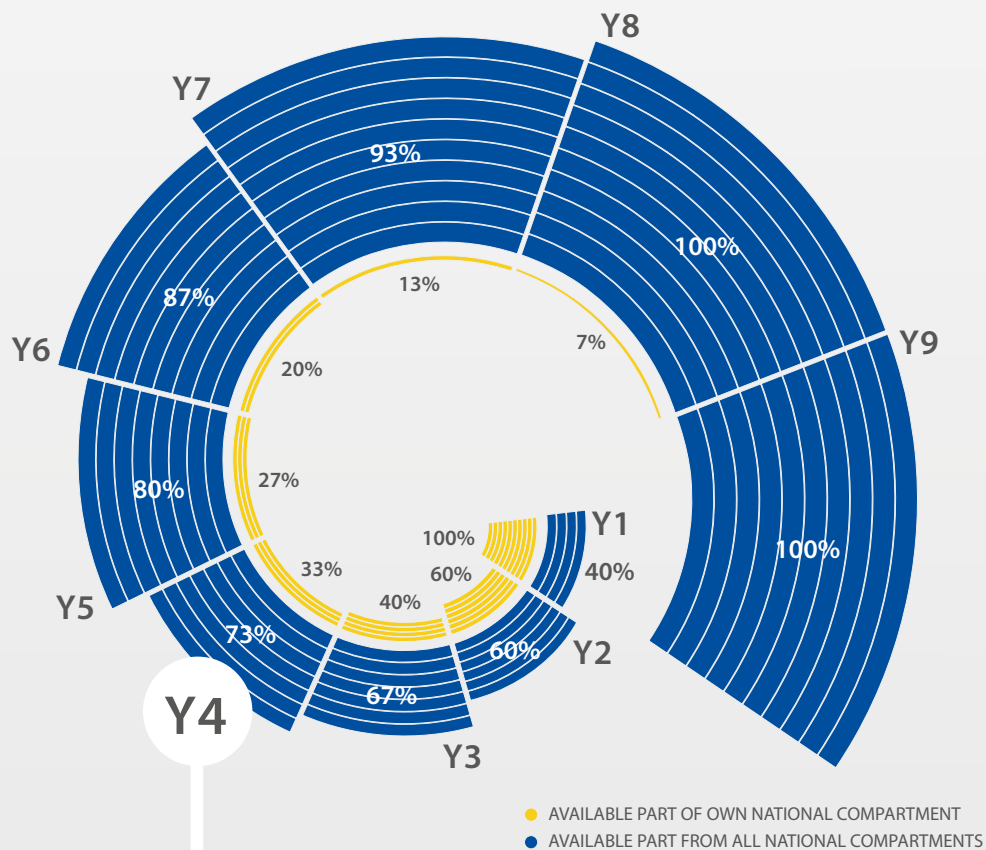
### MAIN ACHIEVEMENTS IN 2016

- ▶ Adoption of the Investment Strategy: the Board in its Plenary Session of 15 September 2016 adopted the first Investment Strategy. The legal basis for the Investment Strategy is provided by DR (EU) 2016/451, which entered into force in April 2016. The Investment Strategy describes how the SRB intends to achieve the objectives. The investment objective is to satisfy the liquidity needs and protect the value of the amounts held in the SRF. Under market circumstances with negative interest rates for perceived safe and liquid investments, satisfying the liquidity needs and protecting the value of the SRF at the same time might not be possible under the constraints set out in the DR and within the risk appetite of the SRB. If satisfying the liquidity needs within the risk appetite of the SRB while, at the same time, protecting the nominal value of the SRF is not possible, satisfying liquidity needs will be prioritised.
- ▶ A Risk Management Framework and Governance Framework supplement the Investment Strategy. The Risk Management Framework provides an integrated overview of all the risks resulting from the investment activities, and how these risks are measured and managed. The Governance Framework provides an overview of the roles and responsibilities of the Board in its Plenary Session and the Board in its Executive Session. The Investment Strategy will be operationalised in an Investment Plan.
- ▶ The adoption of an outsourcing model: the Board in its Executive Session has decided to outsource investment management activities, which are split between portfolio management and custody services, to the fullest extent possible. On 27 October 2016, the Board in its Executive Session approved an outsourcing model with multiple portfolio managers and a single custodian. The contracting of portfolio managers will be sequential, with a single portfolio manager being contracted first and others being added subsequently. Investment tasks may be outsourced only to bodies governed by public law, banks of the European System of Central Banks (ESCB), international institutions established under public international law or EU law institutions. By the end of November 2016, the SRB had approached 22 selected public institutions to assess their ability and willingness to provide portfolio management services to the SRB.
- ▶ The amounts held in the SRF remained in cash accounts in central bank accounts in 2016: until the implementation of the Investment Strategy, the amounts will be held in central bank accounts. The interim Investment Strategy does allow for the use of term deposits, but this was not an appropriate alternative.

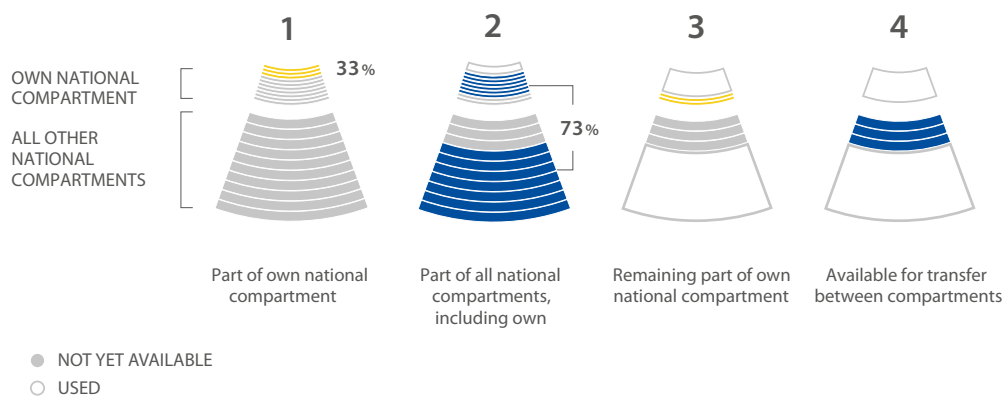
## Single resolution fund:

CONSTRUCTION OVER 8 YEARS

### Available funds for initial steps in bank resolution



### Use of the resolution fund — 4 steps



### 9.3. Single Resolution Fund alternative funding means

The SRB is responsible for the funding of the SRF, in accordance with Articles 72, 73, 74 and 76 SRMR and Articles 5, 6 and 7 IGA. In 2016, the SRB continued discussions with various stakeholders regarding alternative funding means and access to financial facilities from private and public sources.

#### MAIN ACHIEVEMENTS IN 2016

- ▶ **Public bridge financing arrangement:** in 2016, the SRB started the process of signing the LFAs with 16 of the total of 19 participating MSs, and established the policy on the Commitment Fee, in accordance with the public bridge financing arrangement. This arrangement covers — as a last resort — temporary financing shortfalls for pre-financing the collection of ex post contributions to the SRF. By early February 2017, the SRB had signed LFAs with all 19 MS of the BU.
- ▶ **Common Backstop:** the SRB requires adequate financial means at all times to fulfil its legal mandate in the event of a resolution involving access to the SRF. MS have previously agreed that a Common Backstop will be developed during the transitional period, and will be fully operational at the latest by the end of the transitional period, when resources of the SRF are fully mutualised. The SRB will provide technical support to MS with regard to achieving this. The SRB actively contributed throughout 2016 in all the meetings of the “task force on coordinated action” (TFCA) at EFC level. At the end of 2016, the topic of the common backstop was listed on the agenda of the TFCA-meetings.



## 10. MANAGEMENT OF RESOURCES

### 10.1. Budgetary and financial management

This section covers the activities related to the general financial management of the SRB and to the financial planning and reporting. It also covers the supervision and safeguarding of the correct budget implementation operations, as well as accounting and treasury operations. In addition, the Finance unit manages and delivers advice on the preparation, initiation, reporting and publication of SRB procurement actions.

According to the Final Accounts of 2016, on the revenue side, the administrative contribution from the banks (EUR 57 million) has been recognised as income up to the level of the 2016 expenses. On the expenditure side, according to the budget implementation table, more than EUR 25 million were attributed to staff, about EUR 13 million to other administrative expenses (rent, IT support, etc.) and almost EUR 19 million to operational expenses (Annex 15.2).

#### INCOME

In accordance with the SRMR, the SRB is financed through contributions from the entities under its remit.

The contributions to the administrative budget of the SRB for 2016 were governed by EC DR (EU) No 1310/2014 on the provisional system of contributions.

The SRB successfully collected administrative contributions amounting to EUR 56 673 870.87 in 2016.

#### EXPENDITURE

Budget expenditure includes payments made during the year as well as the carry-over of budgetary appropriations. The following paragraphs summarise the execution of appropriations by title. A more detailed breakdown is provided in Annex 15.2. - Budget Implementation 2016.

The SRB established 289 budget commitments amounting to a total of EUR 35 400 937.17 and processed 2 082 payments amounting to a total of EUR 26 367 619.18. The budget implementation rate is 62.11% for commitment appropriations and 46.26% for payment appropriations. The amount carried forward to 2017 is EUR 9 033 317.99 and the carry-forward rate is 25.5% of the committed appropriations. Around EUR 4 million of this amount was committed in the final two months of 2016 and mainly concerns late procurements related to information and communication technology (ICT) development and maintenance.

### TITLE 1: STAFF EXPENDITURE

The adopted budget for Title 1 in 2016 was EUR 25 235 000.00. The final amount of used payment appropriations amounted to EUR 17 727 851.94, which corresponds to an execution rate of 70.25%.

### TITLE 2: INFRASTRUCTURE EXPENDITURE

The adopted budget for Title 2 in 2016 was EUR 12 801 000.00. During the year, EUR 9 048 487.56 was committed, which corresponds to an execution rate of 70.69%. The final amount of used payment appropriations amounted to EUR 5 920 796.82, which corresponds to an execution rate of 46.25%.

The main areas of expenditure were IT infrastructures and related services, the rental of the building and the purchase of furniture for the new headquarters of the SRB.

### TITLE 3: OPERATIONAL EXPENDITURE

Title 3 is exclusively for operational expenditure related to the implementation of the SRMR. The adopted budget for 2016 was EUR 18 964 000.00.

During the year, the amount of EUR 8 025 405.50 was committed, which corresponds to an execution rate of 42.32%. The final amount of used payment appropriations amounts to EUR 2 718 970.42, which corresponds to an execution rate of 14.34%.

The main areas of expenditure relate to the studies and consultancy for the implementation of the Work Programme of the Board, followed by ICT development and maintenance, in particular to support the resolution planning, decisions activities and the administration of the SRF.



## MAIN ACHIEVEMENTS IN 2016

- ▶ Amendment of the Financial Regulation: on 16 March 2016, the Board adopted the amended Financial Regulation which now includes Part II, 'Fund'.
- ▶ Amending budget: the budget was successfully amended three times in 2016 to incorporate the additional ex ante contributions for the SRF, the accumulated budget surplus and the new budget line for amounts foreseen as negative interest.
- ▶ Contribution to the drafting of the adopted Internal Control Standards (ICS) of the SRB.
- ▶ The successful invoicing and collection of 2016 administrative and ex ante contributions for the SRF.

## LATE PAYMENT INTEREST:

During 2016, the SRB had to pay late interest for three payment requests for a total of EUR 1 989.03.

## BUDGET OUTTURN

The budget outturn is EUR 21 767 564.35 and it will be entered in the budget based on approval by the Plenary Session in June 2017.

## 10.2. Final Accounts 2016

The Final Accounts of 2016 reflect the entering into operations of the SRF on 1 January 2016. Because 2016 was the first year for which SRF transactions were included in the financial statements, there was a significant increase in the total assets/liabilities from EUR 15.69 million to EUR 10.83 billion.

The ex ante contributions to the SRF collected in 2016 (for 2015 and 2016) are recognised as revenues (EUR 9.46 billion). After deduction of the associated eligible expenditure of maintaining these funds in the national central banks' accounts, the financial result of the year 2016 (EUR 9.43 billion) gave rise to net assets attributable to the SRB in relation to SRF activities. These reserves are expected to accumulate from one financial period to the next over time and represent the resources entrusted to the SRB that are to be safeguarded and used where necessary to ensure the efficient application of resolution tools and the exercise of the resolution powers conferred to the SRB by the SRMR.

On the administrative side of the Final Accounts 2016, the administrative contributions invoiced and collected from the banking institutions (around EUR 57 million) have been recognised as revenues up to only the level of total administrative and operational expenses (EUR 33.96 million). Therefore, there are no net assets arising from the administrative activities of the Board.

Of the administrative expenditure, 48% is related to staff expenses, 16% is related to IT operational expenses and 14% is attributable to the rent and maintenance costs of the building.

The IPCs amounting to EUR 1.35 billion, which represent an alternative to cash payments in the context of the ex ante funding for the SRF, have been presented in the SRB Financial statements as follows:

- ▶ a Contingent Asset for the obligation of paying under the IPCs;
- ▶ cash held at a bank (in a distinct bank account) versus a long-term liability (both linked with the cash collateral backing-up the commitment under the IPC).

In Annex 15.5, the 'Statement of Financial Position' of the SRB as at 31 December 2016 and the 'Statement of Financial Performance' for 2016 can be found.

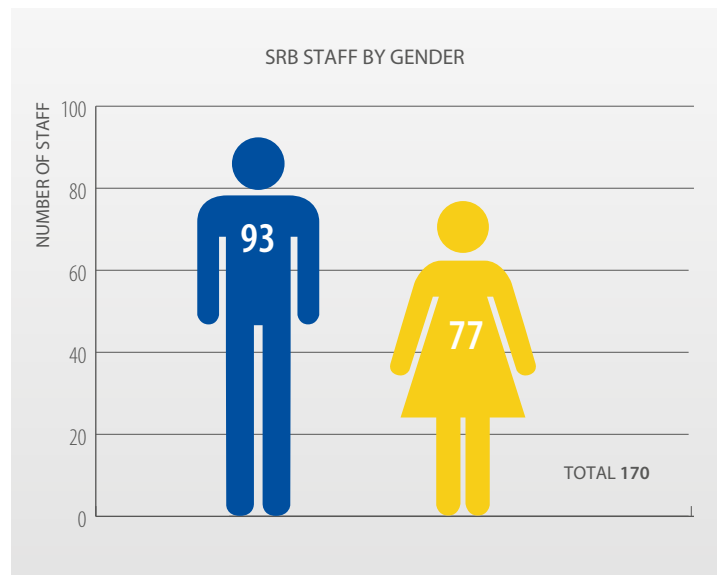
The SRB financial statements of 2016 will be available on the SRB website in the third quarter of the year.

### 10.3. Human resources

From an HR perspective, the SRB was still in its start-up phase throughout 2016. The recruitment of highly qualified staff, to provide a solid basis for the new organisation, remained at the core of the HR activities in 2016.

HR has continued its endeavours to progress with recruiting and integrating new staff, both in the operational and support areas.

Work on the completion of the SRB's HR legal framework and service provision (e.g. administration, learning and career development, etc.) did progress, with a view to ensuring adequate support for a young, fast-growing organisation. The SRB will still need adequate resources for the coming years.



#### MAIN ACHIEVEMENTS IN 2016

- ▶ Staffing: the SRB continued developing, adopting and implementing HR policies and systems, and worked extensively on a plan to cover medium- to long-term staffing needs to enable the organisation to fulfil its mandate efficiently.
- ▶ Intensive recruitment: the SRB continued to recruit from existing reserve lists and published a large number of vacancy notices in 2016 (27 temporary agent (TA) vacancies and one seconded national expert (SNE) vacancy) to increase the initial staffing and gradually approach the target of 255 TAs by the end of 2016. Excluding Board Members, the SRB staff level amounted to 164 posts.<sup>(19)</sup>
- ▶ Managing growth: the intensive recruitment activities in 2016 required an increase in efforts in terms of HR administration and management throughout the year, namely in the interest of integrating new members of staff swiftly. Developing and fostering a corporate culture at the SRB, on the basis of the common vision and values adopted by the Agency, was also key for managing the growth of the organisation. As in 2015, a special event for employees ('Building the SRB') was held by HR in October 2016, when the SRB staff had grown to approximately 150.

<sup>(19)</sup> The development of staff per grade and nationality between 2015 to 2016 is provided in Annex 14.5 and 14.6.



- ▶ Adopting a legal framework and HR policies: as an EU Agency, the SRB's main reference documents in terms of staff working conditions are the EU Staff Regulations and Conditions of Employment of Other Servants of the European Union (CEOS). The main legal texts in this area were adopted. The SRB continued working on the completion of the legal framework applicable to its staff by developing implementing rules to these Staff Regulations. Also in 2016, specific HR policies reflecting the needs of the SRB were developed, the elections of the Staff Committee of the SRB were held in quarter 4 and the Staff Committee was elected in December.
- ▶ Developing further the initial learning and development (L&D) framework: this has been adopted by the SRB to define and cover the initial staff training and development needs of the SRB. It will be amended over time to reflect the evolution of the organisation.

## 10.4. Procurement

The annual procurement plan for the year 2016 has been prepared in accordance with the Financial Regulation applicable to the general procurement of the EU. The reporting period of this procurement 'screening' is from 1 January to 31 December 2016. The actual screening of the SRB's procurement sector carried out in 2016 confirmed the importance of the Board's policy to further concentrate on operational activities in priority policy areas, with the aim of achieving efficiency gains. The SRB has successfully procured all necessary services and goods during 2016, as requested by the different units.

Initiation and ex ante verifications were carried out on all legal commitments. Approximately 170 files were created and verified by procurement and 24 procurement procedures were prepared and launched. Numerous MoUs, Service Level Agreements and CoAgs prepared by the procurement team were signed with the EC and other public entities. Within this context, from the announced Procurement Plan of the 2016 Work Programme, the business units requested that two open tenders be launched in 2016. In addition, the procurement team launched 19 low-value negotiated procedures and five special negotiated procedures for legal services. Furthermore, eight re-openings of competition were launched under the Framework Contract for the provision of advice on economic and financial valuation, and legal advice. Finally, extensive use was made of the EC framework contracts.

## 10.5. Information and communication technology

An effective ICT system is key for the SRB, as its core tasks require the processing of large amounts of sensitive data, which in turn require a solid and secure ICT infrastructure. The year 2016 was challenging for the SRB's ICT team. Nevertheless, the main objectives set out in the 2016 Work Programme were met, the development of the ICT infrastructure progressed and no major (security) incidents took place.

### MAIN ACHIEVEMENTS IN 2016

- ▶ Ensure that the ICT infrastructure is operational in the new premises: a new data centre was built on the new premises, enabling the SRB to manage its ICT independently. This project had to be finalised under high time pressure to allow the Agency to move into its new offices on time. In the end, the relocation had to be postponed to allow for additional testing and adjustments, and to ensure a well-functioning ICT infrastructure for all staff. In addition to the data centre, secure network connections to the EC and the ECB were established. These provide the SRB with continual access to the EC's administrative systems (SYSPER for HR management, EU-Learn for training, ARES for document management, ABAC for financial administration and inventory management, and MIPS for mission management). The SRB is the first EU Agency that has been allowed to continue to use all these tools after becoming operationally independent from the EC. The SRB also uses the ECB's DARWIN tool for the secure transfer of data and documents.
- ▶ Develop new SRB systems: when the SRB became independent from the EC in the field of ICT (i.e. at the time of its move to its new premises), it launched the use of a number of applications, including its own email environment, its own SharePoint site and its own integrated telecommunications applications. These applications will be customised for the SRB's specific needs over the coming years. The SRB also launched several projects to develop systems to support the core tasks of the Agency. The main projects focused on the contribution collection system for the SRF, and the LDT project for resolution. Preparations also began for ICT projects to support resolution planning and crisis management, the SRB's administrative contribution collection, and an enhanced system for electronic document and record management. Towards the end of 2016, an ICT strategy and an ICT work plan for 2017 were set up, both of which will be developed further in early 2017.
- ▶ Secure handling of information: in 2016, work continued on the creation of a safe environment for the sensitive data that are required for resolution. The new data centre and the SRB's internal infrastructure are well protected. Work progressed on the organisation's abilities to communicate securely with other parties, and on external back-up capabilities.



## 10.6. Facilities

In March and April 2016, the SRB moved from its three temporary locations in the European Quarter to its newly acquired premises in the centre of Brussels (Treurenberg 22).

Throughout the year, the Facilities team worked closely with the owner of the SRB's new building, a number of contractors and the EC to optimise the working conditions in the newly built premises.

### MAIN ACHIEVEMENTS IN 2016

- ▶ Managing the temporary situation: at the beginning of 2016, managing three different locations and the continually rising levels of staff required considerable creativity and flexibility, from both the Facilities team and SRB staff. In the end, the situation was managed and all staff were able to move into the SRB's own premises in April 2016.
- ▶ Preparing the new premises: the new premises at Treurenberg 22 in the centre of Brussels were constructed in 2015 and 2016, and have been adjusted specifically to the functional and security needs of the SRB. The works were executed within the allocated budget.
- ▶ Managing the new premises: the move to the new premises was organised to take place in four waves. The first large (international) meetings were held in the new premises just before summer 2016. The SRB signed a CoAg with the EC, which will allow it to use a number of outsourced EC services during the coming years, including security/guards, cleaning, maintenance and catering.



(Treurenberg 22 - ASSAR architects)

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# 11. GOVERNANCE

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## 11.1. Litigation

The tasks of SRB Legal Services can be divided into two main areas: (i) the provision of internal legal advice; and (ii) dealing with litigation proceedings. The main tasks performed in 2016 are outlined below.

### PROVISION OF LEGAL ADVICE

In 2016, SRB Legal Services provided legal advice in respect of:

- ▶ resolution-related matters, in particular day-to-day advice on resolution planning activities;
- ▶ matters relating to the SRF;
- ▶ 'non-core' tasks, e.g. in the areas of procurement, finance and HR;
- ▶ various legislative initiatives and revisions.

### LITIGATION PROCEEDINGS

In 2016, SRB Legal Services defended the SRB's legal position in litigation proceedings, consisting of:

- ▶ Actions brought before the Court of Justice of the European Union: in 2016, nine legal actions were brought against the SRB before the Court. These actions were brought by banks and related to their 2016 ex ante contributions to the SRF.
- ▶ Appeals submitted to the Appeal Panel: in 2016, 14 appeals were submitted to the Appeal Panel, of which 13 were declared inadmissible. The remaining appeal was brought by a bank and related to its administrative contribution to the SRB.

## 11.2. Corporate Secretariat

In accordance with Article 43(5)(d) of the SRMR, the core responsibility of the Corporate Secretariat (CS) is to support the Board in performing its tasks. This includes, but is not limited to, supporting the Agency in the identification of matters that require the attention of decision-making bodies and organising the decision-making process, including its timeliness and accuracy, so that decisions are valid and legally binding.

Under the SRMR, the Board operates and takes decisions in two different compositions: The Executive and Plenary Sessions. The Board in these two sessions constitutes distinct bodies with separate tasks and exclusive competencies. The Plenary Sessions are held approximately six



times a year and the Executive Sessions are held about once a month. The SRMR also foresees the participation of relevant NRAs in an Extended Executive Session when deliberating on an entity, group of entities or on a cross-border group established in participating Member States, the SRMR also foresees participation of relevant NRAs in the deliberations of Executive Sessions.

### MAIN ACHIEVEMENTS IN 2016

- ▶ The CS coordinated five Plenary Sessions, along with two additional Plenary Sessions with a particular focus on the budget and Work Programme.
- ▶ Ten Executive Session were organised, along with seven Extended Executive Sessions dedicated to the decision-making process related to resolution plans for 2016.
- ▶ More than 65 written procedures, instead of the decision-making process of a physical meeting, were coordinated. These included Executive Session and RC decisions on resolution plans for 2016.
- ▶ Furthermore, the Corporate Secretariat worked to refine decision-making processes, addressed governance issues and continued to provide support to the SRB Appeal Panel, which is strictly independent and handled its first cases in 2016.

## 11.3. Compliance

In addition to its involvement in specific formal and informal compliance assessments and answering specific compliance-related questions, the Compliance Team has undertaken several actions to build a sound and effective compliance function tailored to the needs of the SRB as an EU Agency. In particular, the compliance team was involved in the following:

- ▶ It adopted SRB compliance policies, guidelines and procedures, namely the SRB Whistleblowing Policy; the SRB Data Protection Policy; the SRB Gifts, Advantages and Hospitality Policy; the SRB Public Agenda Guidelines; the SRB Confidentiality Policy; and the SRB procedure for off-boarding staff members.
- ▶ It enhanced the compliance function, where actions ranged from the establishment and management of the SRB compliance mailbox to the set-up of a structure to collect and monitor the reporting requirements and communication applicable to all SRB staff members. In September 2016, the SRB Board members endorsed the 2016 SRB Risk Assessment and the SRB Compliance Plan 2016-2017. The Compliance Team developed, in coordination with the HR Team, the Compliance Welcome Package for newcomers.
- ▶ It monitored the reporting obligations by all SRB staff members on the reporting of any activities carried out outside the SRB, as well as on certain financial transactions. For this purpose, mandatory training was provided for all SRB staff members and a specific newsletter was published.
- ▶ It provided SRB staff with awareness campaigns and training. The Compliance Team launched throughout the year newsletters on specific topics dedicated to the major compliance policies, namely on data protection, whistleblowing, reporting requirements, and gifts, advantages and hospitality. Some visual material (i.e. posters) was disseminated on the SRB premises. Finally, the Compliance Team participated in induction sessions for newcomers.

The Compliance Team also supported the drafting of the SRB ICS and the corresponding SRB ICS Implementation Plan for 2017.

## 11.4. Internal audit

Internal auditing of the SRB first started in February 2016 following the appointment of the Internal Auditor of the European Union Intellectual Property Office as the Interim Internal Auditor. Most of 2016 was dedicated to drafting the Internal Audit Charter, recruiting the permanent Internal Auditor and drafting an audit plan for the final months of 2016. The current Internal Auditor joined the SRB in October 2016.

In line with the 2016 Internal Audit Plan, the Internal Audit Team started assurance audits on missions and procurement in October and November 2016, respectively.

The audit on missions resulted in one high-priority recommendation, for which the management has drafted an action plan.

The audit on procurement had not been completed by the end of 2016.

## 11.5. External audit

The ECA reports on the annual accounts of the SRB each financial year, which includes producing a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. In addition, the ECA may undertake performance audits that result in special reports.

In 2016, the ECA started a performance audit on the SRB with a focus on the set up and readiness to manage a bank resolution. The audit has continued into 2017.

In addition, the annual accounts are audited by an independent external auditor.

## 12. APPEAL PANEL

According to Article 85 of the SRMR, the SRB, in 2015, established an Appeal Panel for the purpose of deciding on appeals submitted against decisions made by the SRB. The Appeal Panel is composed of five Members and two Alternates. In October 2016, Ms Hélène Vletter-van-Dort resigned as Chair for personal reasons. The Appeal Panel elected Mr Christopher Pleister as the new Chair. At the same time, it was agreed that Ms Hélène Vletter-van-Dort would become an Alternate and that Mr Luis Silva Morais would become a Member. Mr Yves Herinckx (Vice-Chair), Mr Kaarlo Jännäri and Mr Marco Lamandini remained Members and Ms Eleni Dendrinou-Louri remained an Alternate.

On 18 March 2016, the Rules of Procedure of the Appeal Panel were published in the Appeal Panel's section of the SRB website and thereby entered into force. The Rules of Procedure were adopted in accordance with Article 85(10) of the SRMR. The Rules of Procedure of the Appeal Panel are organisational and operational rules, including on how to file an appeal and the subsequent procedure of an appeal case before the Appeal Panel.

A total of 14 appeals were submitted to the Appeal Panel in 2016. All of these appeals were submitted by banks. One appeal related to administrative contributions to the SRB. The outcome of this appeal confirmed the SRB's decision on the 2015 contribution of this bank, but led to the conclusion that the decision on this bank's 2016 contribution must be amended. Thirteen appeals related to 2016 ex ante contributions to the SRF. These appeals were declared inadmissible by the Appeal Panel.

The Appeal Panel is supported by a Secretariat, which consists of two members and an assistant. The Secretariat is organisationally separate from the SRB's other functions and, in this regard, Chinese walls were established. The Secretariat supports the Appeal Panel in organising the semi-annual and extraordinary in-person meetings and conference calls, and in following up on these. The Secretariat supports the Appeal Panel's Chair and manages the requests of individual Members of the Appeal Panel. Furthermore, the Secretariat provides support in the procedural actions of appeal cases and provides material input where necessary. Finally, a separate portal (database) was set up for the Appeal Panel (to sign, save and store documentation), to further enhance and implement the Appeal Panel's independence. The Secretariat is responsible for the proper functioning and constant updating of this portal.



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## 13. REPORT BY THE EUROPEAN COURT OF AUDITORS REGARDING 2015

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The SRB is audited every year by the ECA. The ECA provides a Report on the annual accounts including a Statement of assurance that consists of an opinion on the fair presentation of the annual accounts of the SRB and another opinion on the legality and regularity of the transactions underlying those accounts.

In 2016, the ECA issued an unqualified audit opinion in its Statement of Assurance on the SRB annual accounts of 2015, which states that:

- ▶ the SRB annual accounts present fairly, in all material respects, its financial position as at 31 December 2015 and the results of its operations and its cash flows for the year then ended;
- ▶ in the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2015 were legal and regular in all material respects.

The ECA also made a number of comments, which did not affect its opinion. These comments and the Board's response can be found in the full ECA report ([http://www.eca.europa.eu/Lists/ECADocuments/SRB\\_2015/SRB\\_2015\\_EN.pdf](http://www.eca.europa.eu/Lists/ECADocuments/SRB_2015/SRB_2015_EN.pdf)).

Further to the audit by the ECA, the SRB accounts were audited by an external financial auditor, that is, a private audit company, and this external audit opinion was embedded in the ECA's conclusions.

The opinion of the ECA on the 2016 Annual Accounts will be released in 2017, by, at the latest, 15 November. It will be published thereafter and included in the Annual Report 2017.

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## 14. DECLARATION OF ASSURANCE

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I, the undersigned, Elke König, Chair of the Board and Manager of the Single Resolution Board, in my capacity as authorising officer:

Declare that the information contained in this report gives a true and fair view. <sup>(20)</sup>

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

Confirm that I am not aware of anything not reported here which could harm the interests of the Single Resolution Board.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment and ex post control verifications performed during the year.

Brussels, 22 June 2017

**Elke König**

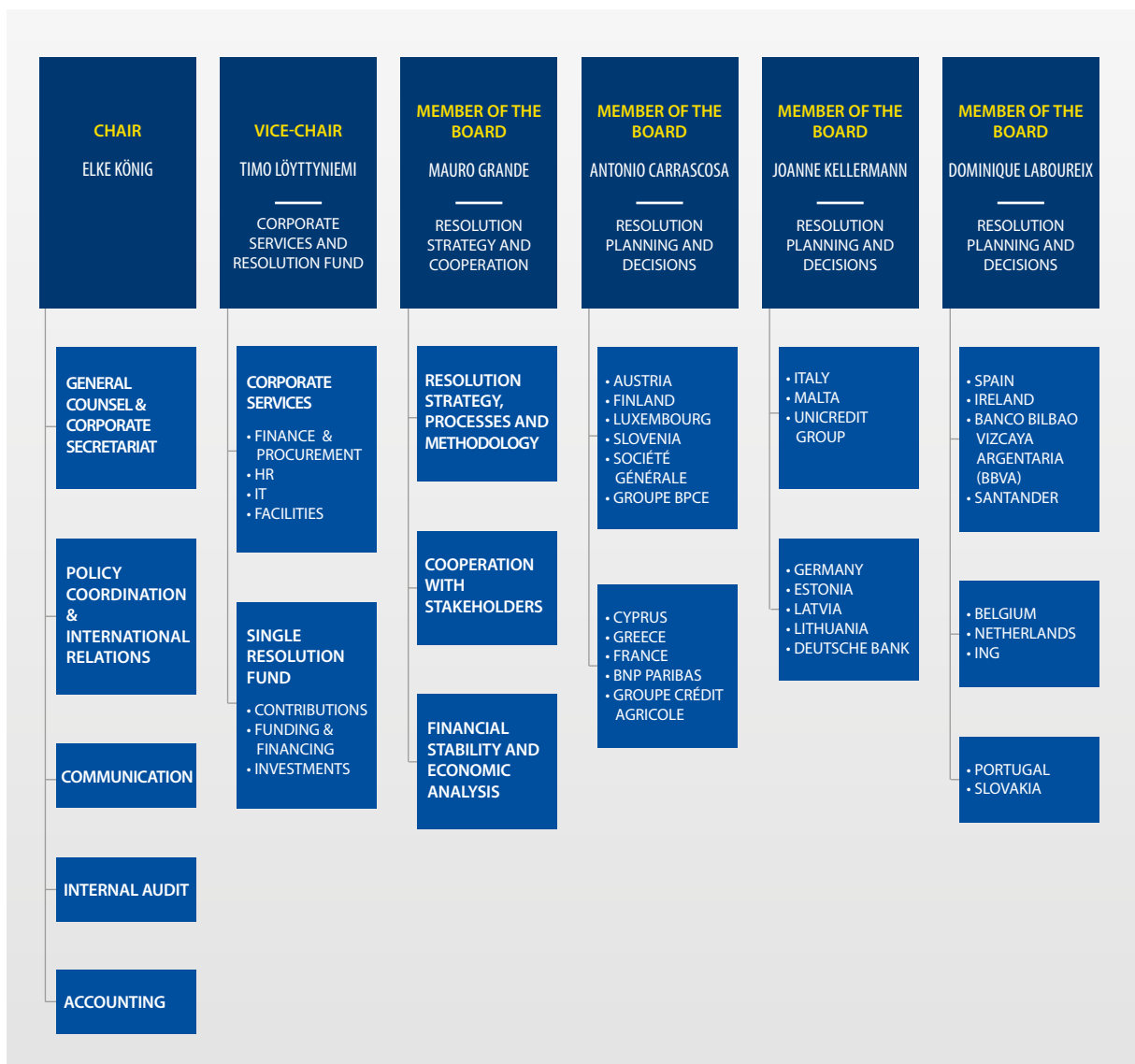
Chair of the Single Resolution Board

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<sup>(20)</sup> Fair view in this context means a reliable, complete and correct view on the state of affairs in the service.

# 15. ANNEXES

## 15.1 Organisational chart



## 15.2. Budget implementation 2016

### PART I – All Titles – All Credit Types

#### TITLE I: STAFF EXPENDITURE

Budget Line	Budget Line Description	Commitment Appropriation Transaction Amount (1)	Executed Commitment Amount (2)	% Committed (2)/(1)	Payment Appropriation Transaction Amount (3)	Executed Payment Amount (4)	% Paid (4)/(3)	Carried over RAL* (C8) (2)-(4)	Cancelled (1)-(2)
A01100	Basic salaries	12 965 000.00	10 811 891.13	83.39	12 965 000.00	10 811 891.13	83.39	0.00	2 153 108.87
A01101	Family allowances	1 137 000.00	909 799.40	80.02	1 137 000.00	909 799.40	80.02	0.00	227 200.60
A01102	Expatriation and foreign residence allowances	1 580 000.00	1 242 352.31	78.63	1 580 000.00	1 242 352.31	78.63	0.00	337 647.69
<b>A-110</b>	<b>Sum:</b>	<b>15 682 000.00</b>	<b>12 964 042.84</b>	<b>82.67</b>	<b>15 682 000.00</b>	<b>12 964 042.84</b>	<b>82.67</b>	<b>0.00</b>	<b>2 717 957.16</b>
A01110	Contract agents	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A01111	Seconded national experts	1 330 000.00	666 682.14	50.13	1 330 000.00	666 682.14	50.13	0.00	663 317.86
<b>A-111</b>	<b>Sum:</b>	<b>1 330 000.00</b>	<b>666 682.14</b>	<b>50.13</b>	<b>1 330 000.00</b>	<b>666 682.14</b>	<b>50.13</b>	<b>0.00</b>	<b>663 317.86</b>
A01130	Insurance against sickness	465 000.00	361 687.06	77.78	465 000.00	361 687.06	77.78	0.00	103 312.94
A01131	Insurance against accidents and occupational disease	68 000.00	53 486.60	78.66	68 000.00	53 486.60	78.66	0.00	14 513.40
A01132	Unemployment insurance	193 000.00	114 557.58	59.36	193 000.00	114 557.58	59.36	0.00	78 442.42
A01133	Constitution or maintenance of pension rights	2 465 000.00	1 808 309.68	73.36	2 465 000.00	1 808 309.68	73.36	0.00	656 690.32
<b>A-113</b>	<b>Sum:</b>	<b>3 191 000.00</b>	<b>2 338 040.92</b>	<b>73.27</b>	<b>3 191 000.00</b>	<b>2 338 040.92</b>	<b>73.27</b>	<b>0.00</b>	<b>852 959.08</b>
A01140	Childbirth grants and death allowances	5 000.00	1 983.10	39.66	5 000.00	1 983.10	39.66	0.00	3 016.90
A01141	Travel expenses for annual leave	130 000.00	114 824.95	88.33	130 000.00	114 824.95	88.33	0.00	15 175.05
<b>A-114</b>	<b>Sum:</b>	<b>135 000.00</b>	<b>116 808.05</b>	<b>86.52</b>	<b>135 000.00</b>	<b>116 808.05</b>	<b>86.52</b>	<b>0.00</b>	<b>18 191.95</b>
A01150	Overtime	20 000.00	20 000.00	100.00	20 000.00	17 693.58	88.47	0.00	0.00
<b>A-115</b>	<b>Sum:</b>	<b>20 000.00</b>	<b>20 000.00</b>	<b>100.00</b>	<b>20 000.00</b>	<b>17 693.58</b>	<b>88.47</b>	<b>0.00</b>	<b>0.00</b>
A01200	Recruitment expenses	345 000.00	124 000.00	35.94	345 000.00	77 128.31	22.36	46 871.69	221 000.00
A01201	Installation resettlement and daily subsistence al	1 944 000.00	642 302.32	33.04	1 944 000.00	642 302.32	33.04	0.00	1 301 697.68

\* Reste à liquider

Budget Line	Budget Line Description	Commitment Appropriation Transaction Amount (1)	Executed Commitment Amount (2)	% Committed (2)/(1)	Payment Appropriation Transaction Amount (3)	Executed Payment Amount (4)	% Paid (4)/(3)	Carried over RAL * (C8) (2)-(4)	Cancelled (1)-(2)
A-120	Sum:	2 289 000.00	766 302.32	33.48	2 289 000.00	719 430.63	31.43	46 871.69	1 522 697.68
A01300	Missions expenses duty travel expenses and ancillary expenses	45 000.00	1 017.12	2.26	45 000.00	130.00	0.29	887.12	43 982.88
A-130	Sum:	45 000.00	1 017.12	2.26	45 000.00	130.00	0.29	887.12	43 982.88
A01400	Restaurants and canteens	1 000.00	0.00	0.00	1 000.00	0.00	0.00	0.00	1 000.00
A-140	Sum:	1 000.00	0.00	0.00	1 000.00	0.00	0.00	0.00	1 000.00
A01410	Medical service	40 000.00	25 000.00	62.50	40 000.00	14 595.08	36.49	10 404.92	15 000.00
A-141	Sum:	40 000.00	25 000.00	62.50	40 000.00	14 595.08	36.49	10 404.92	15 000.00
A01420	Social contacts between staff	4 000.00	2 500.00	62.50	4 000.00	532.94	13.32	1 967.06	1 500.00
A01421	Special allowances for disabled and assistance grants	5 000.00	0.00	0.00	5 000.00	0.00	0.00		5 000.00
A01422	Early childhood centers and schooling	800 000.00	275 478.19	34.43	800 000.00	187 380.42	23.42	88 097.77	524 521.81
A-142	Sum:	809 000.00	277 978.19	34.36	809 000.00	187 913.36	23.23	90 064.83	531 021.81
A01500	Training and language courses	410 000.00	147 780.90	36.04	410 000.00	77 765.50	18.97	70 015.40	262 219.10
A-150	Sum:	410 000.00	147 780.90	36.04	410 000.00	77 765.50	18.97	70 015.40	262 219.10
A01600	Administrative assistance from Community institution	473 000.00	429 941.67	90.90	473 000.00	293 347.07	62.02	136 594.60	43 058.33
A01601	Interim services	798 000.00	573 230.76	71.83	798 000.00	331 183.57	41.50	242 047.19	224 769.24
A-160	Sum:	1 271 000.00	1 003 172.43	78.93	1 271 000.00	624 530.64	49.14	378 641.79	267 827.57
A01700	Entertainment and representation expenses	12 000.00	219.20	1.83	12 000.00	219.20	1.83	0.00	11 780.80
A-170	Sum:	12 000.00	219.20	1.83	12 000.00	219.20	1.83	0.00	11 780.80
	TOTAL TITLE I	25 235 000.00	18 327 044.11	72.63	25 235 000.00	17 727 851.94	70.25	596 885.75	6 907 955.89



## TITLE II: ADMINISTRATIVE EXPENDITURE

Budget Line	Budget Line Description	Commitment Appropriation Transaction Amount (1)	Executed Commitment Amount (2)	% Committed (2)/(1)	Payment Appropriation Transaction Amount (3)	Executed Payment Amount (4)	% Paid (4)/(3)	Carried over RAL * (C8) (2)-(4)	Cancelled (1)-(2)
A02000	Rental costs	3 199 200.00	2 876 269.24	89.91	3 199 200.00	2 870 053.24	89.71	6 216.00	322 930.76
<b>A-200</b>	<b>Sum</b>	<b>3 199 200.00</b>	<b>2 876 269.24</b>	<b>89.91</b>	<b>3 199 200.00</b>	<b>2 870 053.24</b>	<b>89.71</b>	<b>6 216.00</b>	<b>322 930.76</b>
A02010	Insurance	5 000.00	4 374.87	87.50	5 000.00	4 000.00	80.00	374.87	625.13
<b>A-201</b>	<b>Sum</b>	<b>5 000.00</b>	<b>4 374.87</b>	<b>87.50</b>	<b>5 000.00</b>	<b>4 000.00</b>	<b>80.00</b>	<b>374.87</b>	<b>625.13</b>
A02020	Maintenance and cleaning	535 000.00	490 024.86	91.59	535 000.00	329 122.60	61.52	160 902.26	44 975.14
<b>A-202</b>	<b>Sum</b>	<b>535 000.00</b>	<b>490 024.86</b>	<b>91.59</b>	<b>535 000.00</b>	<b>329 122.60</b>	<b>61.52</b>	<b>160 902.26</b>	<b>44 975.14</b>
A02030	Water gas electricity heating	150 000.00	146 198.80	97.47	150 000.00	80 000.00	53.33	66 198.80	3 801.20
<b>A-203</b>	<b>Sum</b>	<b>150 000.00</b>	<b>146 198.80</b>	<b>97.47</b>	<b>150 000.00</b>	<b>80 000.00</b>	<b>53.33</b>	<b>66 198.80</b>	<b>3 801.20</b>
A02040	Fitting out premises	60 000.00	59 000.00	98.33	60 000.00	8 000.00	13.33	51 000.00	1 000.00
<b>A-204</b>	<b>Sum</b>	<b>60 000.00</b>	<b>59 000.00</b>	<b>98.33</b>	<b>60 000.00</b>	<b>8 000.00</b>	<b>13.33</b>	<b>51 000.00</b>	<b>1 000.00</b>
A02050	Security and surveillance of the building	1 038 000.00	662 480.00	63.82	1 038 000.00	13 433.22	1.29	649 046.78	375 520.00
<b>A-205</b>	<b>Sum</b>	<b>1 038 000.00</b>	<b>662 480.00</b>	<b>63.82</b>	<b>1 038 000.00</b>	<b>13 433.22</b>	<b>1.29</b>	<b>649 046.78</b>	<b>375 520.00</b>
A02100	ICT equipment - Hardware and software	2 295 800.00	1 360 306.24	59.25	2 295 800.00	783 995.32	34.15	576 310.92	935 493.76
A02101	ICT maintenance	891 000.00	361 261.35	40.55	891 000.00	12 444.45	1.40	348 816.90	529 738.65
A02103	Analysis programming technical assistance and others	1 834 000.00	1 732 330.42	94.46	1 834 000.00	760 780.59	41.48	971 549.83	101 669.58
A02104	Telecommunication equipment	395 000.00	157 204.80	39.80	395 000.00	134 982.25	34.17	22 222.55	237 795.20
<b>A-210</b>	<b>Sum</b>	<b>5 415 800.00</b>	<b>3 611 102.81</b>	<b>66.68</b>	<b>5 415 800.00</b>	<b>1 692 202.61</b>	<b>31.25</b>	<b>1 918 900.20</b>	<b>1 804 697.19</b>
A02200	Purchase / lease / maintenance of technical equipment	401 000.00	324 857.57	81.01	401 000.00	276 474.52	68.95	48 383.05	76 142.43
<b>A-220</b>	<b>Sum</b>	<b>401 000.00</b>	<b>324 857.57</b>	<b>81.01</b>	<b>401 000.00</b>	<b>276 474.52</b>	<b>68.95</b>	<b>48 383.05</b>	<b>76 142.43</b>
A02210	Purchase / lease / maintenance of furniture	401 000.00	329 951.01	82.28	401 000.00	328 951.01	82.03	1 000.00	71 048.99
<b>A-221</b>	<b>Sum</b>	<b>401 000.00</b>	<b>329 951.01</b>	<b>82.28</b>	<b>401 000.00</b>	<b>328 951.01</b>	<b>82.03</b>	<b>1 000.00</b>	<b>71 048.99</b>
A02250	Documentation and library expenditure	283 000.00	126 130.04	44.57	283 000.00	119 578.99	42.25	6 551.05	156 869.96

Budget Line	Budget Line Description	Commitment Appropriation Transaction Amount (1)	Executed Commitment Amount (2)	% Committed (2)/(1)	Payment Appropriation Transaction Amount (3)	Executed Payment Amount (4)	% Paid (4)/(3)	Carried over RAL * (C8) (2)-(4)	Cancelled (1)-(2)
A-225	Sum:	283 000.00	126 130.04	44.57	283 000.00	119 578.99	42.25	6 551.05	156 869.96
A02300	Stationery and office supplies	150 000.00	40 000.00	26.67	150 000.00	36 000.00	24.00	4 000.00	110 000.00
A-230	Sum:	150 000.00	40 000.00	26.67	150 000.00	36 000.00	24.00	4 000.00	110 000.00
A02320	Bank and financial charges	1 000.00	310.00	31.00	1 000.00	210.48	21.05	99.52	690.00
A-232	Sum:	1 000.00	310.00	31.00	1 000.00	210.48	21.05	99.52	690.00
A02330	Legal expenses	450 000.00	75 000.00	16.67	450 000.00	73 238.00	16.28	1 762.00	375 000.00
A-233	Sum:	450 000.00	75 000.00	16.67	450 000.00	73 238.00	16.28	1 762.00	375 000.00
A02350	Miscellaneous insurance	1 000.00	1 000.00	100.00	1 000.00	343.10	34.31	656.90	0.00
A02351	Administrative translations and interpretations	8 900.00	890.00	10.00	8 900.00	0.00	0.00	890.00	8 010.00
A02352	Transportation and removal expenses	138 100.00	11 177.47	8.09	138 100.00	9 000.00	6.52	2 177.47	126 922.53
A02353	Business consultancy	110 000.00	31 959.00	29.05	110 000.00	0.00	0.00	31 959.00	78 041.00
A02354	General meeting expenditures	5 000.00	480.39	9.61	5 000.00	480.39	9.61	0.00	4 519.61
A02355	Publications	4 000.00	0.00	0.00	4 000.00	0.00	0.00	0.00	4 000.00
A02356	Other administrative expenditure	5 000.00	969.43	19.39	5 000.00	540.00	10.80	429.43	4 030.57
A-235	Sum:	272 000.00	46 476.29	17.09	272 000.00	10 363.49	3.81	36 112.80	225 523.71
A02400	Postage and delivery charges	40 000.00	37 597.50	93.99	40 000.00	18 000.00	45.00	19 597.50	2 402.50
A-240	Sum:	40 000.00	37 597.50	93.99	40 000.00	18 000.00	45.00	19 597.50	2 402.50
A02410	Telecommunication charges	400 000.00	218 714.57	54.68	400 000.00	61 168.66	15.29	157 545.91	181 285.43
A-241	Sum:	400 000.00	218 714.57	54.68	400 000.00	61 168.66	15.29	157 545.91	181 285.43
	TOTAL TITLE II	12 801 000.00	9 048 487.56	70.69	12 801 000.00	5 920 796.82	46.25	3 127 690.74	3 752 512.44

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## TITLE III: OPERATIONAL EXPENDITURE

Budget Line	Budget Line Description	Commitment Appropriation Transaction Amount (1)	Executed Commitment Amount (2)	% Committed (2)/(1)	Payment Appropriation Transaction Amount (3)	Executed Payment Amount (4)	% Paid (4)/(3)	Carried over RAL * (C8) (2)-(4)	Cancelled (1)-(2)
B03000	Plenary and executive sessions of the Board	36 000.00	23 304.80	64.74	36 000.00	21 487.88	59.69	1 816.92	12 695.20
B03001	Appeal panel	255 000.00	170 019.00	66.67	255 000.00	34 401.93	13.49	135 617.07	84 981.00
B03002	Communication publication translation	526 180.11	491 119.19	93.34	526 180.11	346 837.07	65.92	144 282.12	35 060.92
<b>B3-00</b>	<b>Sum:</b>	<b>817 180.11</b>	<b>684 442.99</b>	<b>83.76</b>	<b>817 180.11</b>	<b>402 726.88</b>	<b>49.28</b>	<b>281 716.11</b>	<b>132 737.12</b>
B03010	Operational mission expenses	835 000.00	597 000.00	71.50	835 000.00	575 024.11	68.87	21 975.89	238 000.00
B03011	Operational meeting expenses	65 000.00	65 000.00	100.00	65 000.00	46 867.27	72.10	18 132.73	0.00
<b>B3-01</b>	<b>Sum:</b>	<b>900 000.00</b>	<b>662 000.00</b>	<b>73.56</b>	<b>900 000.00</b>	<b>621 891.38</b>	<b>69.10</b>	<b>40 108.62</b>	<b>238 000.00</b>
B03020	IT Tools	4 273 819.89	3 899 597.53	91.24	4 273 819.89	725 967.50	16.99	3 173 630.03	374 222.36
<b>B3-02</b>	<b>Sum:</b>	<b>4 273 819.89</b>	<b>3 899 597.53</b>	<b>91.24</b>	<b>4 273 819.89</b>	<b>725 967.50</b>	<b>16.99</b>	<b>3 173 630.03</b>	<b>374 222.36</b>
B03030	Support activities to the Fund	5 773 000.00	369 081.30	6.39	5 773 000.00	315 000.00	5.46	54 081.30	5 403 918.70
B03031	Studies and consultancy	6 700 000.00	2 410 283.68	35.97	6 700 000.00	653 384.66	9.75	1 756 899.02	4 289 716.32
<b>B3-03</b>	<b>Sum:</b>	<b>12 473 000.00</b>	<b>2 779 364.98</b>	<b>22.28</b>	<b>12 473 000.00</b>	<b>968 384.66</b>	<b>7.76</b>	<b>1 810 980.32</b>	<b>9 693 635.02</b>
B03040	Other operating expenditures	500 000.00	0.00	0.00	500 000.00	0.00	0.00	0.00	500 000.00
<b>B3-04</b>	<b>Sum:</b>	<b>500 000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>500 000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>500 000.00</b>
<b>TOTAL TITLE III</b>		<b>18 964 000.00</b>	<b>8 025 405.50</b>	<b>42.32</b>	<b>18 964 000.00</b>	<b>2 718 970.42</b>	<b>14.34</b>	<b>5 306 435.08</b>	<b>10 938 594.50</b>
<b>TOTAL SRB BUDGET PART I 2016</b>		<b>57 000 000.00</b>	<b>35 400 937.17</b>	<b>62.11</b>	<b>57 000 000.00</b>	<b>26 367 619.18</b>	<b>46.26</b>	<b>9 031 011.57</b>	<b>21 599 062.83</b>

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**Budget implementation 2016 – PART II – SINGLE RESOLUTION FUND**  
**Budget Execution / Fund source R0 - Assigned revenue - 2016**

Budget Line	Description	CD/CND	Commitments Appropriations	Commitments Established	Committed %	Payments Appropriations	Payments Executed	Pay %	Carried over commitment appropriations	Carried over payment appropriations
B04010	Investments	CND	9 439 170 426.65	242 611.91	0.00	9 439 170 426.65	242 611.91	0.00	9 438 927 814.74	9 438 927 814.74
B04011	Investment returns	CND	27 469 567.02	27 469 567.02	100.00	27 469 567.02	24 228 087.41	88.20	0.00	3 241 479.61
B04031	Bank and other financial charges	CND	19 980.00	14 326.30	71.70	19 980.00	14 326.30	71.70	5 653.70	5 653.70
<b>Total SRB BUDGET PART II</b>			<b>9 466 659 973.67</b>	<b>27 726 505.23</b>	<b>0.29</b>	<b>9 466 659 973.67</b>	<b>24 485 025.62</b>	<b>0.26</b>	<b>9 438 933 468.44</b>	<b>9 442 174 948.05</b>

**INSCRIPTION TITLE IX – BUDGETARY RESULT OF YEAR N (SRB FINANCIAL REGULATION ARTICLE 18)**

Budget Line	Description	CD/CND	Commitments Appropriations	Commitments Established	Committed %	Payments Appropriations	Payments Executed	Pay %	Carried over commitment appropriations	Carried over payment appropriations
B09000	Balancing from the reserve	CND	7 733 557.88	0.00	0.00	7 733 557.88	0.00	0.00	7 733 557.88	7 733 557.88

### 15.3. Establishment Plan 2016

Category and grade	2016		2015	
	TA	Actual number	TA	Actual number
AD 16	0	0	0	0
AD 15	0	0	0	0
AD 14	0	0	0	0
AD 13	0	0	0	0
AD 12	7	5	7	5
AD 11	3	0	3	0
AD 10	9	7	9	4
AD 9	15	2	9	0
AD 8	62	32	22	26
AD 7	14	1	5	0
AD 6	80	68	21	38
AD 5	10	22	7	0
<b>AD Total</b>	<b>200</b>	<b>137</b>	<b>83</b>	<b>73</b>
AST 11	0	0	0	0
AST 10	0	0	0	0
AST 9	0	0	0	0
AST 8	0	0	0	0
AST 7	0	0	2	0
AST 6	1	0	2	0
AST 5	2	0	6	0
AST 4	4	0	0	1
AST 3	28	18	12	15
AST 2	5	1	0	0
AST 1	0	5	0	0
<b>AST total</b>	<b>40</b>	<b>24</b>	<b>22</b>	<b>16</b>
AST/SC 3	6	0	9	0
AST/SC 2	0	3	0	0
AST/SC 1	9	0	8	12
<b>AST/SC total</b>	<b>15</b>	<b>3</b>	<b>17</b>	<b>12</b>
<b>Grand total</b>	<b>255</b>	<b>164</b>	<b>122</b>	<b>101</b>
CA	6	0	2	0
SNE	25	12	6	9

**AD** Administrator  
**AST** Assistant  
**SC** Secretarial Clerical  
**CA** Contract Agent  
**SNE** Seconded National Expert

## 15.4. Staff numbers by nationality

Nationality*	2016		2015	
	Number of staff	Percentage of staff	Number of staff	Percentage of staff
AT	2	1.2	1	0.9
BE	22	12.9	13	12.1
BG	4	2.4	2	1.9
CY	1	0.6	0	0
CZ	1	0.6	0	0
DE	13	7.6	10	9.3
DK	0	0.0	0	0
EE	0	0.0	0	0
EL	12	7.1	6	5.6
ES	26	15.3	13	12.1
FI	2	1.2	1	0.9
FR	20	11.8	15	14
HR	2	1.2	2	1.9
HU	3	1.8	3	2.8
IE	1	0.6	1	0.9
IT	19	11.2	9	8.4
LT	2	1.2	2	1.9
LU	0	0.0	0	0
LV	2	1.2	2	1.9
MT	1	0.6	0	0
NL	11	6.5	7	6.5
PL	9	5.3	8	7.5
PT	6	3.5	4	3.7
RO	6	3.5	4	3.7
SE	1	0.6	0	0.9
SI	0	0.0	0	0
SK	1	0.6	1	0.9
UK	3	1.8	3	2.8
<b>Total</b>	<b>170</b>	<b>100.0</b>	<b>107</b>	<b>100</b>

\* Including the six Board Members

## 15.5. Final accounts 2016

### Statement of Financial Position as at 31 December 2016

(EUR)

Description	2016	2015	Variation
<b>NON-CURRENT ASSETS</b>	<b>4 912 166.35</b>	<b>3 431 924.20</b>	<b>1 480 242.15</b>
Intangible fixed assets	1 143 422.52	140 983.36	1 002 439.16
Tangible fixed assets	3 768 743.83	3 290 940.84	477 802.99
Long-term pre-financing	0.00	0.00	0.00
Long-term receivables	0.00	0.00	0.00
<b>CURRENT ASSETS</b>	<b>10 826 285 025.13</b>	<b>12 262 048.53</b>	<b>10 814 022 976.60</b>
Short-term pre-financing	0.00	0.00	0.00
Short-term receivables	5 735 071.91	433 581.15	5 301 490.76
Cash and cash equivalents	10 820 549 953.22	11 828 467.38	10 808 721 485.84
<b>TOTAL ASSETS</b>	<b>10 831 197 191.48</b>	<b>15 693 972.73</b>	<b>10 815 503 218.75</b>
<b>NET ASSETS</b>	<b>9 434 893 538.11</b>	<b>0.00</b>	<b>9 434 893 538.11</b>
Accumulated reserves	9 434 893 538.11	0.00	9 434 893 538.11
Economic outturn of the year (Fund)	9 434 893 538.11	0.00	9 434 893 538.11
Economic outturn of the year (administration)	0.00	0.00	0.00
<b>NON-CURRENT LIABILITIES</b>	<b>1 379 929 703.41</b>	<b>12 664 742.07</b>	<b>1 367 264 961.34</b>
Provisions for risks and charges	0.00	0.00	0.00
Long-term liabilities from IPCs	1 345 273 276.00	0.00	1 345 273 276.00
Other long-term liabilities	34 656 427.41	12 664 742.07	21 991 685.34
<b>CURRENT LIABILITIES</b>	<b>16 373 949.96</b>	<b>3 029 230.66</b>	<b>13 344 719.30</b>
Provisions for risks and charges	0.00	0.00	0.00
Accounts payable	16 373 949.96	3 029 230.66	13 344 719.30
<b>TOTAL LIABILITIES</b>	<b>10 831 197 191.48</b>	<b>15 693 972.73</b>	<b>10 815 503 218.75</b>

## Statement of Financial Performance for 2016

(EUR)

Description	2016	2015	Variation
OPERATING REVENUES	9 496 350 565.13	12 200 846.64	9 484 149 718.49
Non-exchange revenues from Fund contributions	9 462 380 991.80	0.00	9 462 380 991.80
Other non-exchange revenues from administrative contributions	33 958 659.68	12 193 398.34	21 765 261.34
Other exchange operating revenue	10 913.65	7 448.30	3 465.35
OPERATING EXPENSES	-33 903 299.54	-12 193 414.09	-21 709 885.45
Administrative expenses	-30 623 854.76	-10 726 861.45	-19 896 993.31
All Staff expenses	-16 377 298.06	-6 603 933.38	-9 773 364.68
Fixed asset-related expenses	-860 298.43	-214 719.75	-645 578.68
Other administrative expenses	-13 386 258.27	-3 908 208.32	-9 478 049.95
Operational expenses	-3 279 444.78	-1 466 552.64	-1 812 892.14
SURPLUS / (DEFICIT) FROM OPERATING ACTIVITIES	9 462 447 265.59	7 432.55	9 462 439 833.04
Financial revenues	39 112.47	0.00	39 112.47
Financial expenses	-27 592 839.95	-7 432.55	-27 585 407.40
SURPLUS / (DEFICIT) FROM ORDINARY ACTIVITIES	9 434 893 538.11	0.00	9 434 893 538.11
Extraordinary gains	0.00	0.00	0.00
Extraordinary losses	0.00	0.00	0.00
SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS	0.00	0.00	0.00
ECONOMIC RESULT OF THE YEAR	9 434 893 538.11	0.00	9 434 893 538.11



## 15.6. Procurement procedures launched in 2016

### LOW VALUE NEGOTIATED PROCEDURES

	CONTRACT NUMBER	NEGOTIATED PROCEDURE JUSTIFICATION	SUBJECT	STATUS	AMOUNT AWARDED
> EUR 15 000	NEG/1/2016	ART 137.2 RAP	Legal advice	Awarded	15 000.00
	NEG/23/2016	ART 137.2 RAP	Furniture	Awarded	15 000.00

### OPEN PROCEDURE

CONTRACT NUMBER	SUBJECT	STATUS	AMOUNT AWARDED
SRB/OP/1/2016 LOT 1	Provision of media monitoring and media analysis services Lot 1: print media, online media and broadcast	Cancelled	
SRB/OP/1/2016 LOT 2	Provision of media monitoring and media analysis services Lot 2: social media monitoring	Evaluation ongoing	
SRB/OP/1/2016 LOT 3	Provision of media monitoring and media analysis services, media analysis and reputation tracking	Evaluation ongoing	
SRB/OP/2/2016	Provision of support for project management, quality assurance and dry-run exercise	Evaluation ongoing	

### ORE-OPENING OF COMPETITION

CONTRACT NUMBER	SUBJECT	STATUS	AMOUNT AWARDED
SRB/OP/1/2015 LOT 2	PROVISION OF ADVICE & ASSISTANCE FOR ECONOMIC AND FINANCIAL VALUATION — SC 1	Awarded	900 000.00
SRB/OP/1/2015 LOT 2	Provision of advice and assistance for economic and financial valuation — SC 2	Re-opening launched	
SRB/OP/1/2015 LOT 2	Provision of advice and assistance for economic and financial valuation — SC 3	Re-opening launched	
SRB/OP/1/2015 LOT 3	Provision of legal advice — SC 1	Awarded	500 000.00
SRB/OP/1/2015 LOT 3	Provision of legal advice — SC 2	Awarded	40 000.00
SRB/OP/1/2015 LOT 3	Provision of legal advice — SC 3	Awarded	36 000.00
SRB/OP/1/2015 LOT 3	Provision of legal advice — SC 4	Awarded	200 000.00
SRB/OP/1/2015 LOT 3	PROVISION OF LEGAL ADVICE — SC 5	Awarded	120 000.00

## 15.7. Summary of key performance indicators (KPIs) from the SRB 2016 Work Programme <sup>(21)</sup>

Number	The SRB's KPIs for 2016	Assessment		Comment
		Target	Value	
Resolution planning				
1	Develop resolution plans for all major banking groups in the remit of the SRB	90%	82%	Number of plans drafted for significant supervised institutions (SSIs), incl. host plans / number of SRB SSIs = 94 / 115 = 81,7%.
2	Set-up of all IRTs in the remit of the SRB	100%	100%	In 2016, the SRB established 76 out of 76 IRTs.
3	Set-up of all Resolution Colleges for which the SRB is group level resolution authority	100%	93%	According to the BRRD, the SRB was responsible for setting up RCs for 28 banking groups in 2016. However, due to the fact that (i) one group was subject to restructuring and (ii) another group was excluded from the 2016 resolution planning cycle, the scope of RCs to be established was narrowed internally to 26 RCs. In line with the wording of the KPI from the 2016 Work Programme, the target was met at 93% (26/28).
4	Completion of enhanced resolvability assessment for all G-SIBs in the remit of the SRB	100%	100%	In 2016, the SRB took over the RAP responsibility from NRAs for eight European G-SIBs. The RAP for these banks was completed in the first half of 2016. In June 2016, the SRB submitted the first eight RAP letters summarising the SRB's findings to the FSB.
5	Participation in all the groups and subgroups related to banking resolution in the FSB, EBA and BCBS	Yes	Yes	FSB: The SRB Chair chaired the ResSG in 2016 and SRB staff participated in all resolution-related groups and work streams of the FSB, notably the 1. Banking Cross-border crisis management Group (CBCM) with the following work streams: Funding in Resolution, continuity of access to FMIs, Bail-in execution, co-chaired by a SRB member, Internal TLAC, Operational Continuity; 2. Legal Expert Group (LEG); 3. Cross-border Crisis Management Group for FMIs (fmiCBCM) and 4. Joint Study Group on CCP Interdependencies.  EBA: The SRB was represented in all EBA groups and sub-groups related to resolution (e.g. Standing Committee on Resolution (ResCo), Sub-Group on Crisis Management (SGCM), MREL report Project Team, Resolution financing report Project Team and BRRD Q&A network) as well as in the Standing Committee on Regulation and Policy (SCRePol) and the Board of Supervisors (BoS). BCBS: In 2016, the SRB was not part of any BCBS groups or subgroups
Tools and policies for resolution and Manuals				
6	Submission to the Executive Session of the SRB of the annual update for 2016 of the Crisis Management Manual, including policy issues	Yes	Yes	An update of the manual has been presented to the Executive session of the SRB on 11.01.2016.
7	Submission to the Executive Session of the SRB of the annual update for 2016 of the Resolution Planning Manual, including policy issues	Yes	Yes	The SRB submitted to the Executive Session on 27.01.2016 the annual update for 2016 of the Resolution Planning Manual. A public version was published on the SRB website on 22.09.2016.(https://srb.europa.eu/en/node/163).
Fostering cooperation				
8	Completion of operational guidelines to implement COFRA	Yes	Yes	The Internal Arrangements (previously called Operational Guidelines) were adopted by the Plenary Session on June 14, 2016.
9	Number of training events held by the SRB	4	5	In 2016, the SRB organised five trainings (one of which in cooperation with the EBA). The SRB also organised five case-studies and 12 brown-bag seminars for SRB staff in 2016.
10	Number of Stakeholder Dialogues held by the SRB	4	4	In 2016, the SRB held three industry dialogues, bringing together stakeholders like representatives from banking federations as well as from the EC, the ECB and EBA. Furthermore, in April 2016, the SRB held its first conference with over 400 participants.

<sup>(21)</sup> [https://srb.europa.eu/sites/srb-site/files/2016-srb-work-programme\\_en\\_0.pdf](https://srb.europa.eu/sites/srb-site/files/2016-srb-work-programme_en_0.pdf)

Number	The SRB's KPIs for 2016	Assessment		Comment
		Target	Value	
Resolution action				
11	Conducting at least one simulation crisis exercise	Yes	Yes	On 18 January 2016, the SRB coordinated a first crisis simulation exercise (dry-run) based around a bank failure scenario. The exercise focused on the procedures and processes governing the interactions between the SRB, the EC (DG FISMA and DG COMP) and the Council of the EU.
12	Setting MREL targets at consolidated level for all major banking groups in the remit of the SRB	100%	0	Given the legislative uncertainty regarding the development and the concrete outcome of the debate on MREL, the SRB did not set any binding MREL targets in 2016. Nevertheless, to progress and to allow banks to prepare for their future MREL requirements, the SRB, together with NRAs, has adopted a preliminary approach based on the DR 2016/1450. As a result, the SRB calculated and discussed informative MREL levels for 57 banks. In this context, the SRB has organised 104 bank workshops that inter-alia addressed the question of MREL.
Single Resolution Fund				
13	Invoices for all 2016 ex-ante contributions for the SRF sent to NRAs by 1 May 2016	100%	100%	All invoices have been sent to NRAs according to Art. 70 SRMR and Art. 13(1) of the Commission Delegated Regulation (EU) 2015/63, respecting the deadline.
14	Data templates for all 2017 contributions for the SRF sent to NRAs by the end of October 2016	100%	100%	The Plenary Session approved the 2017 Template on 15 September 2016 and all templates were submitted to NRAs by the end of October.
15	Adoption of investment strategy	Yes	Yes	The Board discussed the SRF Investment Strategy in its Plenary Session in June 2016 and adopted it in September 2016.
Capacity building				
16	Percentage of recruitment plan realised	90%	71%	By the end of 2016, the SRB had a total number of 164 employees, which, according to the initial recruitment plan authorised for 2016, could be increased to 230 employees. Based on this initial plan, the realisation of the recruitment objectives was 71%. Considering the later increase of the establishment plan to a staff level of 255, this ratio would decrease to 64%
17	Zero reservations in the annual report of the European Court of Auditors	100%	n/a	This KPI cannot be applied to the ECA report on the annual accounts 2016 of the SRB, as this report will only be available towards the end of the year 2017. Applied to the findings in the ECA report on the SRB's Annual Accounts 2015, this KPI has not been met. However, it must be noted that ECA did not issue a qualified or adverse opinion regarding the annual accounts of the Board, with reference to the financial statements and the reports on the implementation of the budget for the financial year 2015 and the legality and regularity of the transactions underlying those accounts. The Court however made six comments on the Annual Accounts 2015 of the SRB. Please refer to Chapter 13.
18	Carry-over rate (of committed funds) of operational budget	<30%	66%	The carry-over rate of 66% of committed appropriations is driven largely by the fact that (i) invoices for IT projects were received towards the end of the year and will be paid in 2017 (33% of the total carried over) and (ii) three new consultancy contracts for SRF support activities that had been signed in Nov. and Dec. (25% ). Due to uncertainty about the full realisation of studies and consultancy related to contingencies for legal advice in 2016, a planned project was split and associated amounts have been carried over (33%). Other minor amounts carried over relate to communications, mission and appeal panel costs, either due to partial delivery of services or late payment in early 2017 (9%).
19	Improve and optimize timeliness of procurement procedures	90%	94%	In 2016, the SRB procurement team launched 34 tenders, two of which were delayed. Measured in this metric, the timeliness of procurement is estimated at 94%.
20	Finalise the moving operation to the new premises by Q1 2016	Yes	No	In 2015, the SRB had to operate from three different locations in Brussels. The moving operations that began in March 2016 were finalised on the 22nd of April, i.e. almost a month later than originally foreseen. Delay with the creation of an adequate ICT infrastructure for the new premises was the principal reason
21	Availability of SRB data centre after launch	100%	99%	In the period February 2016 (when the datacentre started working) - February 2017, the availabilities amounted to 99.9% on average in 11 different systems.

## 15.8. Members of the Plenary Session in 2016

Role	Name	Authority
Chair	Elke KÖNIG	SRB
Vice-Chair	Timo LÖYTTYNIEMI	SRB
Full-time Board Member	Mauro GRANDE	SRB
Full-time Board Member	Antonio CARRASCOSA	SRB
Full-time Board Member	Joanne KELLERMANN	SRB
Full-time Board Member	Dominique LABOUREIX	SRB
Member appointed by participating MS representing the NRA	Romain STROCK	Luxembourg — Commission de Surveillance du Secteur Financier
Member appointed by participating MS representing the NRA	Frank ELDERSON	Netherlands — De Nederlandsche Bank
Member appointed by participating MS representing the NRA	Dana MEAGER/ Ivan LESAY	Slovakia — Slovak Resolution Council
Member appointed by participating MS representing the NRA	Aldo GIORDANO	Malta — Malta Financial Services Authority
Member appointed by participating MS representing the NRA	Riin HEINASTE	Estonia — Finantsinspeksioon (Estonian Financial Supervision and Resolution Authority)
Member appointed by participating MS representing the NRA	Klaus KUMPFMÜLLER	Austria — Austrian Financial Market Authority
Member appointed by participating MS representing the NRA	Tuija TAOS	Finland — Finnish Financial Stability Authority
Member appointed by participating MS representing the NRA	Jutta DÖNGES	Germany — Bundesanstalt für Finanzmarktstabilisierung
Member appointed by participating MS representing the NRA	Jose RAMALHO	Portugal — Banco de Portugal
Member appointed by participating MS representing the NRA	Mejra FESTIĆ	Slovenia — Banka Slovenije
Member appointed by participating MS representing the NRA	Olivier JAUDOIN	France — Autorité de contrôle prudentiel et de résolution
Member appointed by participating MS representing the NRA	Jaime PONCE HUERTA	Spain — FROB (Spanish Executive Resolution Authority)
Member appointed by participating MS representing the NRA	Pierre WUNSCH	Belgium — National Bank of Belgium
Member appointed by participating MS representing the NRA	George SYRICHAS	Cyprus — Central Bank of Cyprus
Member appointed by participating MS representing the NRA	Patrick CASEY (alternate)	Ireland — Central Bank of Ireland
Member appointed by participating MS representing the NRA	Tomas GARBARAVIČIUS	Lithuania — Bank of Lithuania
Member appointed by participating MS representing the NRA	Maria MAVRIDOU	Greece — Bank of Greece
Member appointed by participating MS representing the NRA	Stefano DE POLIS	Italy — Banca d'Italia
Member appointed by participating MS representing the NRA	Nadezda KARPOVA	Latvia — Financial and Capital Market Commission
Observer in accordance with Art. 3.2 of RoP of Plenary Session	Alberto CASILLAS	Spain — Banco de España Resolution Department
Observer	Sabine LAUTENSCHLÄGER	European Central Bank
Observer	Olivier GUERSENT	European Commission — DG FISMA
Observer	Spyridon ZARKOS	European Banking Authority

## 15.9. Glossary

<b>Resolution Colleges (RCs)</b>	established according to Art. 88 of BRRD to coordinate the work between Group Level Resolution Authorities (GLRAs) and the NRAs of non-participating Member States.
<b>Internal Resolutions Teams (IRTs)</b>	established according to art 37 of SRMR, to better coordinate the drafting of resolution plans and to ensure a smooth exchange of information among NRAs. IRTs were created for all banking groups that comprised legal entities incorporated in at least two Banking Union countries.
<b>Resolvability Assessment Process (RAP)</b>	a process conducted annually in respect of all G-SIBs to promote adequate and consistent reporting on resolvability at a global level and to determine what should be done to address material recurring issues with respect to resolvability; The RAP is conducted in Crisis Management Groups.
<b>MREL</b>	minimum requirements of own funds and eligible liabilities to be set by the resolution authority to ensure the effective application of the bail-in tool i.e. the write down or conversion of equity and debt.
<b>No creditor worse off (NCWO)</b>	defined by Article 34(1)(g) of Directive 2014/59/EU (BRRD) on general principles of resolution requires that no creditor incur greater losses than would have been incurred under the normal insolvency proceedings. Similarly, Article 34(1)(i) requires that resolution actions be taken in accordance with the safeguards included in this Directive (and one of the safeguards is the "No Creditor Worse Off (NCWO) principle").
<b>Common Backstop</b>	a mechanism to be developed during the transition period of the SRF, which will allow and facility borrowings by the SRF in situations when the SRF is not sufficiently funded by the banking sector. The system would be available as last resort and in full compliance with state aid rules. The banking sector will ultimately be liable for repayment by means of levies in all participating Member States, including ex post contributions.
<b>Liability Data Template (LDT)</b>	template developed by the SRB to collect data concerning the liabilities of banks in order to inform the resolution plan and MREL determination.
<b>Phase-2 resolution plan</b>	plans that were drafted following the first resolution planning experience from 2015 i.e. based on Transitional Resolution Plans. These plans typically do not include binding MREL target levels, but include informal MREL discussions.



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