

SRB MULTI-ANNUAL PLANNING AND WORK PROGRAMME 2018



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Print	ISBN 978-92-95211-12-4	ISSN 2529-671X	doi:10.2877/674537	FP-AB-17-001-EN-C
PDF	ISBN 978-92-95211-13-1	ISSN 2529-6728	doi:10.2877/663602	FP-AB-17-001-EN-N

More information on the European Union is available on the Internet (<http://europa.eu>).

Luxembourg: Publications Office of the European Union, 2017

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**SRB MULTI-ANNUAL
PLANNING AND
WORK PROGRAMME
2018**

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FOREWORD



About three years ago participating Member States decided to create the Single Resolution Mechanism, the second pillar of the Banking Union, with the Single Resolution Board at its centre. Right from the start, the bar was set high as bank resolution was and to some extent still is a novel and untested concept.

Today, I am pleased to introduce the SRB's first multi-annual programming document for the next three years, including our work programme for 2018. We have always stated that reaching resolvability is a multi-year project and our plans for 2018 through to 2020 set out an ambitious roadmap for improving the resolvability of the banks under our remit.

Our aim is to fulfil the SRB's mission to the greatest possible extent: ensuring an orderly resolution of failing banks with minimum impact on the real economy, the financial system, and the public finances of the participating Member States and beyond. It is a mission which crosses

borders and is founded on intensive cooperation between the multiple parties involved. The SRB, in its day-to-day resolution planning, is working closely in particular with the national resolution authorities, but also with the European Central Bank, with national supervisory authorities and with the European Commission. Without common efforts and support on all sides, achieving and safeguarding the resolvability of all banks in our scope could not succeed. Together we are progressing and overcoming many challenges and I would like to take this opportunity to thank all of our partner authorities, and reaffirm our commitment to deepen this network as many tasks still lie ahead of us.

Concretely: The SRB's key objectives include completing resolution plans for all major banking groups by 2020 comprising binding minimum requirements for own funds and eligible liabilities (MREL) targets on all levels of a group. In 2017, the SRB has started to develop binding targets for major banking groups. Looking forward, we intend to define MREL requirements for these groups in 2018, with an increased focus on the quality and the internal location of MREL, in particular ensuring that there are sufficient subordinated instruments to implement banks' preferred resolution strategies. Beyond MREL, resolution plans will benefit from our growing experience and ongoing policy work in many domains, for example on impediments to resolution.

We will also reinforce our crisis preparedness aiming to implement efficient workflows under multiple crisis scenarios. In the coming years, we will also fully develop our oversight function on Less Significant Institutions (LSIs).

In June 2017 the SRB took its first resolution decision concerning a major bank. This fast-track resolution demonstrated that the new European resolution framework is up to the task. Approaching this experience from a practical perspective, the decision provided valuable indications about important challenges that we still face and where there is a need to enhance existing procedures and rules. Depending on the specific circumstances in times of crisis, the option of a moratorium tool for resolution could prove crucial in addressing potential future scenarios. Assuring the availability of sufficient liquidity as well as ad-hoc liability data from the banks are other priorities to focus on in the coming years.

Other crisis cases in 2017 also revealed the need to take a broader look at the overall regulatory framework, in particular the interplay between the Bank Recovery and Resolution Directive (BRRD), the national insolvency regimes and the rules regarding State Aid and whether incentives are set correctly.

The practical experience from 2017 confirmed that resolution readiness and resolution decisions require continuous cooperation at all levels in Europe and internationally, with all involved parties on the public and on the bank's side playing their role – there are no unilateral solutions.

Even though practical experience with failing banks is precious for us it will hopefully remain the exception. The role of the SRB is primarily proactive, focusing on resolution planning and preparation with a forward-looking mind-set to avoid the negative impact of a bank-failure on the public. Banks that are well prepared for critical situations will generally be more resilient in the first place.

All action related to resolution is strictly guided and bound by the applicable law. As the resolution framework will be amended in the future, the SRB will continue to contribute its experience and expertise to the European and international reform process. To achieve this we will continue to work in close cooperation with the European Commission, Council and Parliament. We hope that the co-legislators will soon agree on the risk reduction proposals launched by the European Commission in November 2016 to enhance the legal framework and create legal certainty. The outcome should provide clarity while maintaining a stringent and powerful resolution framework, with necessary discretions for resolution authorities.

At the European level, we are in particular providing our technical advice at every stage in the development of a Common Backstop to the Single Resolution Fund (the 'SRF'). This Common Backstop will further reinforce the overall financial resilience of and confidence in the Resolution Framework. In the coming years, we will also focus on its operationalisation for multiple resolution scenarios. This has not occurred so far, but if necessary then the process must work to meet the needs identified by the SRB under tight time constraints. Safeguarding the availability of liquidity during resolution is an issue where we will explore all possible solutions, involving also other stakeholders.

To enhance the implementation of the resolution framework, we are committed to cooperate closely with the European Banking Authority and with resolution authorities in Europe and internationally as well as with the Financial Stability Board, which remains a major platform of cooperation for international crisis management, information and knowledge exchange.

The SRB also calls for progress on the Banking Union through completion of the “triangle” of insolvency, resolution and deposit insurance. With the BRRD and the Single Resolution Mechanism Regulation (SRMR), the EU has created an efficient resolution framework. What is still missing is an efficient and harmonized insolvency regime for banks across Europe, as well as a European Deposit Insurance Scheme.

Over the last twelve months we have substantially enlarged the SRB team. I want to thank my fellow Board Members and, on behalf of the Board, all our staff as well as our partners at the national resolution authorities for all that has been achieved in combined forces until today. United we shall succeed on this challenging journey to accomplish resolvability of banks and with that a major goal of the Banking Union. Together, we will make this work programme a reality.

Elke König

Chair of the Single Resolution Board

ABBREVIATIONS

AD	Administrator	FSB	Financial Stability Board
AST	Assistant	G-SIB	Global Systemically Important Bank
AST-SCs	Secretary/Clerk	HR	Human Resources
BRRD	Bank Recovery and Resolution Directive	ICT	Information and Communication Technology
CBCM	Cross-Border Crisis Management Group	IGA	Intergovernmental Agreement
CCP	Central Counterparty	IMF	International Monetary Fund
CCS	Contributions Collection System	IPC	Irrevocable Payment Commitment
CFT	Critical Functions Template	IRT	Internal Resolution Team
CoAg	Cooperation Agreement	IT	Information Technology
COFRA	Cooperation Framework Agreement	JST	Joint Supervisory Teams
DG COMP	Directorate-General for Competition	KPI	Key Performance Indicator
DG ECFIN	Directorate-General for Economic and Financial Affairs	LDT	Liability Data Template
DG FISMA	Directorate-General for Financial Stability, Financial Services and Capital Markets Union	LFA	Loan Facility Agreement
EBA	European Banking Authority	LSI	Less Significant Institution
ECB	European Central Bank	MoU	Memorandum of Understanding
ECOFIN	Economic and Financial Affairs Council	MREL	Minimum Requirements for own funds and Eligible Liabilities
ECON	European Parliament Committee on Economic and Monetary Affairs	MS	Member State
EDIS	European Deposit Insurance Scheme	NCA	National Competent Authority
EFC	Economic and Financial Committee	NRA	National Resolution Authority
ESRB	European Systemic Risk Board	RAP	Resolvability Assessment Process
EU	European Union	RC	Resolution College
FDIC	Federal Deposit Insurance Corporation	ReSG	Resolution Steering Group
FMI	Financial Market Infrastructure (e.g. CCPs)	SNE	Seconded National Expert
fmiCBCM	Cross-border Crisis Management Group for FMIs	SRB	Single Resolution Board
FSAP	Financial Sector Assessment Program	SRF	Single Resolution Fund
		SRM	Single Resolution Mechanism
		SRMR	Single Resolution Mechanism Regulation
		SSM	Single Supervisory Mechanism
		TA	Temporary Agent
		TFCA	Task Force on Coordinated Action
		TLAC	Total Loss-absorbing Capacity
		TRP	Transitional Resolution Plan

EXECUTIVE SUMMARY

A) INTRODUCTION AND OUTLINE

This document presents the Multi-annual Programme of the Single Resolution Board (SRB), including its 2018 Work Programme, in accordance with Article 30 of the SRB Financial Regulation and Article 50(1)(a) of the SRMR. The Multi-annual Programme was adopted by the SRB in its Plenary Session of 28 November 2017, together with the 2018 budget. Resource figures for 2019 and 2020 are forecasts and will be subject to separate adoptions in the forthcoming two years.

Following this executive summary, the mission statement, legal mandate and main tasks of the SRB as set out in its founding regulation are presented. The policy context of the SRB is described in Chapter 1, where the work of the SRB is placed in the context of the European Union (EU) regulatory framework. The chapter also considers broader developments such as internal and external factors that may impact the SRB's day-to-day operations in the near future. Chapters 2 and 3 represent the main parts of this document: whereas Chapter 2 provides an overview of the SRB's strategic objectives and activities over the next three years, including an estimation of the required human and financial resources ⁽¹⁾, Chapter 3 translates this multi-year perspective into the annual plan and presents the SRB's 2018 Work Programme. Supplementary information concerning human and financial resources, the SRB building, privileges and immunities of the agency, evaluations, risks and the organisational structure of the SRB is provided in a set of annexes.

B) THE SRB'S MAIN MEDIUM-TERM OBJECTIVES

The SRB's priority is to achieve resolvability in the Banking Union and to strengthen its resolution readiness, that is, its ability to draft and adopt a resolution decision at any point in time should an SRB bank be failing or likely to fail, and to meet the other conditions for resolution. To achieve this, the SRB, together with national resolution authorities (NRAs), drafts resolution plans and prepares, within a given timeframe, a resolution strategy designed to best meet resolution objectives.

Taking a three-year perspective, the SRB will continue to implement its mission to ensure an orderly resolution of failing banks with minimum impact on the real economy, the financial system and public finances. To achieve this, the SRB has defined the following five strategic areas of operation in which progress is to be accomplished:

1. strengthening resolvability for SRB entities and less significant institutions (LSIs);
2. fostering a robust resolution framework;
3. preparing and carrying out effective crisis management;
4. operationalising the Single Resolution Fund (SRF);
5. establishing a lean and efficient organisation.

⁽¹⁾ For 2019 and 2020, figures in this report are preliminary estimates that will be subject to further assessment and endorsement by the Plenary Session.

By 2020, the SRB envisages having developed complete resolution plans for all its banking groups, which will benefit from the finalisation of all internal policies and standards in spring 2019. These plans will comprise binding targets for minimum requirements for own funds and eligible liabilities (MREL) at consolidated and solo levels and will reflect the SRB's advanced work concerning the removal of obstacles to resolution. It is expected also that by 2020 resolution planning for LSIs will reach a steady state, with nearly all affected LSIs having a resolution plan.

To prepare for taking and carrying out resolution actions, the SRB will also improve its crisis management capacity over the next three years. In this regard, a number of projects with the aim of optimising the SRB's workflows in times of crisis have been launched. In parallel, and on a continuous basis, the SRB will carry out enhanced monitoring of banks that require increased scrutiny as a result of a deterioration in their financial condition. This work will be carried out in close cooperation with the relevant EU and national authorities.

With regard to the SRF, work will continue to focus on operationalising it in terms of three main functions: contributions, investments and funding. By 2020, the automatisation of the collection contributions mechanism will have been carried out to the greatest extent possible. In addition, the investment portfolio of the SRF will be managed in accordance with Delegated Regulation (EU) 2016/451. Furthermore, additional funding possibilities for crisis situations will be explored.

By 2020, the SRB also expects to have reached a steady state, ensuring lean and efficient management of the organisation; the main drivers will be matured internal policies and procedures, as well as fully established support functions in information and communication technology (ICT), governance, human resources (HR), communications and legal services.

C) THE SRB'S PRIORITIES IN 2018

The SRB's medium-term objectives will be accomplished through the implementation of the annual work programme, which focuses on progress in five strategic areas of operation:

RESOLVABILITY OF SRB ENTITIES AND LSI OVERSIGHT

- ▶ In 2018, the SRB will enhance resolvability inter-alia by drafting and adopting resolution plans for 99% of the groups under its responsibility. The only banks not covered by a resolution plan will be those that are subject to structural changes.
- ▶ The timeline for drafting resolution plans will be more closely aligned with supervisory activities to ensure effectiveness and consistency. As a consequence, the SRB will split the annual resolution planning cycle of 12 months into two batches in 2018: while the planning cycle for banks without a resolution college will commence in January, resolution planning for banks with a cross-border footprint that are covered by a resolution college will start in September.
- ▶ All plans will be further improved in quality, benefiting from further developed internal policies and standards. With regard to banking groups covered by a resolution college, plans will be substantially enhanced by setting binding MREL targets at consolidated level and by a first identification of MREL targets at material entity level. Concerning non-college banks, the SRB intends to determine binding MREL targets at consolidated level for the majority of its groups. In 2018, the SRB will also carry out a first identification of substantive impediments to resolution. Prior to defining these as substantive, the SRB will assess whether the actions taken by a bank are sufficient to avoid initiating formal procedures.

- ▶ With regard to LSIs, the SRB maintains an oversight function under which NRAs' decisions concerning the adoption of plans and other measures will need to be assessed. In 2018, the SRB expects an increase in the numbers of notifications of NRA decisions. It is estimated that in 2018 the SRB will need to process approximately 780 draft resolution measures concerning LSIs.

RESOLUTION FRAMEWORK

- ▶ The year 2018 will also see a reinforcement of the SRB resolution framework, which supports the drafting of resolution plans and decisions through common policies and standards in 15 areas, with a focus on developing a policy on solo/internal MREL and MREL calibration under transfer strategies and a policy concerning liquidity in resolution. Another key milestone will be the development of a policy on identifying and addressing substantive impediments to resolvability. The development and application of policies will also benefit from the creation of a new unit dealing with financial stability analysis.
- ▶ The SRB's resolution framework will be safeguarded both internally and externally. Internally, the SRB will closely cooperate with its partners at national and EU levels. Concerning cooperation with NRAs, a key deliverable will be the revision of the cooperation framework agreement (COFRA) in 2018. On a broader scale, the SRB will engage in international relations and will represent the SRB's position and advocate for it in the relevant fora and bodies, e.g. the European Banking Authority (EBA) and the Financial Stability Board (FSB), and in exchanges with the International Monetary Fund (IMF) on financial sector developments. With regard to policy and regulatory reform at EU level, a key priority for the SRB will be providing technical support to Member States on the development of the Common Backstop to the SRF.

CRISIS MANAGEMENT

- ▶ In 2018, the SRB will also undertake important steps to further develop its capacity to respond to crisis situations. In this regard, two projects will continue throughout 2018, with the support of external consultants:
 - Under the Resolution Readiness project, the SRB will focus in 2018 on the implementation of a previously defined roadmap that establishes optimal crisis processes and workflows, and which will entail significant information technology (IT) adjustments.
 - The Valuation project concentrates on building a common framework for valuations in resolution. Based on a first report for this new framework, the SRB will test its application, performing dry-run valuations on two types of banks with the characteristics of a global systemically important bank (G-SIB) and a medium-sized bank.
 - Resolution planning, including data collection, will focus on information required for the preparation and adoption of effective resolution schemes and communication in times of crisis.
- ▶ In parallel and on an ongoing basis, the SRB will perform its regular crisis management activities, e.g. enhanced monitoring of critical banks and the preparation and adoption of resolution schemes, as necessary. In addition, the SRB will closely monitor the implementation of resolution decisions that have or will be taken; it will draw lessons learned from each crisis experience and, if necessary, prepare a remediation plan.

THE SINGLE RESOLUTION FUND

- ▶ The key priorities for the SRF in 2018 are the further operationalisation of its three core functions: contributions, investments and funding:
 - The SRB will determine the 2018 target level for contributions to the SRF and will calculate individual banks' ex-ante contributions and notify NRAs accordingly. Ex-post audits will be carried out in order to verify and improve the quality of data reported by the institutions. The SRB will also take a decision regarding the share of irrevocable payment commitments (IPCs) that each institution may decide to pay. Finally, the SRF team will review the process of raising ex-post contributions.
 - With regard to the investments of the SRF, a key priority will be the implementation of the 2018 investment plan, in close cooperation with the selected outsourcing partner(s) for portfolio management and custody services. In addition, the investment policy will be further developed, resulting in a 2019 investment plan as well as refinements to the existing investment strategy.
 - The SRB is responsible for the operationalisation of the SRF in a resolution case. The 2018 priorities will focus on ensuring conformance with intergovernmental agreements (IGAs), preparation of documentation and contracts for the use of the SRF, monitoring and review of all loan facility agreements (LFAs), and an assessment of alternative funding means.

THE SRB AS A LEAN AND EFFICIENT ORGANISATION

- ▶ In 2018, the SRB will undertake significant steps to ensure we stay a lean and efficient organisation by building its support and transversal functions to support day-to-day operations in the other four strategic areas of operation outlined above. In 2018, priorities will focus on:
 - enhancing a safe and efficient ICT architecture to accommodate the needs of cross-border cooperation between a number of relevant authorities by developing and rolling out ICT tools in accordance with the 2018 ICT work plan; prepare for building a single Data Warehouse for the SRM;
 - providing enhanced in-house legal advice to minimise legal risks, taking into account experience gained from previous and ongoing litigation procedures;
 - developing increased governance measures as well as completing internal control standards and audits;
 - implementation of a final system for the collection of administrative contributions for the SRB;
 - further improving external and internal communications methods;
 - ensuring adequate staffing by hiring qualified new staff and developing existing staff;
 - ensuring timely and transparent programming by the organisation.

MISSION STATEMENT

The SRB was established by Regulation (EU) No 806/2014 (the Single Resolution Mechanism Regulation (SRMR)), and began operating as an independent 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.

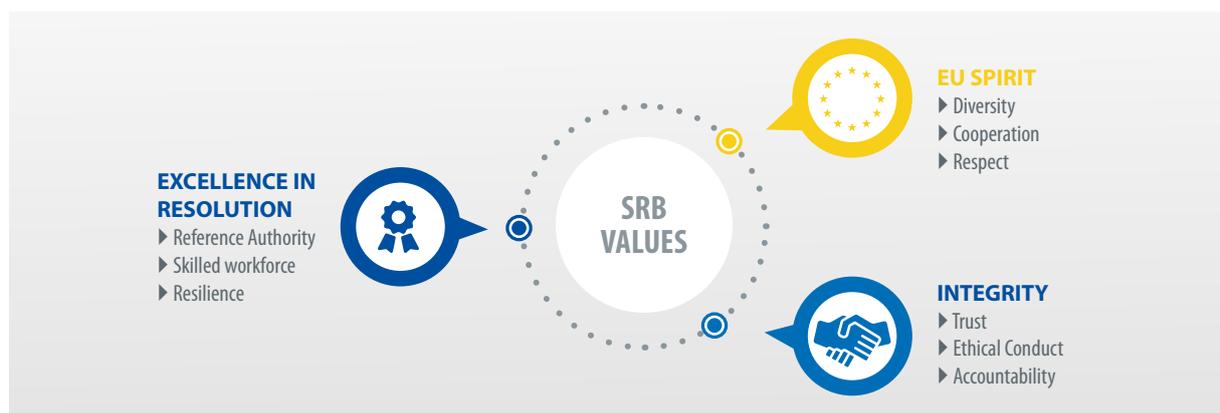
The SRB's mission is to ensure an orderly resolution of failing banks with minimum impact on the real economy, the financial system, and the public finances of the participating Member States and beyond.

The SRB is the central resolution authority within the Banking Union. Together with the NRAs of participating Member States, it forms the Single Resolution Mechanism (SRM). The SRB works in close cooperation with 19 NRAs, the European Commission, the European Central Bank (ECB) and the EBA, as well as national competent authorities (NCAs).

The role of the SRB is proactive: rather than waiting for resolution cases to manage, the SRB focuses on resolution planning and enhancing resolvability in close cooperation with NRAs. The SRB drafts and adopts resolution plans for the banks under its remit and regularly updates these plans. In this context, the SRB determines the preferred resolution strategy for a bank; this strategy sets out the resolution tools and powers to be applied in the event of resolution and sets the MREL. Should a bank within the SRB's remit be failing or likely to fail, and also fulfil the other criteria for resolution, the SRB will draft and adopt a resolution scheme and the relevant NRAs will implement the resolution accordingly. In addition to resolution planning and decisions for significant institutions through a so-called, the SRB also performs an oversight function with regard to LSIs. The SRB is also in charge of the industry-funded SRF, which was established to provide ancillary financing to ensure the effective application of resolution schemes.

The SRB's values: the SRB strives to be a trusted and respected resolution authority with a strong resolution capacity in the SRM, thus avoiding future bail-outs. The SRB aims to be a centre of expertise in bank resolution. Its three values are (i) Excellence in Resolution, (ii) Integrity and (iii) EU spirit.

Figure 1: SRB values



2. GENERAL POLICY CONTEXT OF THE SRB

The SRB operates within the regulatory framework of the Banking Union, which consists of a Single Rulebook that covers all EU Member States and three pillars that address issues related to the interconnectedness of the euro area and participating Member States.

A SINGLE RULEBOOK FOR ALL FINANCIAL INTERMEDIARIES IN THE EU

In response to the recent financial crisis, the EU pursued a number of initiatives to create a safer financial sector for the Single Market. These initiatives are referred to as the Single Rulebook and apply to all financial actors in the EU, thereby establishing a common and coherent regulatory framework. The Single Rulebook includes:

- ▶ prudential requirements for banks (the Capital Requirements Regulation and Directive)
- ▶ improved protection for depositors (the Deposit Guarantee Scheme Directive)
- ▶ new rules for managing failing banks (the Bank Recovery and Resolution Directive (BRRD))

THE BANKING UNION TO ADDRESS THE SPECIFICITIES OF THE EURO AREA

The financial crisis evolved into the euro area debt crisis, which revealed that deeper integration of the euro area banking system was needed, in particular to break the vicious circle between banks and public finances. The EU institutions therefore agreed to address the interdependencies within the euro area by establishing a Banking Union ^(?) based on three pillars:

1. the Single Supervisory Mechanism (SSM);
2. the Single Resolution Mechanism (SRM);
3. the European Deposit Insurance Scheme (EDIS).

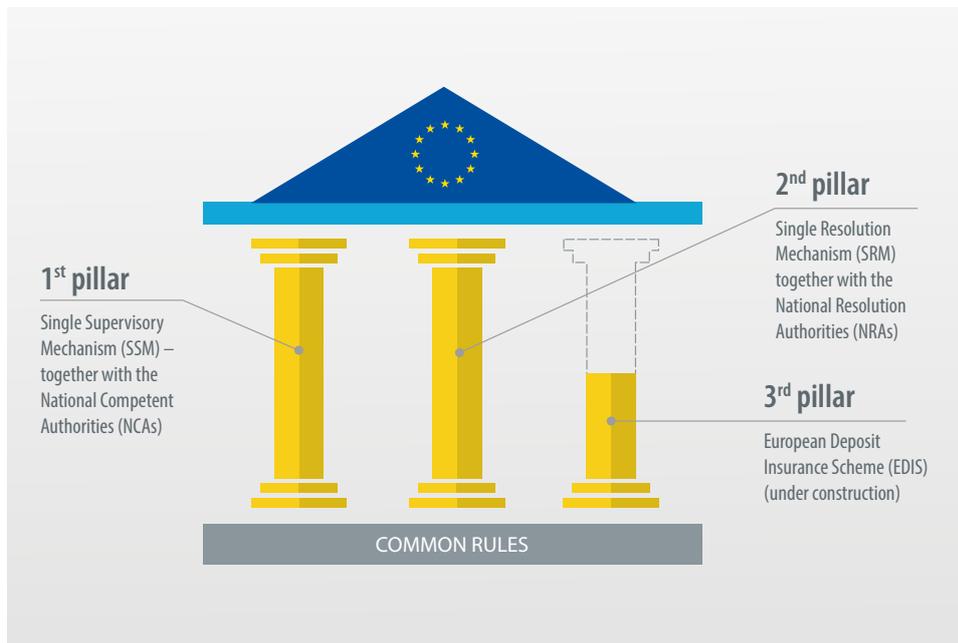
Whereas the first two pillars of the Banking Union are fully established and operational, the third and final pillar, the EDIS, is still under development. The SRB represents the central resolution authority within the second pillar of the Banking Union and works closely with the NRAs.

THE SRB OPERATES IN AN EVOLVING REGULATORY AND ECONOMIC ENVIRONMENT THAT INFLUENCES ITS DAY-TO-DAY ACTIVITIES AND WORK PLAN

Because of its role as the centralised decision-making body for resolution under the second pillar of the Banking Union, the activities of the SRB are directly impacted by regulatory changes relating to the bank resolution framework of the Banking Union. This concerns policy discussions and decisions regarding its founding regulation, the SRMR and the BRRD, and changes in the regulatory framework of the other two pillars of the Banking Union – the SSM provisions and

^(?) The Banking Union members are all the euro area countries and those other EU Member States that choose to participate.

Figure 2. The Banking Union



the planned EDIS – as well as legislative revisions within the Single Rulebook. Therefore, the adoption of the European Commission’s proposed package from November 2016 to further strengthen the resilience of EU banks would impact the SRB’s operations. In addition, a new recovery and resolution regime concerning central counterparties (CCPs) would influence the SRB’s resolution planning and crisis activities, as CCPs perform critical financial functions and a number of SRB banks are clearing members of those CCPs.

Additional factors causing uncertainty include political decisions, strategic business decisions by banks and structural change in the financial industry. Political decisions such as the voluntary participation of an EU Member State in the Banking Union or the delegation of LSI resolution planning powers by NRAs to the SRB in accordance with Article 7(5) of the SRMR could widen the SRB’s scope. Moreover, strategic business decisions of banks, such as decisions to transfer significant financial operations to the euro area following Brexit, will have an impact on day-to-day resolution planning and affect the SRB’s work. Finally, the transformation and digitalisation of financial services and the influence of financial technology (FinTech) companies on bank resolution will need to be considered and assessed in the Banking Union.

3. MULTI-ANNUAL PROGRAMMING 2018–2020

This section provides external stakeholders with a general overview of the SRB's medium-term objectives, including a forecast of the human and financial resources needed to carry out the planned activities. The SRB is primarily a crisis management organisation and requires flexibility to act effectively and timely. The activities and outputs described in any given year may therefore deviate from the strategic plan.

2.1. Multi-annual objectives

The SRB's strategic objectives are derived from its legal mandate and aim to implement the SRB's mission of ensuring an orderly resolution of failing banks with minimum impact on the real economy, the financial system and public finances. The SRB defines the following five objectives, which are inter-related and involve NRAs:

- ▶ strengthening the resolvability of SRB entities and LSIs;
- ▶ preparing and carrying out effective crisis management;
- ▶ fostering a robust resolution framework;
- ▶ operationalising the SRF;
- ▶ establishing a lean and efficient organisation.

Figure 3 summarises the strategic medium-term objectives and the underlying areas of operation and related tasks through which these objectives will be achieved. The progress towards achieving each of these objectives is monitored against progress on the underlying tasks. A description of the key performance indicators (KPIs) for 2018 is provided in Annex 11.

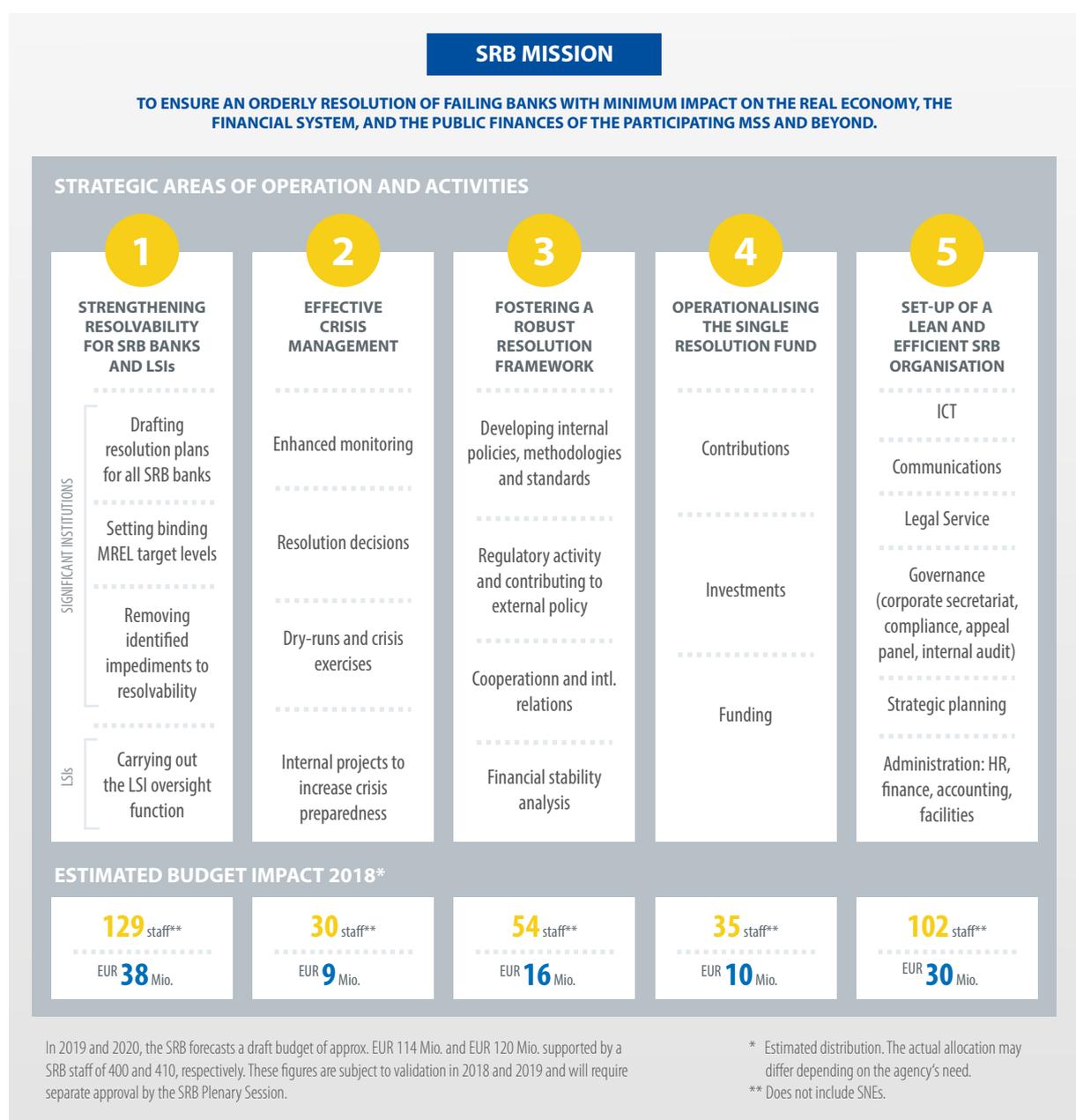
Throughout the implementation of the multi-annual objectives, the SRB will remain accountable towards its stakeholders. The SRMR sets out a substantive and robust accountability framework for the SRB's activities vis-à-vis the European Parliament, the Council of the EU and the European Commission.

One of the main channels of accountability is the SRB Annual Report, which, in accordance with the SRMR, has to be adopted by the SRB in its Plenary Session on an annual basis. The document is published and the Chair presents the report in public to the Parliament. The national parliaments of the participating Member States may also submit reasoned observations on the Annual Report, to which the SRB replies.

With regard to the implementation of the SRMR, the SRB is held accountable by the representatives of European citizens in the Parliament through regular public hearings and ad hoc exchanges of views with the Chair at meetings of the Parliament'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 Parliament or the Council. The national parliament of a participating Member State may also invite the Chair to participate in an exchange of views regarding the resolution of entities in the relevant Member State.

With the aim of informing and communicating with the public about its work, mission and mandate, the SRB actively reaches out to stakeholders and the general public by publishing special information on its website, conducting industry dialogues and holding conferences. The Chair and other board members visit individual countries on a regular basis to build up and strengthen cooperation with the relevant local authorities.

Figure 3: SRB objectives, areas of operation and activities 2018–2020



2.2. Multi-annual priorities 2018–2020

2.2.1. Resolvability of SRB banks and LSIs

The SRB's mandate is to ensure the resolvability of failing banks and cross-border institutions with minimum impact on the real economy and public finances. The following three tasks are interlinked and contribute in aggregate to the objective of achieving resolvability in the Banking Union:

1. drafting resolution plans for SRB banks;
2. setting binding MREL target levels;
3. removing identified impediments to resolvability;

Beyond the direct remit of SRB banks and cross-border institutions, another key strategic area of operation for the SRB is the oversight function with regard to resolution planning for LSIs, which is carried out by NRAs;

4. carrying out an effective oversight function for LSIs.

2.2.1.1 DRAFTING OF RESOLUTION PLANS FOR SRB BANKS

Preparing for a bank failure by drafting resolution plans represents a core task for the SRB and NRAs. The purpose of a resolution plan is to determine a banking group's critical functions, to identify and address any impediments to its resolvability, and to prepare for its potential resolution. Resolution plans are comprehensive documents that detail the bank's characteristics, describe the preferred resolution strategy, including which resolution tool(s) would apply in the event of failure and the level of MREL, and conclude with a resolvability assessment. The purpose of this assessment is to address any impediments to resolution.

The drafting of resolution plans is carried out by the SRB and NRAs using joint resources and expertise through internal resolution teams (IRTs) and in consultation with the ECB and respective supervisors.

Different types of resolution plans

The SRB aims to draft complete resolution plans for all banking groups under its remit by 2020, except if material changes of the bank's structure has delayed the resolution planning process or if fully fledged resolution planning is not relevant as the bank is already in resolution. To achieve this, the SRB intends to follow a modular approach that envisages a progressive improvement of the quality of the plans, depending on the level of priority assigned to the banking group in question. The quality of and progress on drafting resolution plans will depend, among other things, on the finalisation of a number of policy issues, described in section 2.2.2.

To meet this objective, the SRB will define, from 2018, two main types of banks, for which the intensity and scope of resolution planning will differ: banks with or without resolution colleges for which a fully-fledged resolution plan is relevant and necessary (covering the majority of groups within the SRB's direct remit) and banks that require a tailored approach to resolution

planning because of their particular nature, for instance groups covered by a European resolution college ⁽³⁾, banks that are subject to simplified obligations or banks for which the SRB is host ⁽⁴⁾ ('specific banks').

The SRB envisages intermediate stages for resolution plans, generally corresponding to the number of iterations of the planning cycle and based on the inclusion of relevant policies as they are developed by the SRB with the participation of NRAs. While ensuring complete coverage of the banks within its remit, the SRB will introduce proportionality into its resolution planning process. Banks with resolution colleges will be covered by the most advanced policies, and banks without colleges will be subject to a two-tier approach depending on their degree of priority, as agreed by the SRB and the relevant NRAs based on among other things the size, complexity and risk profile of the bank. This distinction for banks without colleges will reflect the level of policy development until the 2020 resolution planning cycle, with an expectation that most banks would be assigned a high level of priority in 2018 (75%) and 2019 (90%). For the 2020 resolution planning cycle, the SRB expects all banks, with or without colleges, to be covered by complete resolution plans with the most advanced set of policies.

While complete resolution plans are a target for the 2020 resolution planning cycle, this modular approach foresees an annual iterative improvement, with each step embedding more advanced policies and covering additional relevant areas. The distinction is especially relevant for MREL setting (see section 2.2.1.2) and the identification of substantive impediments to resolvability (see section 2.2.1.3).

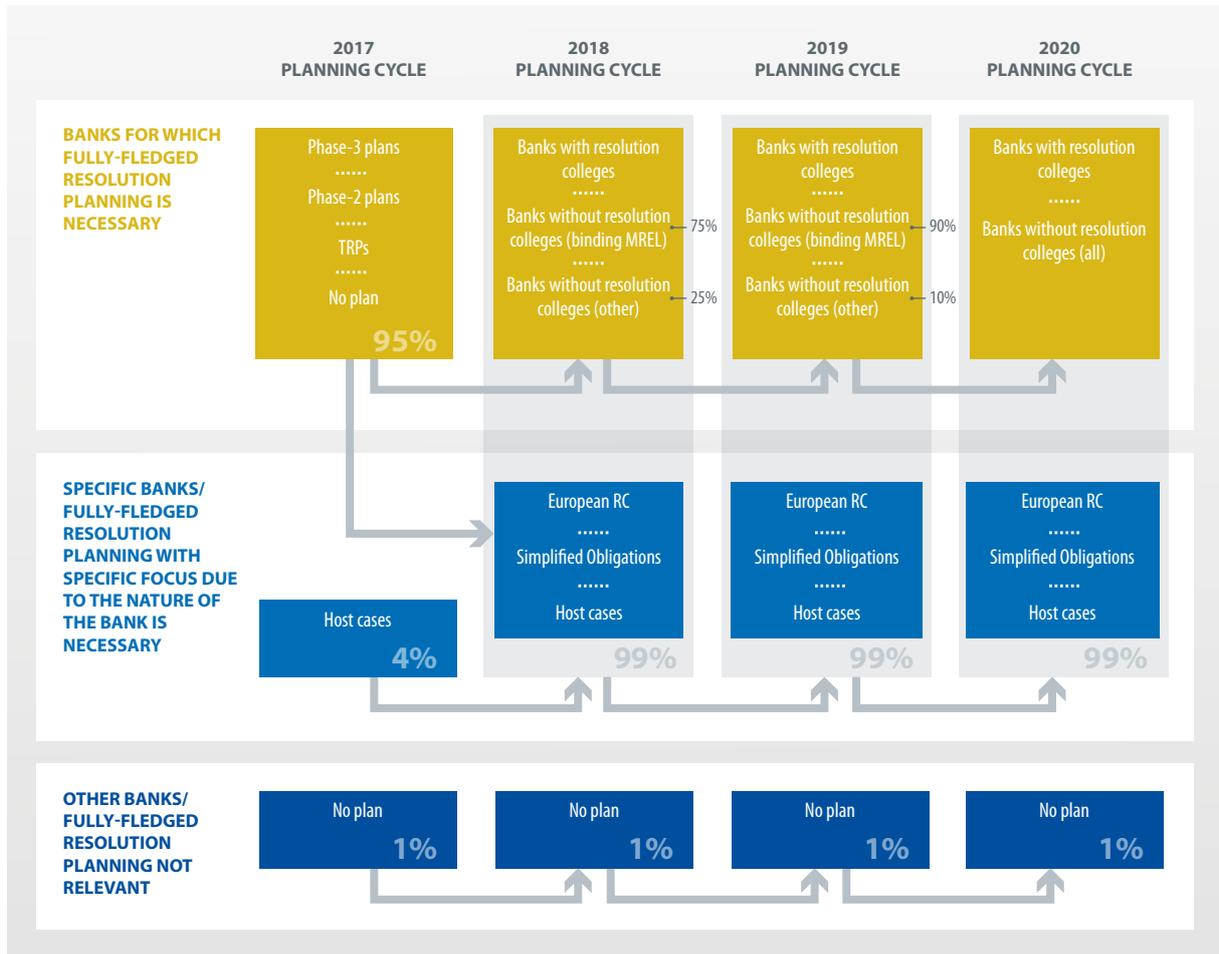
Therefore, as a general rule, the largest and most complex banks have been allocated to the upper category of plans for each resolution planning cycle. In addition, to promote high standards and constant progress within the SRM, each bank is subject to an improved type of plan from one resolution cycle to another, without prejudice to specific circumstances that may impact the expected objective for a given bank (e.g. material alteration to the group's structure, etc.).

Figure 4 provides an aggregated view of the timeframe envisaged for the banks falling within the SRB's direct remit, by type of plans, and provides an estimate of the percentage of groups corresponding to each category. The time bands correspond to the resolution planning cycle starting in a given year. This does not mean that in all cases (joint) decisions would be taken in that same year. To the contrary, for banks with colleges the decision will only be possible in the following year. However, for all banks resolution planning is an ongoing and iterative process.

⁽³⁾ Art. 89 BRRD.

⁽⁴⁾ The SRB contributes to the resolution plan drafted by the foreign EU group-level resolution authority, and strives to reach a joint decision in accordance with the applicable legal framework.

Figure 4: Progressive path towards the development of resolution plans within the SRM ⁽²⁾



2.2.1.2. SETTING BINDING MREL TARGET LEVELS

MREL represents one of the SRB’s key tools for achieving the resolvability of the banks under its remit. It requires significant analysis of banks’ specific risk profiles and resolution strategies, as well as information exchange and coordination with multiple stakeholders (NRAs, competent authorities, college members, banks, etc.). To support the determination of MREL targets, and further improve resolution readiness for the implementation of bail-in-related actions, the SRB uses its dedicated liability data template (LDT), filled in and submitted by banks falling within its remit, and will continue to work jointly with the EBA and other EU resolution authorities to design common reporting templates to ensure consistency and promote uniform standards across the EU.

In accordance with the BRRD, resolution authorities must set MREL targets at solo level for each institution and at consolidated level for EU parent institutions. The SRB has adopted an iterative approach towards MREL, aiming to set binding targets on the consolidated level for banks covered by Phase 3 plans during the 2017 cycle, that is, in practice, most banks covered by a resolution college and a large subset of priority banks without college, with an appropriate transition period, while banks with less advanced resolution plans would not be subject to a binding requirement. The SRB will continue working on the same approach in the years to come, with the aim of setting binding MREL targets at consolidated and solo levels by 2020 for all banks. In 2018, the SRB will also complement its policies, for instance with respect to ‘no creditor

⁽²⁾ Figures may be revised depending on the specific circumstances of a given bank or group of banks, or other material events.

worse off' assessments, MREL for transfer strategies, and will develop its internal MREL policy in 2018 and it will strive to reach the first decisions during the 2018 resolution planning cycle. Beyond 2018, decisions on MREL will be regularly updated in the light of possible changes in the structures and degrees of riskiness of banks.

In particular, for the 2018 and 2019 cycles, banks with resolution colleges will be subject to binding MREL targets at consolidated level as well as a determination of targets at solo level in accordance with the applicable legislation. For non-college banks, a key distinguishing feature of resolution plans for priority banks will be the inclusion of a binding target at consolidated level in the 2018 cycle, while other banks will be subject only to an informative target.

This objective is without prejudice to any significant change in the applicable legal framework that might materially alter the provisions related to MREL setting for banking groups.

2.2.1.3. ADDRESSING IMPEDIMENTS TO RESOLVABILITY

In 2016 and 2017, potential impediments were identified and communicated to banks without determining whether these impediments were substantive or not.

Before designating an impediment substantive, the SRB will, while continuing to finalise and enhance its set of standards, assess whether the action taken by the bank is sufficient to avoid starting a formal procedure based on the current preliminary set of standards.

From a multi-year perspective, the SRB intends to analyse and identify substantive impediments continuously throughout the drafting phase of all plans. Following the modular approach and depending on the level of detail of the different types of plans, measures to remove impediments, if needed, are intended to be taken from 2019 onwards. If substantive impediments to resolvability are clearly observable, action will be taken before 2019. Nonetheless, banks are encouraged to deliver solutions that will remedy potential impediments to avoid starting a formal procedure.

2.2.1.4. CARRYING OUT THE OVERSIGHT FUNCTION FOR LESS SIGNIFICANT INSTITUTIONS

The SRMR provides a clear division of tasks between the SRB and NRAs with regard to the type of institution. While the SRB is ultimately responsible for the resolution planning of significant institutions and cross-border groups (both referred to as SRB banks), NRAs draw up plans and take resolution measures for all other banks, or LSIs, in the Banking Union.

With regard to LSIs, the SRB maintains an oversight function to ensure the consistent application of resolution actions in the SRM. Therefore, NRAs notify the SRB about the adoption of resolution plans and inform on other draft resolution measures ⁽⁶⁾ to be taken. Following the notification from NRAs and based on an SRMR conformity assessment, the SRB in turn may adopt a formal compliance decision and inform the relevant NRA ⁽⁷⁾.

⁽⁶⁾ In accordance with Article 7 (3) SRMR and pursuant to Articles 32 and 33 of the Cooperation Framework between NRAs and the SRB the NRAs shall inform the SRB of the measures to be taken where they exercise their tasks and powers in relation to entities under their remit. Relevant measures relate to the application of simplified obligations or waivers, the establishment of MREL target levels, early intervention measures, a decision to place an entity under resolution, the adoption of a resolution scheme, or the write-down or conversion of capital instruments..

⁽⁷⁾ According to Art. 7(4) SRMR.

While the scope of the LSI oversight mandate will be somewhat predictable once a steady state is reached (over 3,000 entities), for the time being the number of decisions to be taken by the SRB depends on the submission of plans and other measures by each NRA. So far, progress has been unsteady. In 2017, only a third of NRAs notified the SRB of draft decisions that they had prepared for LSIs. The SRB expects a sizeable increase in notifications over the next three years. It is expected that in 2018 the SRB will receive new notifications for at least 25% of all LSIs (approximately 780). Together with the notifications received in previous years, this would account for 45% of all LSIs. This figure would increase further to 80% in 2019 (approximately 1 000 new notifications), and a steady state (100%) would be achieved in 2020 (approximately 1 100 new notifications). It should be noted that in 2018–2020 the SRB will also receive a number of updates on already adopted resolution plans for LSIs, as resolution plans envisaging the resolution of an institution should be updated at least once a year ⁽⁶⁾.

Within the framework of the LSI oversight function, an LSIs Early Warning System has been agreed between the SRB and the NRAs, as laid down in the COFRA. The LSI Early Warning System allows the SRB to timely prepare for the assessment of the draft measure when the first signs of financial deterioration emerge and provide prompt feedback to the relevant NRA at the moment of crisis. This is even more relevant if the use of the SRF is envisaged since in such cases the SRB would become the competent authority for the adoption of the resolution scheme. Overall, it contributes to the SRB's risk management and strengthens resolvability.

2.2.1.5. ESTIMATED RESOURCES NEEDED TO STRENGTHEN RESOLVABILITY

Table 1: Resource needs for resolvability, 2018–2020 ⁽⁷⁾

Year	Directorates and units involved	SRB staff	Estimated budget impact *	
			TITLE	AMOUNT (EUR)
2018	Dir. A, B, C and D	129	Title 1 – Staff expenditure	15 839 412
			Title 2 – Infrastructure and operating expenditure	4 710 656
			Title 3 – Operating expenditures	17 831 486
2019	Dir. A, B, C and D	151	Title 1 – Staff expenditure	18 065 711
			Title 2 – Infrastructure and operating expenditure	5 579 645
			Title 3 – Operating expenditures	18 354 080
2020	Dir. A, B, C and D	154	Title 1 – Staff expenditure	19 375 991
			Title 2 – Infrastructure and operating expenditure	5 410 834
			Title 3 – Operating expenditures	18 905 405

* The budget and staff distribution across the five strategic areas of operation is approximate, given that this exercise was carried out for the first time in 2017. Titles 1 to 3 of the SRB budget have been distributed in accordance with the headcounts in these areas.

⁽⁶⁾ According to Art. 11 SRMR less frequent updates can be applied only to institutions that are subject to simplified obligations.

⁽⁷⁾ For 2019 and 2020, the figures presented are preliminary estimates subject to further assessment and endorsement by the Plenary Session.

2.2.2. Resolution framework

Resolution planning is a new task at EU level. Owing to the novelty of this task, the establishment of a strong resolution framework is a key priority for the SRB. The tasks under this area of operation relate to the development of effective policy, standards and analysis to support the drafting of plans and decisions, but they also include broader legislative and regulatory work in the field of resolution planning and fund matters. The resolution framework is founded on close cooperation among authorities and stakeholders.

The following activities are considered key to establish an effective resolution framework:

1. developing internal policies and standards for resolution planning and crisis management;
2. contributing to policy and supporting legislative work;
3. cooperating and building trust and relationships among key actors at the international level;
4. developing a sound financial stability analysis.

2.2.2.1. DEVELOPMENT OF POLICIES AND STANDARDS FOR RESOLUTION PLANNING AND CRISIS MANAGEMENT

To support and harmonise the process of resolution planning, the SRB has committed to developing relevant policies and standards with the involvement and cooperation of NRAs through the Resolution Committee. A list of the main deliverables over time, based on the Resolution Committee work programme, is included in Table 2 below.

The bulk of the policy work is planned for 2018, while in 2019 and 2020 the focus will be on interdependencies, updating previous policies, and additional policy work where necessary. The exact focus of the policy work in those years will be established in more detail after the implementation of the 2018 work programme.

Table 2: Planned work on policies and standards that are subject to revision

	2018	2019	2020
RESOLUTION PLANNING AND MANUAL			
MREL	X*	X**	
Resolvability assessment	X	X	
Operationalisation of resolution tools and combined use (bail-in, bridge institution, sale of business, asset separation)	X	X	
Strategic business analysis – critical functions	X		
Public interest assessment	X		
Access to FMI	X	X	
Review of the Resolution Planning Manual	X	X	
Management information systems/resolution reporting and data needs	X	X	
Operational continuity	X	X	
Liquidity – analysis and scenarios		X	
Strategic business analysis – separability assessment		X	
Resolution scenarios		X	
Communication		X	
Benchmarking exercise	X	X	
RESOLUTION ACTION			
National handbooks	X		
Liquidity – use of the Fund	X		
Valuation	X		
LSIs OVERSIGHT			
Policies for LSIs	X	X	

* Work will concentrate on, for instance, individual and internal MREL policies and the calculation of MREL for transfer strategies and aims at progressing towards NCWO assessments.

** MREL policy will be updated in the light of legislative changes.

2.2.2.2. MONITORING REGULATORY ACTIVITY AND CONTRIBUTING TO LEGISLATIVE POLICY

The SRB operates in an evolving legislative and regulatory environment, which requires close monitoring, analysis and participation in policy work at various levels within the EU. Table 3 summarises the SRB's regulatory and policy involvement in relation to the relevant EU bodies, institutions and authorities.

Table 3: SRB regulatory and policy activity 2018–2020

Recurring tasks	
European Commission	<ul style="list-style-type: none"> • Monitor and respond to policy proposals and reports • Participation in high-level and technical meetings in relevant DGs (FISMA, COMP, ECFIN)
European Parliament	<ul style="list-style-type: none"> • Monitor and respond to policy proposals and reports • Prepare ECON hearings • Respond to requests from Members of the Parliament
Council of the EU	<ul style="list-style-type: none"> • Monitor and respond to policy proposals and reports • Prepare for and attend, where applicable, relevant technical meetings, e.g. Economic and Financial Affairs Council (ECOFIN), the Eurogroup, the Economic and Financial Committee (EFC), the Eurogroup Working Group (EWG), the Task Force for Coordinated Action (TFCA), the Ad-hoc Working Party (ADWP), the Expert Group on Banking, Payments and Insurance (EGBPI), Financial Service Committee (FSC).

Given the impact on day-to-day resolution planning activities, the SRB is closely monitoring developments in relation to and the outcome of the risk reduction package that was put forward by the Commission in November 2016, which is currently under review by the Parliament and the Council of the EU. Given the SRB's role as the owner of the SRF, another area of priority is the ongoing policy work on the establishment of a backstop mechanism for the SRF. In the context of the Council's EFC, SRB staff are currently supporting the TFCA in the design and set-up of a European Common Backstop and will continue to assist at a technical level in future.

2.2.2.3. COOPERATION AND INTERNATIONAL RELATIONS

The building of a robust resolution framework requires close cooperation and good international relations with the relevant stakeholders.

COOPERATION WITH THE ECB

Close cooperation and technical exchange between the ECB as the single supervisory authority and the SRB as the single resolution authority are integral for the success of the Banking Union and thus present a key priority. The SRB will continue to attend meetings of the ECB Supervisory Board when invited to discuss topics relevant from a resolution perspective or individual cases that would entail resolution or trigger early intervention measures. The ECB has observer status in the Executive and Plenary Sessions and is thus involved in the SRB's resolution planning activities. At a more technical level, joint supervisory teams (JSTs) and IRTs interact and share supervisory information in accordance with the bilateral memorandum of understanding (MoU). The SRB will continue to analyse recovery plans that are submitted by the ECB and will consult with JSTs on draft resolution plans. In addition, the SRB will coordinate and participate in high-level meetings on topics of mutual interest.

COOPERATION WITH THE COMMISSION

On an ongoing basis, the SRB will exchange views and liaise closely with the Commission, in particular with the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) and the Directorate-General for Competition (DG COMP), with regard to both policy areas where the SRB's expertise may be beneficial and procedural issues concerning the decision-making process regarding resolution schemes, including reflections on previous resolution decisions, where relevant. Close cooperation and collaboration is also ensured due to the fact that the Commission has an observer status in the SRB's Executive and Plenary Sessions.

COOPERATION WITH THE EBA

Given its role in the regulatory process and in the convergence of resolution practices, including mediation and the efficient functioning of resolution colleges, the EBA plays an important role in resolution-related work and the SRB. An SRB full-time board member currently chairs the EBA's Resolution Committee and attends the EBA's Board of Supervisors and its Standing Committee on Regulation and Policy as an observer. The SRB will in this context also carry out activities necessary to comply with the EBA's reporting requirements and will continue to contribute to the development of standards and guidelines relevant for resolution.

COOPERATION WITH NATIONAL AUTHORITIES

Cooperation with NRAs

- ▶ The COFRA signed in 2016 specifies the modalities of the cooperation between the SRB and the NRAs in a number of areas, including IRTs, resolution colleges, access to information and LSI oversight. This framework also provides operational guidance. However, as this framework was developed and adopted at the very beginning of the SRM's functioning, there is a need to revise it based on the experience acquired during the first years of the implementation of the SRMR. The major principle for this cooperation is a collaborative approach.
- ▶ In 2018, the SRB will review the COFRA based on the feedback gathered from various stakeholders during 2017. In order to achieve this objective in 2018, the SRB will work in close cooperation with the NRAs.

Cooperation with NCAs

- ▶ An MoU with the ECB is already in place to guarantee the smooth functioning of the Banking Union and information exchange in relation to significant institutions where the ECB is the competent supervisory authority. Nevertheless, the SRB is also the competent resolution authority for other cross-border groups, according to Article 7(2)(b) of the SRMR, and is also responsible for the LSI oversight function in relation to LSIs under the direct remit of the NRAs. In order to ensure the efficient implementation of its mandate, the SRB needs to have the necessary information regarding LSIs. As ad hoc requests in accordance with Article 34 of the SRMR would be too cumbersome and time-consuming, a more stable solution is advisable. To this end, appropriate means

– including investigating the negotiation of a multilateral MoU or bilateral MoUs with 19 NRAs/NCAs in order to guarantee the transparent and well-functioning exchange of relevant information and close cooperation regarding LSIs, including cross-border LSIs. In the steady state, all relevant information shall be stored in one Single Data Warehouse accessible for SRB, ECB, NRAs and NCAs.

Non-Banking Union authorities in the EU

- ▶ Article 32(2) of the SRMR requires the SRB to conclude multilateral MoUs with the NRAs and NCAs of each non-participating Member State and the ECB. In 2018, the SRB will start negotiations in order to progress towards the establishment of these MoUs.

Non-EU authorities

In order to improve resolvability and to foster best practices on a broader scale, in 2018 and beyond the SRB will continue its engagement with the authorities of third countries (outside the EU). The following activities are considered priorities in this area:

- ▶ Signing the cooperation agreements (CoAgs) concerning G-SIBs for which the SRB is the home authority and which have an extensive third-country presence, particularly for BNP Paribas Group, Deutsche Bank Group, Santander Group and Société Générale Group. The signatories of these CoAgs include third-country authorities such as the Federal Deposit Insurance Corporation (FDIC), the New York State Department of Financial Services, the Board of Governors of the Federal Reserve System, the US Securities and Exchange Commission, the Mexican Institute for the Protection of Bank Savings, Mexico's National Bank and Securities Commission, the Central Bank of Brazil and others.
- ▶ Accession to the CoAgs concerning G-SIBs for which the SRB is the host authority, such as HSBC, the Royal Bank of Scotland, Bank of New York Mellon, Citigroup, JP Morgan Chase & Co. and State Street.
- ▶ Assessments of the professional secrecy and confidentiality requirements applied to non-EU authorities concerning cooperation arrangements, CoAgs for which the SRB is the home authority and CoAgs for which the SRB is the host authority, in order to determine whether they are equivalent to those set by EU law.
- ▶ Negotiations on the text and signing of the cooperation arrangements on resolution with third-country authorities, including the Australian Prudential Regulation Authority, the Central Bank of Brazil, the Canada Deposit Insurance Corporation, the Hong Kong Monetary Authority, Japan's Financial Services Agency, the Mexican Institute for the Protection of Bank Savings, the Reserve Bank of New Zealand and the National Bank of Serbia.

INTERNATIONAL FORA AND BODIES

The work of international fora and bodies is important to the SRB, as the guidance documents issued by these bodies have an impact on the way the resolution authorities work in the medium term. In addition, they also provide a cooperative environment in which to discuss issues that are faced by all authorities irrespective of where they are based.

The Financial Stability Board

The SRB is an active member of the FSB, where it participates in the various work groups and sub-groups relevant for resolution, namely the Resolution Steering Group (ReSG), the Cross-border Crisis Management Group for Financial Market Infrastructures (fmiCBCM), the Legal Expert Group (LEG), and the Cross-border Crisis Management Group (CBCM), including their various work streams. The SRB contributes to the FSB's work by providing detailed written and oral input and by participating in conference calls and meetings. In addition, the SRB assesses and analyses FSB outputs on a regular basis to highlight their potential impact on the SRB and resolution planning. Finally, the SRB coordinates and participates in the yearly resolvability assessment process (RAP) for its G-SIBs.

The SRB is particularly involved in the ReSG and its work groups, which undertake in-depth analysis and develop guidance documents where relevant. The LEG has been developing proposals on how legal certainty in cross-border resolution can be increased further, and will continue to do so. The CBCM has been central to the FSB's resolution work over the past few years, with the development of the total loss-absorbing capacity (TLAC) standard, and more recently the internal TLAC and continuity of access to financial market infrastructures (FMIs) standards, among others. This group is also responsible for undertaking the RAP and, given that the 'the FSB's focus going forward will be on the comprehensive and consistent implementation of agreed resolution policies and on the evaluation of the effects of resolution reforms', this assessment will become an ever more important output in the coming years. Last but not least, the fmiCBCM work on the resolution of CCPs is still ongoing. Indeed, although in 2017 the FSB published its guidance on CCP resolution and resolution planning, the FSB will continue its work focusing on financial resources for CCP resolution and on the treatment of CCP equity in resolution.

The International Monetary Fund

IMF Financial Sector Assessment Program (FSAP) missions: at the end of 2017/beginning of 2018 the IMF will perform the FSAP at the euro area level, taking into account the crisis management arrangements. This means that the SRB as the euro area resolution authority will be deeply involved in this exercise. In addition to the euro area FSAP mission, the SRB is also involved into country FSAPs, performed in Banking Union Member State.

FSAP is a comprehensive and in-depth assessment of the financial sector in question (in this case, that of the whole euro area). FSAP covers three main areas: (i) the resilience of the financial sector; (ii) the quality of the regulatory and supervisory framework; (iii) and the capacity to manage and resolve financial crises. Based on its findings, the IMF produces recommendations of a micro- and macro prudential nature, tailored to country-specific circumstances.

During the euro area FSAP, the IMF will assess several key aspects of the resolution regulatory framework and its implementation by the SRB. Topics to be covered in relation to the crisis management arrangements will include data exchange with the supervisor, recovery planning, early intervention, failing or likely to fail assessments, cooperation with third countries, crisis preparedness, funding in resolution, etc. The IMF's assessment will be summarised in a technical note that will be transposed into recommendations to follow during 2019–2020, through the yearly euro area Article IV mission.

The World Bank and the EU international dialogues

In the past, the SRB has participated in exchanges on policy topics that led to the BRRD Handbook by the World Bank. Moreover, the SRB has presented on the EU resolution framework in workshops and participated in several EU international dialogues, organised by the European Commission. The SRB will continue, if requested, to provide advice to the World Bank and other major non-EU jurisdictions concerning the EU resolution framework.

2.2.2.4. DEVELOPMENT OF SOUND FINANCIAL STABILITY ANALYSES

The SRB's resolution planning and crisis management activities will be supported by sound financial stability analyses, to be developed based on adequate methodologies and data. This task, to be carried out by a devoted unit, will be mainly recurring and aim to support resolution planning and crisis management decisions and actions. The analysis will cover various resolution topics, e.g. the public interest test, critical functions, the selection of resolution tools, asset valuation, bail-in exercises, etc. The purpose of the unit will also be to monitor – by leveraging on the work done by other relevant institutions such as the ECB, the European Commission and the European Systemic Risk Board (ESRB) – risks, vulnerability and other developments in banking and financial markets relevant from a resolution perspective, to be accounted for in day-to-day resolution activities. The medium-term goal for the unit is to become a centre of excellence when it comes to financial stability analysis in resolution.

2.2.2.5. ESTIMATED RESOURCES NEEDED FOR STRENGTHENING THE RESOLUTION FRAMEWORK

Table 4: Resource needs for resolution framework, 2018 - 2020 ⁽¹⁰⁾

Year	Directorates and units involved	SRB staff	Estimated budget impact *	
			TITLE	AMOUNT (EUR)
2018	Dir. A, B, C and D, Unit 2 and the SRF	54	Title 1 – Staff expenditure	6 630 452
			Title 2 – Infrastructure and operating expenditure	1 971 903
			Title 3 – Operating expenditures	7 464 343
2019	Dir. A, B, C and D, Unit 2 and the SRF	62	Title 1 – Staff expenditure	7 436 563
			Title 2 – Infrastructure and operating expenditure	2 296 803
			Title 3 – Operating expenditures	7 555 267
2020	Dir. A, B, C and D, Unit 2 and the SRF	66	Title 1 – Staff expenditure	8 305 470
			Title 2 – Infrastructure and operating expenditure	2 319 340
			Title 3 – Operating expenditures	8 103 754

* The budget and staff distribution across the five strategic areas of operation is approximate, given that this exercise was carried out for the first time in 2017. Titles 1 to 3 of the SRB budget have been distributed in accordance with the headcounts in these areas.

2.2.3. Crisis management

While one of the tasks of the SRB is to plan for the resolution of banks to ensure their resolvability, another is to prepare for imminent crisis, including by taking resolution action if necessary. This chapter describes the activities related to carrying out effective crisis management. It is important to emphasise that the SRB's crisis management activities are dynamic and depend on the triggering or likely triggering of an event. In the absence of such an event, the relevant staff float between crisis management activities and resolution planning tasks. In order to foster a consistent approach and best practice sharing across the SRB, as well as to enhance the capacity of the organisation to react to contingencies, a number of 'horizontal initiatives' across the directorates have been undertaken. The Resolution Readiness project and the valuation work streams (see section 2.2.3.3) are examples thereof.

2.2.3.1. CRISIS CASES

ENHANCED MONITORING

In addition to planning for resolution by drafting resolution plans in IRTs, the SRB is mandated to take resolution action should the conditions for resolution be met. While only one resolution decision for a bank under the SRB's direct remit has been taken to date, the SRB is closely monitoring any bank that is either undergoing restructuring or the financial condition of which is deteriorating and for which alternative measures have been or are in the process of being developed.

Increased monitoring concerns institutions with a high risk profile, overall or in some specific risk areas, as established in the supervisors' assessment. This enhanced monitoring, usually linked with

⁽¹⁰⁾ For 2019 and 2020, the figures presented are preliminary estimates subject to further assessment and endorsement by the Plenary Session.

more intense interactions with the institutions and external stakeholders (including the supervisors), involves a significant amount of resources and preparedness for a possible resolution scheme.

These resources, which are primarily dedicated to day-to-day resolution planning, are focused more intensively on gathering the information necessary to enable an assessment of whether the conditions for resolution might be met in the event of a failing or likely to fail decision, and on making that assessment.

The previous crisis cases highlighted that this monitoring is of great importance, in particular in the event of liquidity stress. In such circumstances, the timing of the failing or likely to fail decision is indeed essential and it must be taken early enough to ensure the applicability of the resolution strategy.

Cooperation with the supervisors needs to be intensified early enough to enable the SRB and resolution authorities to increase monitoring of the institution and obtain the necessary information for a potential resolution.

DRAFTING RESOLUTION DECISIONS

In the run-up to the adoption of a resolution scheme and in close cooperation with the ECB and the NRA, the SRB will first prepare for drafting the resolution scheme and operationalise the resolution strategy. This step entails the performance of independent valuations in order to tailor the preferred resolution strategy and ensure the financial continuity of the institution under resolution (the so-called Valuation 2). In this regard, previous crisis experiences have shown that the support of the bank's management is essential to foster good cooperation in preparing for the implementation of resolution decisions, and for data/information exchange for the purpose of valuation in particular (e.g. through the setting up of a virtual data room). For this purpose, close contact with banks is needed for resolution planning, and it needs to be even closer in the event of a crisis. In particular, specific information is needed from the bank, in addition to that necessary for the drafting of and communication in relation to the resolution plan.

In parallel, preparatory work is required to facilitate and smoothen the operationalisation of the resolution strategy (e.g. the preparation of operational arrangements for setting up an asset management vehicle). This preparation involves not only the SRB units in charge of resolution planning and decisions but also the horizontal units, e.g. the procurement and ICT departments.

Following this preparation, the SRB will assess whether the conditions for resolution are met, in cooperation with the NRA and within the forum of the IRT. An independent valuation is necessary to further inform the decision on if the conditions for resolution are met, and in particular on if the entity is failing or likely to fail. The IRT also needs to assess the absence of alternative private sector measures or supervisory action. The IRT must, finally, establish if the resolution action is in the public interest, including through a comparative assessment of the impact of insolvency proceedings and resolution actions. These tasks entail a high degree of involvement on the part of not only the Resolution Planning and Decision Units but also the Legal and Financial Stability Departments and, in some cases, the SRF team.

Once the preferred resolution strategy has been identified and the three conditions have been met, the adoption process is launched. The adoption process is of a procedural nature and is subject to regulatory requirements. It involves several interactions with the members of the Board in its (extended) Executive or Plenary Session, as well as with external stakeholders, including the European Commission. In parallel, the NRA also works on preparing the national implementing act, in the appropriate legal form defined by the national regulations.

USING THE SINGLE RESOLUTION FUND IN RESOLUTION

Within the resolution scheme, when applying the resolution tools, the Board may use the Fund only to the extent necessary to ensure the effective application of resolution tools, for the following purposes:

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

As referred to in section 2.2.4.3, the SRF must not be used directly to absorb losses or to recapitalise an institution. In exceptional circumstances, where an eligible liability or class of liabilities is excluded or partially excluded from bail-in, a contribution from the SRF may be made to the institution under resolution under two key conditions, namely:

- ▶ Bail-in of at least 8%: a contribution to loss absorption and recapitalisation totalling not less than 8% of the total liabilities including own funds of the institution under resolution has already been made by shareholders, the holders of relevant capital instruments and other eligible liabilities through write-down, conversion or otherwise;
- ▶ Contribution from the SRF of maximum 5%: the SRF contribution does not exceed 5% of the total liabilities including own funds of the institution under resolution.

In order to clarify specific requirements and practicalities regarding the use of the SRF in resolution, the SRB will intensify its work to (i) further develop a common policy stance on the use of the SRF for funding in resolution and (ii) improve the SRB's readiness by tailoring the necessary operational steps to different crisis cases (e.g. solvency, liquidity stress).

MONITORING THE EXECUTION OF THE RESOLUTION

The implementation of the resolution scheme entails some monitoring tasks on the part of the SRB pursuant to Article 28 of the SRMR. Actions are also taken in order to mitigate legal risks stemming from the decision if there are potential court proceedings relating to the liquidation of the assets of the institution under resolution, to the resolution decision or to the valuation. The financial and operational situation of the institution under resolution, as well as the bridge institution and the asset management vehicle if relevant, must also be monitored closely by the Board.

Additionally, the SRB also makes sure that the lessons learned from each experience are identified and, if necessary, prepares a remediation plan accordingly. This exercise is intended to identify areas for improvement in the crisis management framework, in particular in terms of processes, documentation, IT solutions and organisational arrangements.

2.2.3.2. HORIZONTAL PREPARATION FOR CRISIS MANAGEMENT

THE SRB'S RESOLUTION READINESS PROJECT

Launched in May 2017, the Resolution Readiness project is intended to result in the development of a common and consistent approach to crisis management through the mapping of existing supporting documents/tools, the improvement of existing manuals (the Crisis Management Manual and Legal Main Steps) by designing optimal step-by-step processes and workflows and analysing the necessary organisational and ICT arrangements for an efficient crisis management process. The Readiness project is expected to run until the end of 2018 or mid-2019 and will be built around three phases:

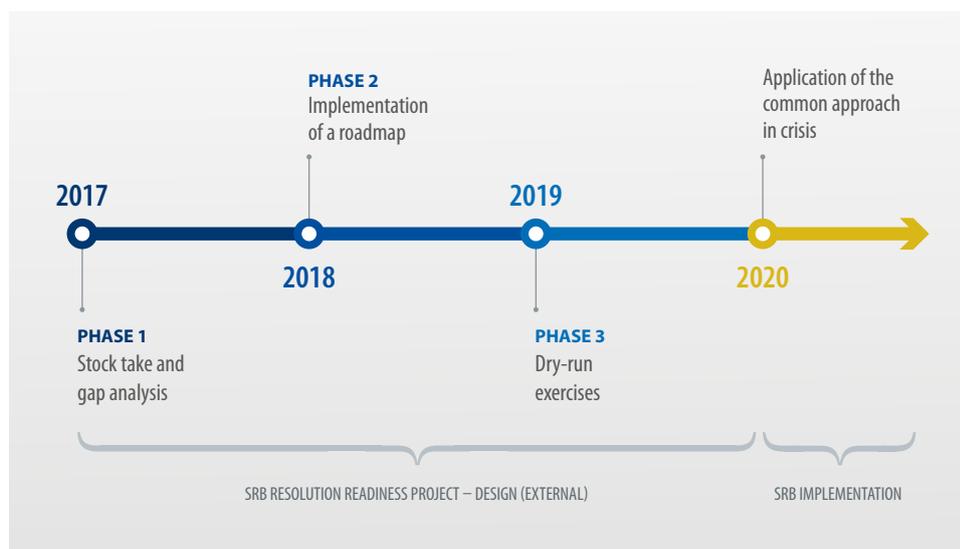
- ▶ phase 1: stock taking and gap analysis;
- ▶ phase 2: implementation of a roadmap;
- ▶ phase 3: dry-run exercises.

The first specific contract under the Readiness project, currently ongoing (phase 1), includes:

1. performing a stock-take and conducting interviews;
2. drafting (i) an operational manual with detailed optimal workflows and related processes and (ii) a proposal for an improved SRB operational structure;
3. carrying out a gap analysis;
4. creating a roadmap, with identified remedial actions.

Following this first phase, the project should lead to a proposal for optimal tailored ICT solutions first in the short term and then in the long run. During the third phase of the project, these solutions will be tested, along with the organisational/operational arrangements designed by the project team, through several dry-run exercises.

Figure 5. Timeline SRB resolution readiness project



TRILATERAL EXERCISE

The SRB is part of a trilateral collaboration project with resolution and supervisory authorities from the USA, the UK and the Banking Union, and the UK and US treasuries. This collaboration started in late 2015 and reached its first milestone in October 2016 with a principal-level discussion on the resolution framework of each jurisdiction, which took place in Washington, hosted by the FDIC. The ongoing project aims to add more technical detail on the operationalisation of the US, UK and Banking Union frameworks and the coordination of international authorities in the area of cross-border resolution. Looking forward and after the current work is completed, the SRB stands ready to continue this collaboration between the three jurisdictions.

VALUATION PROJECT AND DRY-RUN VALUATION

In order to build a common approach to valuation exercises in the event of a crisis, the SRB, in cooperation with NRAs, launched a valuation project in 2017. The purpose of this project is to prepare an SRB common framework for valuation and to test it through a dry-run valuation. The project is expected to run until 2018.

Valuation project

The first phase of the project is being performed with the support of external contractors and involves:

- (i) carrying out a benchmarking exercise: collecting, assessing and comparing the valuation frameworks of other resolution authorities both within and outside the Banking Union;
- (ii) preparing a first draft of the SRB framework for valuation. The report should in particular provide guidance on the main assumptions underlying the valuation – including, inter alia, macroeconomic scenarios – and describe the characteristics of the sensitivity analysis, including – but not limited to – the determination of acceptable ranges for the final value, as required by Article 3(3) of the Draft EBA RTS on Valuation ⁽¹⁾.

The final report of this first phase, due by end 2017, will be the basis for the dry-run valuation to be performed in 2018.

Dry-run valuation

The dry-run valuation will be complementary to the valuation project.

Based on the newly developed SRB framework for valuation document, this second phase will aim to test the framework and to determine more specifically the timing and methodologies to be followed to perform a fictional valuation. The dry run will cover two types of institutions, one with the characteristics of a G-SIB and another one with the features of a medium-sized bank.

The purposes of the project are:

- (i) to test the guidance provided through the valuation project in a tabletop setting;
- (ii) to identify the data requirements for performing a valuation (e.g. publicly available, available from the ECB, available for resolution purposes, ad hoc);

⁽¹⁾ EBA-RTS-2017-05 and EBA-RTS-2017-06.

- (iii) to create a valuation playbook (e.g. process, due diligence, timeline, interaction with the institution, etc.). The deliverables will have the form of a report describing the methodology to be followed for the fictional valuation of a bank.

The finalisation of the dry-run valuation is expected in early 2018.

2.2.3.3. RESOURCES NEEDED TO ENSURE EFFECTIVE CRISIS MANAGEMENT

Table 5: Resource needs for crisis management, 2018 - 2020 ⁽¹²⁾

Year	Directorates and units involved	SRB staff	Estimated budget impact *	
			TITLE	AMOUNT (EUR)
2018	Dirs B, C and D	30	Title 1 – Staff expenditure	3 683 584
			Title 2 – Infrastructure and operating expenditure	1 095 501
			Title 3 – Operating expenditures	4 146 857
2019	Dirs B, C and D	34	Title 1 – Staff expenditure	4 143 159
			Title 2 – Infrastructure and operating expenditure	1 279 626
			Title 3 – Operating expenditures	4 209 293
2020	Dirs B, C and D	35	Title 1 – Staff expenditure	4 343 606
			Title 2 – Infrastructure and operating expenditure	1 212 972
			Title 3 – Operating expenditures	4 238 113

* The budget and staff distribution across the five strategic areas of operation is approximate, given that this exercise was carried out for the first time in 2017. Titles 1 to 3 of the SRB budget have been distributed in accordance with the headcounts in these areas.

2.2.4. The Single Resolution Fund

The SRF was established by the SRMR and is owned by the SRB.

The Board can use the SRF only for the purpose of ensuring the efficient application of resolution tools and the exercise of resolution powers conferred on the SRB.

By the end of an initial period of eight years from 1 January 2016, the available financial means of the SRF are to reach at least 1% of the amount of covered deposits of all credit institutions authorised in the Banking Union. During this initial period, contributions to the SRF are to be spread as evenly as possible until the target level is reached.

The SRF-related work within the SRM is divided into three sectors: contributions, investments and funding. The cooperation between the NRAs and the SRB is organised through the Fund Committee which has two compositions: the Contributions Composition and the Investment Composition.

⁽¹²⁾ For 2019 and 2020, the figures presented are preliminary estimates subject to further assessment and endorsement by the Plenary Session.

2.2.4.1. CONTRIBUTIONS

The SRF is financed from ex-ante contributions paid annually at individual (solo) level by all credit institutions and some investment firms authorised in the 19 Member States participating in the SRM.

According to the IGA on the transfer and mutualisation of contributions to the SRF, contributions are to be allocated to different compartments corresponding to each participating Member State (national compartments) during the transitional period. These compartments will progressively be merged and will cease to exist at the end of the transitional period of eight years.

The SRB is responsible for the calculation of the contributions by applying the methodology set out in Commission Delegated Regulation (EU) 2015/63 and Implementing Regulation (EU) No 806/2014.

The NRAs are responsible for the collection and transfer of contributions from the entities located in their respective territories to the Fund.

Where the available financial means are insufficient to cover the losses or costs incurred by the use of the SRF, additional ex-post contributions should be collected.

The multi-annual priorities for 2018–2020 for in this area are:

- ▶ to develop further the operational efficiency of the contributions collection process by continuously improving staff resources, IT tools and procedures used to drive the collection activity;
- ▶ to monitor the evolution of covered deposits with regard to the annual target setting, as well as with regard to the objective of reaching the overall target level for the end of the initial period of an equivalent of 1% of covered deposits of all banking institutions within the Banking Union;
- ▶ to prepare for possible ex-post financing situations;
- ▶ to implement, to the extent possible, the calculation methodology set out in the Regulation in relation to ex-ante contributions. Owing to a lack of harmonisation, not all indicators were included in the previous cycles.

2.2.4.2. INVESTMENTS

The investments are regulated by the Article 75 of the SRMR and the Commission Delegated Regulation on Investments (Delegated Regulation (EU) 2016/451). The investment team is responsible for managing the amounts held in the SRF and for managing the overall risk position of the SRF, as the investment portfolio can be used to balance risks resulting from the use of the SRF.

The following tasks can be identified:

- ▶ management of the investments;
- ▶ management of risks/assets resulting from the use of the SRF in resolution;
- ▶ management of financial risks arising from the SRF.

The SRB manages the amounts held in the SRF in line with the Regulation and in line with established market standards for investors of the size of the SRB. The Board in its Executive Session has decided to outsource the investment tasks to the fullest extent possible. This means that day-to-day portfolio management will be outsourced.

From a multi-year perspective, the priority of the investment team is to fully develop and implement the SRB's investment policy, including its risk management:

- ▶ on an annual basis, implementing the yearly investment plan in cooperation with selected outsourcing partners, and further developing the SRB's investment policy to manage the growing size of the portfolio;
- ▶ developing an architecture to manage exposures resulting from the use of the Fund;
- ▶ implementing a financial risk management cycle based on the Risk Management Framework, managing financial risks relating to the SRF on an ongoing basis and further developing the Risk Management Framework.

2.2.4.3. FUNDING

The SRB is responsible for the operationalisation of the SRF. Within a given resolution scheme, the SRF may be used only to the extent necessary to ensure the effective application of resolution tools, as a last resort, inter alia:

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

It should be noted that, most notably during the transitional period when the SRF has not yet reached its target level, and as long as a European Common Backstop for the SRF is not yet in place, situations may exist where the means available in the SRF are not sufficient to undertake a particular resolution action, and where the ex-post contributions that need to be raised to cover the necessary additional amounts are not immediately accessible. In such cases, and where no other funding sources are available, LFAs (signed by the SRB and the participating Member States) could act as bridge financing of last resort by providing credit lines from participating Member States to their respective compartments. The LFA credit line aims to cover the gap between the estimated final compartment size and the financial means available from contributions and borrowings. Fiscal neutrality for participating Member States is preserved because borrowings are to be recovered through ex-post contributions within the maturity period of the loan (24 months).

In light of the above, the multi-annual priorities for 2018–2020 for the SRF with regard to funding are:

- ▶ to further develop the (operational) ability to use the SRF in a resolution case comprising (i) the ability to monitor and calculate the financial means available and the effects of recourse to the SRF in different resolution scenarios; and (ii) the ability to participate in a flexible and agile way in the handling of a resolution case by the SRB;
- ▶ to monitor LFAs;
- ▶ to further discuss with Member States the European Common Backstop, in order to have it in place at the end of the transitional period.

2.2.4.4. RESOURCES NEEDED TO OPERATIONALISE THE SINGLE RESOLUTION FUND

Table 6: Resource needs SRF, 2018 - 2020 ⁽¹³⁾

Year	Directorates and units involved	SRB staff	Estimated budget impact *	
			TITLE	AMOUNT (EUR)
2018	SRF	35	Title 1 – Staff expenditure	4 297 515
			Title 2 – Infrastructure and operating expenditure	1 278 085
			Title 3 – Operating expenditures	4 838 000
2019	SRF	42	Title 1 – Staff expenditure	5 040 924
			Title 2 – Infrastructure and operating expenditure	1 556 903
			Title 3 – Operating expenditures	5 121 388
2020	SRF	43	Title 1 – Staff expenditure	5 411 452
			Title 2 – Infrastructure and operating expenditure	1 511 173
			Title 3 – Operating expenditures	5 280 024

* The budget and staff distribution across the five strategic areas of operation is approximate, given that this exercise was carried out for the first time in 2017. Titles 1 to 3 of the SRB budget have been distributed in accordance with the headcounts in these areas.

2.2.5. The SRB as an organisation

The SRB aims to be a modern, competent and professional organisation with effective and efficient processes that support the implementation of the Board's mandate. The areas of operation and tasks listed in this section benefit the Board as a whole and can be considered transversal functions, which together contribute to the development of a lean and efficient organisation.

2.2.5.1. INFORMATION AND COMMUNICATION TECHNOLOGY

Resolution activities rely heavily on large amounts of sensitive data. This means that the SRB has a strong need for a solid ICT framework and that effective security and infrastructure systems are essential.

⁽¹³⁾ For 2019 and 2020, the figures presented are preliminary estimates subject to further assessment and endorsement by the Plenary Session.

The SRB has developed an ICT strategy. A multi-annual ICT development plan, covering all ongoing and planned ICT projects, is currently being drafted and will be discussed with the SRM ICT Network. At a high level, the multi-year objectives of this plan will be:

1. setting up an SRB Portal to collect and validate data from a number of different sources, including different systems, and provide this information to authorised users;
2. realising the SRB Future Platform:
 - a. for the aggregation, analysis, distribution and storage of structured data
 - b. to support the management of processes and workflows
 - c. to facilitate collaboration and teamwork;
3. developing an SRB Data Warehouse;
4. further strengthening the SRB's ICT function, and thereby its ability to support the organisation's objectives.

In general, the SRB's ICT function will focus first on realising an ICT infrastructure to support resolution planning and decisions for significant institutions, and then extend that infrastructure to cover LSIs also, using a cyclical implementation whereby each iteration is tested and approved before the implementation of the next stage.

The SRB Portal

The purpose of the SRB Portal is to act as a unique entry point for the collection and validation of structured data (templates) required under the remit of the Single Resolution Mechanism. The Portal will act as an interface between the SRB and the NRAs and will comprise a platform for the collection of data from the different sources, with the most important being:

- ▶ The contributions collection system (CCS) involves the development of high-priority functionalities for better managing the contributions collection scheme.
- ▶ The LDT will focus on the collection, storage and subsequent analysis of liability data from NRAs.
- ▶ The critical functions template (CFT) will assist banks and IRTs in the identification of critical functions.
- ▶ EBA templates will facilitate the provision of information for resolution plans.
- ▶ The FMI template will improve provisional information on the use of payment, clearing and settlement systems.

SRB Future Platform

The SRB Future Platform will provide SRB and NRA staff with the right IT tools and services, enabling users to work and collaborate anywhere, anytime, with fit-for-purpose security, while optimising their work experience and productivity.

The aim of the platform is to realise the following objectives:

- a. aggregation, analysis, distribution and storage of structured data;
- b. management of processes and workflows;
- c. digital collaboration and teamwork.

Figure 6. The SRB Future Platform



SRB Data Warehouse

This will involve the implementation of a central data management solution for data collection and analysis from various systems and sources to support strategic and tactical decision-making. The SRB Data Warehouse will provide consistent and reconciled business intelligence, based on operational data, decision support data and external data, to all business units in the Board in the short term. In the medium term – conditional on the availability to the SRB of the necessary resources – the SRB data management could be optimised through the development of an integrated data system together with ECB, NRAs, and other relevant stakeholders.

Strengthening the SRB's ICT function

The SRB aims to safeguard and enhance an efficient and effective ICT function. The ICT team will increase and should reach its adequate size in the course of 2018. Important priorities for the team in the coming years are:

- ▶ further development and implementation of a mature ICT development cycle, including (multi-annual) work plans and reports that are drafted in active collaboration with the NRAs in the context of the SRM ICT Network;

- ▶ set-up of a project management office to improve the execution of the SRB's strategic objectives by ensuring the delivery of IT projects and programmes and by using lessons learned to develop the Board's IT portfolio capability;
- ▶ development of an enterprise architecture framework to translate business goals and strategy into a practical operational framework by building, communicating and optimising the key requirements, rules and models that describe the desired IT state of the SRB and facilitate improvements to it;
- ▶ further development of IT environment stabilisation and operational management, prioritising upgrades based on need and budget availability, reducing the risk of business disruption, making the best use of IT environment monitoring and optimising compliance with Information Technology Infrastructure Library processes;
- ▶ establishment of a mature information security management system with the aim of minimising ICT security risks (including to data in transit) and maximising the exchange of cyber-threat intelligence information between various stakeholders.

2.2.5.2. SRB LEGAL SERVICES

The tasks of SRB Legal Services can be divided into two main areas: (1) internal legal advice in respect of resolution-related matters, in particular day-to-day advice on resolution planning activities, legal assistance in resolution cases, matters relating to the SRF, 'non-core' tasks, e.g. in the areas of procurement, finance and HR, and various legislative initiatives and revisions; (2) litigation proceedings, mainly consisting of actions brought before the Court of Justice of the European Union and appeals submitted to the Appeal Panel.

The objective of Legal Services is to gradually increase in-house expertise in litigations proceedings in the period 2018–2020 by the continued direct engagement of lawyers from Legal Services in pending cases, and also by taking into account the prospect of recruiting lawyers with an appropriate set of skills and competences.

For the purpose of establishing a platform for exchanging views, experience and expertise on legal matters that are relevant for the Banking Union, the SRB initiated the Legal Network. The Legal Network is a group of senior legal experts from the SRB and NRAs. The Network aims also to gather and share knowledge on participating Member States' national laws, in particular those implementing the BRRD. In 2018–2020, the Legal Network will further mature as a platform, facilitating better understanding of legal issues common to the SRB and NRAs, discussing and analysing relevant regulatory developments, and cooperating on legal issues within the SRM.

2.2.5.3. GOVERNANCE - CORPORATE SECRETARIAT, COMPLIANCE AND APPEAL PANEL

Corporate Secretariat

The Corporate Secretariat is part of the Board's administrative and management structure, providing the necessary administrative and technical support for performing the tasks assigned to the Board under Articles 43(5)(d) and 51(4) of the SRMR. In particular, the Secretariat is responsible for safeguarding an orderly decision-making process and the quality of decisions by the SRB Board in its Executive and Plenary Sessions. In addition, the Secretariat deals with governance-related work to ensure the soundness of the SRB's institutional framework.

The objective of the Corporate Secretariat in the period 2018–2020 will be to complete and fine-tune the procedural aspects of the SRB, primarily linked to its governance structure and internal functioning. The Secretariat will also focus on revising the existing rules, taking into consideration the SRB's move from the start-up phase (when many of those rules were established) to becoming a fully operational organisation.

Compliance

Compliance is the organisational function that ensures that the SRB as an organisation, and all the SRB's staff members individually, are compliant with all relevant regulatory requirements and the SRB's internal rules and procedures. In particular, Compliance ensures respect for the SRB Code of Conduct and the SRB Code of Ethics, which contain the basic behavioural rules to which all SRB staff members must abide. Moreover, Compliance is configured as the guardian of the three SRB values: integrity, present in the SRB as an organisation and maintained by the SRB's staff members; EU spirit, in respecting diversity and smoothly cooperating with others; and excellence in resolution, when exercising the SRB's duties. The aim of the Compliance function for 2018–2020 will be to revise the existing ethical rules applicable to the SRB's staff, set out primarily in the SRB Code of Ethics, and to enhance communication within the organisation on the SRB's compliance with rules and policies.

Appeal Panel

The Appeal Panel was established under Article 85 of the SRMR for the purpose of deciding on appeals submitted against decisions made by the SRB on certain limited topics, i.e. assessments of resolvability, simplified obligations, MREL, penalties, ex-ante contributions and access to documents. The Appeal Panel is composed of five members and two alternates.

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. 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.

2.2.5.4. COMMUNICATIONS

The SRB is committed to delivering informed, reliable and transparent public relations services based on best practice and a real understanding of the issues that affect the SRB and its stakeholders.

In 2018–2020, in addition to carrying out its mission, the communications team will reinforce its capacity, continue to develop its strategies for internal and external communications and look for possible measures to increase its efficiency, effectiveness and outreach, as well as its preparedness for times of crisis. Close cooperation with NRAs will be key to achieving an effective communications function. The SRB will also focus on reaching out to various stakeholders to enhance its visibility throughout the EU and beyond.

2.2.5.5. STRATEGIC PLANNING AND EVALUATION

Over the next three years, the SRB will enhance the planning and evaluation of the Board's activities. In addition to the Work Programme and annual Activity Report, which in accordance with the SRMR, focus on a one-year perspective, the SRB will draft and publish a multi-annual programming document each year, covering a period of three years. The purpose of this document is to inform stakeholders of the SRB's strategic direction, as well as the Board's multi-year priorities. Moreover, it aims to increase the SRB's ability to plan and request the resources required to carry out its legal mandate.

2.2.5.6. INTERNAL AUDIT

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Through its reports and recommendations, Internal Audit helps the SRB accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Internal Audit carries out its assurance audits according to a risk-based plan, which considers the SRB's strategy, key objectives and associated risks, while taking into account management's assessment of risks and expectations. Internal Audit may also carry out consulting services at the request of the SRB management.

In 2018–2020, in addition to implementing the audit plan, Internal Audit will reinforce its capacity, continue to develop its methodology, and look for possible measures to increase its efficiency and effectiveness as part of its Quality Assurance and Improvement Programme. During the SRB's build-up phase, consulting engagements will remain an important part of the audit plan, in addition to assurance audits. Over time, Internal Audit will gradually develop its relations and cooperation with the NRAs.

2.2.5.7. INTERNAL CONTROL

Internal control will focus on completing the outstanding internal control standards and establishing a lean and efficient framework for monitoring their application.

In the light of the adjusted internal control framework proposed by the European Commission, the SRB will take the necessary steps for its implementation.

2.2.5.8. ADMINISTRATIVE TASKS

Human resources

The SRB realises that the successful implementation of the Board's mandate depends on its workforce, and it is, therefore, committed to building an effective HR function. The objective of the HR function is to enable the organisation to achieve its short-, medium- and long-term goals, through the selection and recruitment of people with appropriate sets of skills and competences for the various SRB tasks, the proper allocation and administration of resources, and the development and continued engagement of staff members.

Although staff numbers at the SRB will continue to increase in the near future, growth is expected to taper off by 2020. Therefore, the priorities of the HR function will gradually shift in the period 2018–2020. To understand the shift in roles, the following three activities within the HR function need to be considered:

- ▶ **Selection and recruitment:** corresponding to the recruitment process of temporary agents (TAs) and seconded national experts (SNEs), but also trainees, interims, the induction of newcomers and potentially mentoring if it can be put in place.
- ▶ **Individual rights:** corresponding to payroll, leave management, time management, allowances, medical services, schooling support, and support to staff on questions concerning their rights and entitlements.
- ▶ **Career development:** corresponding to career and performance management (appraisal and promotion), learning and development strategy, internal mobility, staff engagement, coaching, etc.

The HR team, with the growth of the organisation, will evolve and the needs of the organisation will change. In 2018, the SRB will still be in a phase of growth and will, consequently, focus on the implementation of the recruitment plan. When the SRB reaches a staffing level of 350 and becomes more stable (by 2019), the priorities will change. The workload in individual rights will increase, as it is proportionate to the number of staff. Learning and development needs will also grow, as will those concerning performance management. Over time, needs in relation to internal mobility, coaching and increasing levels of staff engagement will grow, requiring a substantial increase in career development activities. Finally, a turnover of 10% will continue to mean 35 to 40 recruitment processes per year, and posts will become much more difficult to group into one vacancy, as was done during the initial phase of the SRB's development.

Table 7 illustrates the shift in HR activities during the SRB's build-up phase, based on the expected number of staff employed in each of the three HR activities. The focus on recruitment will gradually decrease from 50% to 30% over the next three years, the HR team will concentrate its activities on individual rights as well as career development by allocating 40% of its time to each of these priorities approaching 2020.

Table 7: HR priorities 2018 - 2020

HR activities	2018	2019	2020
Recruitment	50%	40%	30%
Individual rights	25%	30%	30%
Career development	25%	30%	40%

Finance and procurement

The finance and procurement function of the SRB aims to safeguard the financial interests of the SRB. This means providing service and advice to ensure the efficient planning and implementation of the budget, including providing a multi-annual resources planning perspective and preparing the annual budget and the HR establishment plan, which are all integrated into the SRB's single programming document.

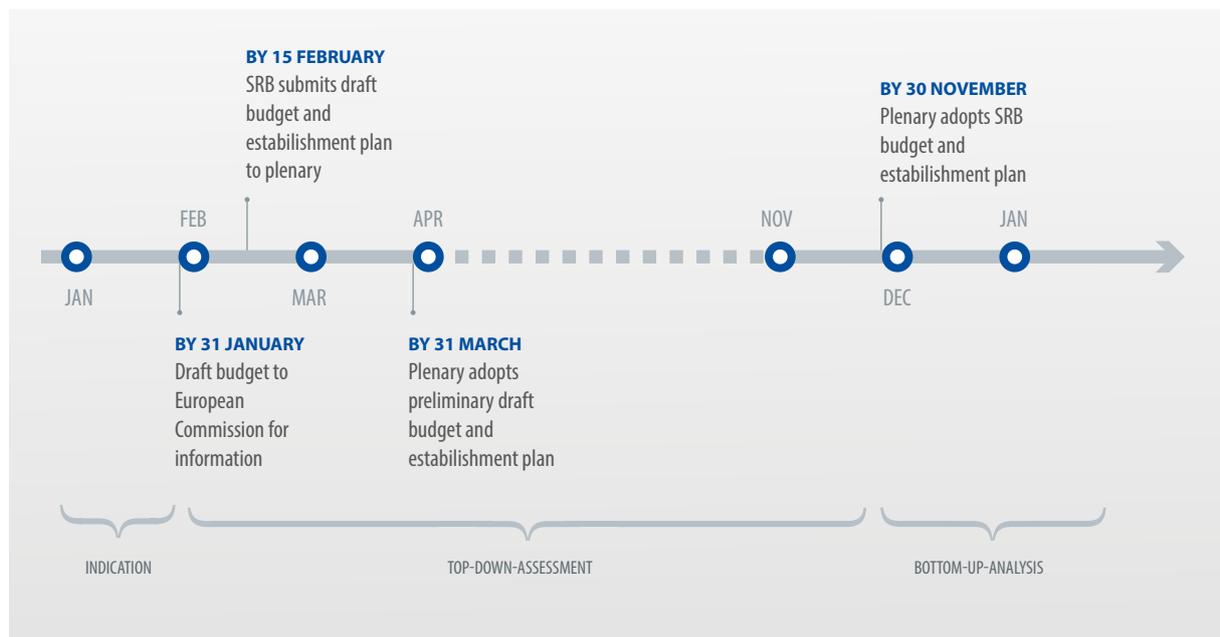
The true and fair presentation of the SRB's financial situation and performance is ensured via the annual accounts and proper financial reporting. Sound financial management is achieved through prudent management of income, tight and transparent monitoring of expenditures, and strict adherence to the Financial Regulation. The function also provides procurement, contract and supplier management services. The SRB manages the timely procurement of goods and services within the applicable legal framework and according to the approved procurement plan.

The SRB's budget is established through the following major steps: the drafting and sending out of a provisional draft budget in January, the submission of this draft budget to the Plenary Session in February for approval in March, and the adoption of the budget in the Plenary Session in November of the year preceding its application.

To establish its budget, the SRB follows an approach that combines top-down and bottom-up working methods.

In January of each year, the SRB submits a provisional draft budget for the year N + 1 to the European Commission for information. The SRB submits, by 15 February, its preliminary draft budget and establishment plan to its Plenary, which adopts these documents in March. Over summer, two exercises take place: a mid-term review of the budget implementation of the running year, and a bottom-up exercise for budget planning for the following year. This is consolidated by the end of the summer. The mid-term review of the budget is discussed in the SRB and followed up with actions that the management deems fit, such as budget transfers.

Figure 7. The SRB budgetary process



The bottom-up exercise is finalised during the third quarter and sent for approval in November. A meeting of the Administrative and Budget Committee (ABC) is generally held before submitting any budgetary documents (in practice, mainly in February, May (for the final accounts) and September). The budget documents are provided to the ABC members for information purposes only, but their suggestions are taken into account. Finally, the SRB's budget for the year N + 1 is approved in the Plenary Session of November.

Accounting

The accounting team is, first and foremost, committed to preparing and issuing accurate financial statements providing high-quality information to internal and external readers and meeting the auditor's requirements for an unqualified audit opinion. Furthermore, in line with the SRB's strategic areas of operation and activities, the accounting is focused on selecting the most appropriate accounting treatment to be applied for the complex transactions related to investment activities and resolution cases.

Accounting will also act to ensure the SRB's readiness in terms of cash management for investing available financial means and using the SRF in resolution schemes.

Facilities

The facilities team ensures an efficient and safe physical working environment at the SRB, including providing support for external meetings and managing the Board's non-financial assets. The activities are recurring and relate to the smooth running of the facilities of the Board and the acquisition of goods and services, in accordance with the EU public procurement rules and procedures. The objective is to ensure the security, health and safety of SRB staff and visitors.

2.2.5.9. RESOURCES NEEDED TO ENSURE THE ESTABLISHMENT OF A LEAN AND EFFICIENT ORGANISATION

Table 8: Resource needs for establishing a lean organisation 2018 - 2020 ⁽¹⁴⁾

Year	Directorates and units involved	SRB staff	Estimated budget impact *	
			TITLE	AMOUNT (EUR)
2018	Units 1, 2, E2, E3, Communications, Internal Audit	102	Title 1 – Staff expenditure	12 524 187
			Title 2 – Infrastructure and operating expenditure	3 724 705
			Title 3 – Operating expenditures	14 099 314
2019	Units 1, 2, E2, E3, Communications, Internal Audit	111	Title 1 – Staff expenditure	13 322 442
			Title 2 – Infrastructure and operating expenditure	4 114 673
			Title 3 – Operating expenditures	13 535 097
2020	Units 1, 2, E2, E3, Communications, Internal Audit	112	Title 1 – Staff expenditure	14 150 251
			Title 2 – Infrastructure and operating expenditure	3 951 522
			Title 3 – Operating expenditures	13 806 583

* The budget and staff distribution across the five strategic areas of operation is approximate, given that this exercise was carried out for the first time in 2017. Titles 1 to 3 of the SRB budget have been distributed in accordance with the headcounts in these areas.

⁽¹⁴⁾ For 2019 and 2020, the figures presented are preliminary estimates subject to further assessment and endorsement by the Plenary Session.

2.3. Human and financial resource outlook 2018–2020

This section sets out the outlook for human and financial resources required by the SRB over the next three years. While the SRB budget and establishment plan for 2018 has been approved by the Plenary Session in its meeting of 28 November, the figures presented for 2019 and 2020 are preliminary estimates subject to further assessment and endorsement by the Plenary Session in 2018 and 2019.

2.3.1. Overview of the past and current situation

Staff population	Actual staff situation on 31.12.2016	Authorised under EU budget 2017	Situation on 31.12.2017 (*)	Budget 2018	Envisaged 2019	Envisaged 2020
Total TAs	164	350	255	350	400	410
SNEs	12	25	15	25	25	26
TOTAL	176	375	270	375	425	436

* The SRB has further 43 confirmed arrivals between January and March 2018.

The SRB was established on 01 January 2015 and is expected to reach cruising speed in 2020, when it will have 410 statutory staff. Since 2015 and over the period of three years to come, the recruitment of highly qualified staff and integration of new staff have been and will remain core HR activities. Since the beginning of its existence, the SRB has launched over 80 selection procedures, processed more than 16 000 applications and selected more than 300 staff (including turnover). The year 2018 will see consolidation, as the SRB will reach the target of 350 statutory staff.

The additional resources foreseen for 2019 and 2020, will be subject to separate approval by Plenary in 2018 and 2019. Current estimates would foresee solely in the resolution area more than 30 additional staff from 2019 onwards for drafting resolution plans for all banks, build up on-site inspections and investigations, LSI oversight, contribution to Policies/Standards/Methodologies (PSM) and removing impediments to resolvability.

2.3.2. Resource programming 2018–2020

Detailed information regarding the SRB's financial resource programming is provided in Annex 2.

4. 2018 WORK PROGRAMME

3.1. Introduction

This section presents the SRB's 2018 Work Programme in accordance with Article 50(1)(a) of the SRMR. In 2018, the SRB will continue implementing its mission by achieving progress in its five strategic areas of operation:

- ▶ strengthening the resolvability of SRB entities and LSIs;
- ▶ preparing and carrying out effective crisis management;
- ▶ fostering the development of a robust resolution framework;
- ▶ operationalising the SRF;
- ▶ establishing a lean and efficient organisation.

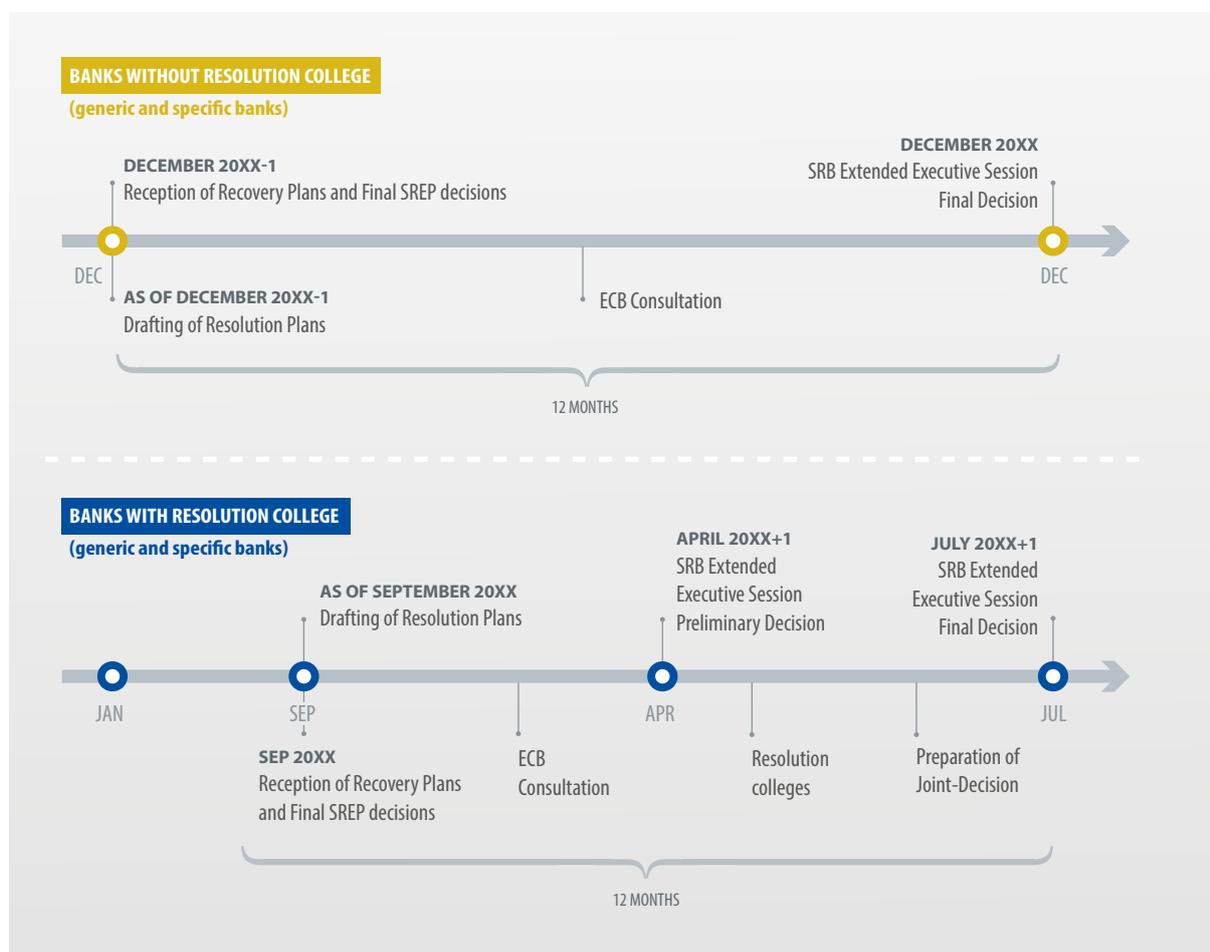
3.2. Working priorities

3.2.1. Resolvability of SRB banks and LSIs

For the 2018 resolution planning cycle, the SRB intends to move forward to enhance the resolvability of groups within its remit with the objective of drafting resolution plans for 99% of the groups falling under its responsibility. This includes banks for which the SRB is host authority and contributes to the resolution plan of the foreign group-level resolution authority.

3.2.1.1. TIMELINE FOR DRAFTING RESOLUTION PLANS

The resolution planning cycle depends on several factors. In particular, input from competent authorities regarding recovery plans or the outcome of supervisory and evaluation processes is instrumental to the relevance and quality of the resolution plans. Therefore, the SRB will strive to align its resolution planning cycle with the ECB Supervisory Review and Evaluation Process and recovery planning cycles in order to promote consistency and foster timely cooperation between the authorities. This approach will be replicated with other competent authorities for cross-border LSIs falling within the SRB's direct remit.

Figure 8: Timeline and different components of the resolution planning cycle ⁽¹⁵⁾

As a consequence, the annual SRB resolution planning cycle will start towards the beginning of the year (January) for the majority of banks and ends in December. For banks with a cross-border footprint outside the Banking Union (banks with resolution colleges), the annual cycle will start in September and ends before the summer of the following year. As a result of the link with supervisory activities, the cycles are not aligned with the calendar year for all banks.

The SRB will draft plans for banks with resolution colleges with the most advanced set of policies developed during the first semester of 2018, as outlined in Table 2 (section 2.2.2.1), including bank-specific MREL determination at consolidated level and further work on MREL at solo level for banks with resolution colleges and a resolvability assessment. Other banks, without resolution colleges, will be covered by the policies available at the beginning of 2018. The SRB will also introduce further granularity in relation to types of resolution plans for specific types of institutions (e.g. for banks covered by a European resolution college or subject to simplified obligations).

The only banks with no resolution plans will be banks already in resolution or banks undergoing significant structural change making it less relevant to engage in planning at the current point in time.

⁽¹⁵⁾ Timeline may be revised depending on specific circumstances for a given bank or group of banks, or other material event, including in terms of availability of supervisory information relevant for resolution planning.

The 2018 resolution planning cycle for significant institutions will be the last transitional one, followed by fully fledged resolution plans for banks within the SRB remit. The planning cycle will be more closely aligned with supervisory activities to ensure efficient cooperation and foster the resolvability of banks operating in the Banking Union (see also section 2.2.1).

With regard to LSIs, in 2018 the SRB will continue the implementation of its oversight function to ensure the consistent application of resolution actions in the SRM. The SRB is expecting an increase in the number of draft decisions to be received in 2018. It is expected that in 2018 the SRB will receive approximately 780 new notifications of draft resolution measures for LSIs under the remit of the NRAs. In addition, in close cooperation with the NRAs, the SRB will continue working on policy guidance for NRAs regarding LSIs, including subjects such as simplified obligations, MREL, critical functions, etc.

3.2.2. Resolution framework

In 2018, the SRB will expand and reinforce its resolution framework by further developing internal policies and standards to support the drafting of resolution plans and the taking of resolution actions. Moreover, the SRB will continue to closely cooperate with its partners at national, EU and global levels and will represent and advocate for the SRB's positions in the relevant international fora and bodies.

DEVELOPMENT OF SRM POLICIES AND STANDARDS

In 2018, work will continue in order to further deepen the SRB's policies. For instance, the SRB will focus on developing its policy on public interest assessment, solo/internal MREL and MREL calibration under transfer strategies.

Another key milestone will be the development of a policy on identifying and addressing substantive impediments to resolvability. In order to do so, the SRB will build on the standards it started to set in 2017: MREL, guidance on critical functions, continuity of access to FMIs and operational continuity. Before defining an impediment as substantive in 2018, the SRB will assess whether the actions taken by a bank are sufficient to avoid starting a formal procedure and suspending the resolution planning cycle for that bank.

REGULATORY ACTIVITY

With regard to monitoring and contributing to regulatory and legislative reforms, the SRB will focus its attention on the Commission's risk-reduction package, which is currently under debate by EU co-legislators, and on the ongoing work concerning the development of a European Common Backstop to the SRF. Both reforms would directly impact the SRB's day to day operations.

COOPERATION WITH NATIONAL AUTHORITIES

In 2018, the SRB will continue to improve its cooperation with the NRAs. As part of this work, it is envisaged that a review of the COFRA will take place.

In addition, the SRB will work to improve the efficiency of its mandate regarding LSI oversight. An important element in this area is to ensure access to the necessary information regarding LSIs. To achieve this objective, the SRB will consider negotiations on a multilateral MoU or bilateral MoUs with each of the 19 NRAs/NCAs.

Work will continue on improving cooperation with non-Banking Union authorities in the EU and non-EU authorities. With regard to the latter institutions, the SRB will continue with the negotiations on and signatures of further CoAgs and cooperation arrangements, as well as assessing professional secrecy and confidentiality requirements.

INTERNATIONAL RELATIONS

In terms of international work, the SRB will continue its policy work within the FSB and will be particularly active in the work of the ReSG, its work groups (LEG, CBCM and fmiCBCM) and the work streams of the CBCM, e.g. Funding in Resolution and Bail-in Execution; consultations and reports resulting from these work streams will be launched and published in 2018. In addition, the SRB will coordinate and complete the yearly RAP process for its G-SIBs.

In 2018, another important area of work will be the IMF's FSAP mission, which will focus on crisis management arrangements within the euro area. The SRB, as the euro area resolution authority, will be deeply involved in the IMF's assessment of key aspects related to the resolution regulatory framework and its implementation by the SRB. Topics to be covered with regard to crisis management arrangements will include data exchange with the supervisor, recovery planning, decision making related to early intervention and the failing or likely to fail assessment, cooperation with third countries, crisis preparedness, funding in resolution, etc. The IMF assessment will be summarised in a technical note that will be transposed into recommendations to follow during 2019–2020. In addition to the FSAP euro area mission, the SRB is prepared to participate in any country-specific mission within the Banking Union.

Furthermore, the SRB will, if requested, provide technical advice to individual countries with regard to the EU resolution framework in the context of World Bank material or EU dialogues with major non-EU jurisdictions.

3.2.3 Crisis management

In 2018, the SRB will continue to carry out activities related to existing or potential new crisis cases, from the enhanced monitoring of ailing banks to the monitoring of the execution of resolution decisions (for more details, see section 2.2.3). This continuous preparation for a potential crisis will be enhanced by increasing expertise, improved tools and an improved methodological framework throughout 2018, drawing on existing best practices in the SRB and the NRAs.

The valuation project and dry-run valuation (as described in section 2.2.3), intended to develop the SRB's framework for valuation, are expected to be finalised in 2018. Therefore, a consistent SRB framework for valuation will be established after being tested and will set out the main assumptions necessary to perform a valuation, including, inter alia, macroeconomic scenarios, and describe the characteristics of the sensitivity analysis. It will be used as a basis for future valuations to be performed in the event of a new crisis.

The second phase of the Resolution Readiness project will lead to the formalisation of organisational arrangements to be followed in the event of a crisis. In 2018, the SRB will further cooperate with the NRAs in order to ensure that these arrangements are reflected in the national handbooks and in the existing cooperation framework and, hence, will foster smooth collaboration when dealing with crisis cases.

Additionally, once approved, the implementation of the necessary ICT solutions identified in the first phase of the project should also be launched in 2018. A dedicated training programme will also be implemented in order to increase the expertise of the SRB's staff and to foster a common approach to crisis management based on the best practices already in place.

The next key milestone in the project, namely the dry-run exercises, will be prepared in order to test the implemented arrangements, assess whether they would lead to efficient treatment of a crisis and further refine these arrangements if necessary. The dry-run exercises should tentatively start in 2018, depending on the implementation of the ICT solutions.

3.2.4. The Single Resolution Fund

The SRF may only be used under certain circumstances to ensure the effective application of resolution tools and the exercise of the resolution powers conferred on the SRB by the SRM Regulation.

3.2.4.1. SRF CONTRIBUTIONS

Credit institutions and certain investment firms in the 19 participating Member States of the Banking Union contribute to the SRF. The SRF will be gradually built up during a transitional period of eight years (2016–2023) and is to reach at least 1% of the amount of covered deposits of all credit institutions authorised in all of the participating Member States.

In 2018, the following priorities will be carried out by the contributions team:

1. Determining the annual target level for contributions to the SRF in 2018.

The SRB will determine the 2018 target level for the SRF, analysing changes in the covered deposits data.

2. Updating the Data Reporting Form to be completed by the institutions.

In order to ensure a smooth data collection and calculation process, the SRB works in close collaboration with the NRAs to simplify and update, in line with the calculation methodology, the Data Reporting Form.

3. Further develop the CCS.

In 2017, the SRB developed a contributions collection portal that allows the NRAs to upload the Data Reporting Form. In 2018, together with the NRAs, it will revisit the validation rules and the taxonomy.

4. Analysing the availability of the data

In 2017, some risk indicators of the ex-ante contributions calculation methodology were skipped due to the lack of harmonised data within the participating Member States. In 2018 the availability of harmonised data will be further analysed.

5. Calculating the individual 2018 ex-ante contributions and notifying NRAs accordingly.

The SRB is responsible for the calculation of contributions. A working group on calculations has been created to improve communication and it will be maintained.

6. Determining the 2018 irrevocable payment commitments policy.

Each year the SRB takes a decision regarding the share of IPCs that each institution may decide to pay as part of its annual ex-ante contributions, taking into account that IPCs should not exceed 30% of the total amount of annual contributions raised.

7. Harmonising the invoicing process.

In 2017, the SRB – together with the NRAs – worked on harmonising the way in which institutions are notified of contribution amounts. This effort resulted in two deliverables:

- the 2017 Master Calculation Decision: this decision aimed to explain the methodology used to calculate the 2017 ex-ante contributions;
- an individual Harmonised Annex for each institution: this document provides institutions with the key input data used in the calculation and intermediate calculation values.

In 2018, the SRB intends to produce once more a generic Master Calculation Decision and a Harmonised Annex for each institution.

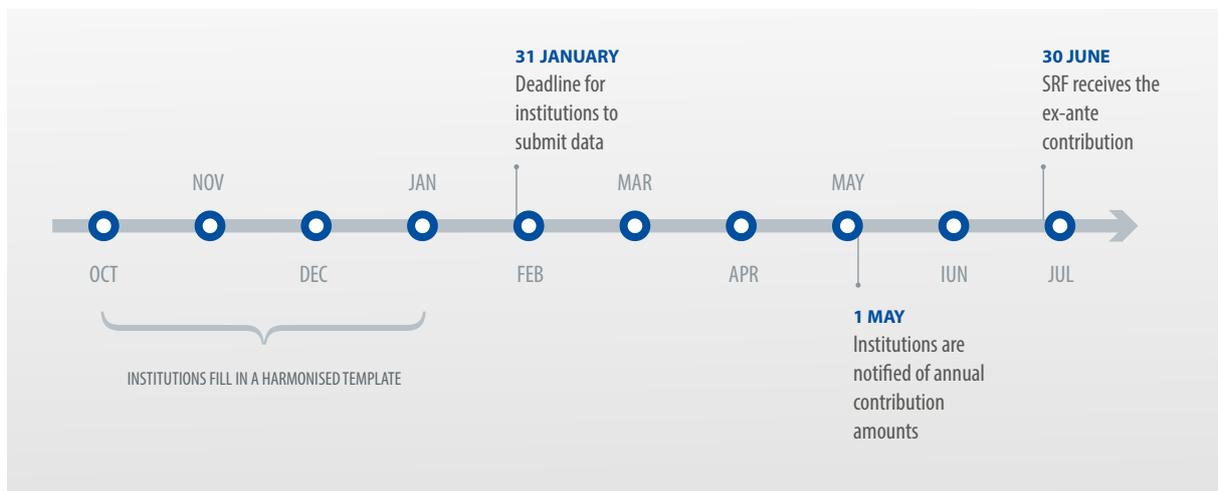
8. Performing the ex-post audits on the data collected.

Ex-post audits will be carried out in order to verify and improve the quality of data reported by the institutions for the calculation of the contributions.

9. Developing the process for raising ex-post contributions if needed.

In close cooperation with the NRAs, the collection of ex-post contributions needs to be further analysed and a formal process put in place.

Figure 9. Ex-ante contributions cycle



3.2.4.2. SRF INVESTMENTS

The investment team is responsible for managing the amounts held in the SRF. The following tasks will be performed in 2018:

1. Implement the 2017–2018 Investment Plan.

The investment strategy is operationalised in an annual investment plan. The first investment plan will be implemented gradually in the course of 2018.

2. Further develop Risk Management.

The Risk Management Framework and risk management processes will be further developed in the course of 2018.

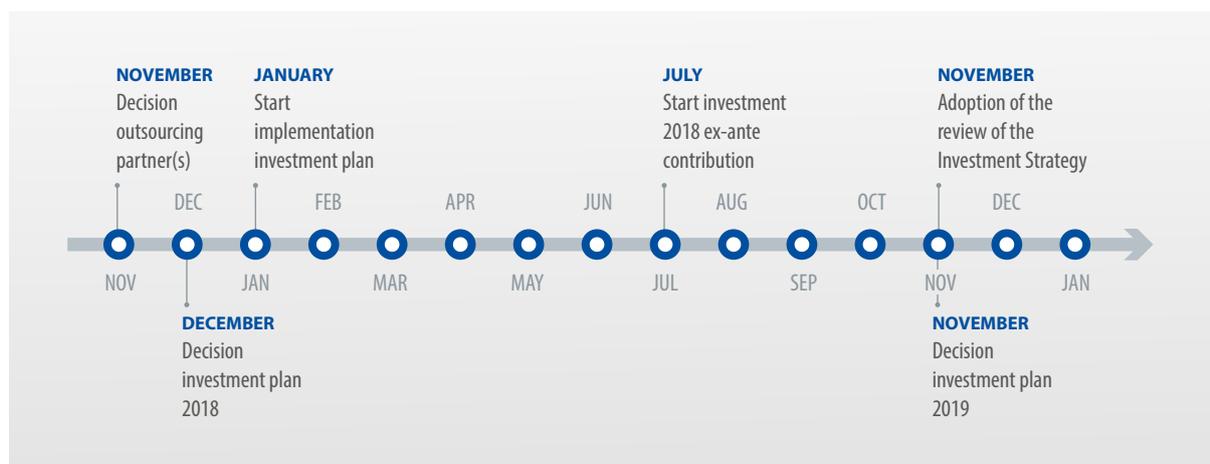
3. Review of the investment strategy.

The investment strategy is reviewed annually and amended if necessary.

4. Development of the 2019 investment plan.

The first investment plan will be further developed, to take into consideration the growing size of the amounts held in the SRF.

Figure 10. Annual investment cycle



3.2.4.3. SRF FUNDING

The funding team handles the operational aspects of the use of the SRF in a resolution case ⁽¹⁶⁾. For 2018, its priorities have been set as follows:

1. Ensuring that the use of the SRF follows the steps under the IGA.

The IGA establishes how financial means are allocated in a resolution case during the transitional period, including potential access to external borrowings.

2. Preparing documentation/contracts for the use of the SRF.

In close cooperation with the legal team, the funding team will prepare documentation and contractual conditions for any form under any resolution tool when using the SRF.

⁽¹⁶⁾ The SRF funding team is also involved in the development of broader policy work, most notably in the TFCA and in relation to the work to establish a European Common Backstop.

3. Monitoring and reviewing the LFAs.

If the LFAs are used as a result of a resolution case, fiscal neutrality in the medium term must be ensured; Member States will be reimbursed after the collection of ex-post contributions from the banking sector.

4. Exploring alternative funding means.

To be done if the amounts raised through ex-ante contributions and extraordinary ex-post contributions are not immediately accessible or do not cover the expenses incurred by the use of the SRF in relation to resolution.

3.2.5. The SRB as an organisation

3.2.5.1. ICT

In 2018, the SRB is determined to further develop and reinforce its ICT framework to achieve safe and efficient processes both within and outside the organisation. The following activities are considered priorities for 2018:

- ▶ further implement and deploy cost-efficient and effective ICT operations (technical team and service desk);
- ▶ implement and test a disaster recovery data centre;
- ▶ further strengthen the SRB's ICT security function, including ensuring full compliance with the ICT security policy framework rolled out in 2017 and strengthening security, cyber-security and information management capabilities;
- ▶ execute several ICT development projects, including:
 - the further enhancement of the LDT template and tool;
 - the development of an ICT system to support crisis management operations;
 - the further development of the resolution platform system to support resolution planning activities;
 - the updating of the CCS Portal with new functionalities;
 - the development of efficient systems that will support the SRB's administrative fee collection processes;
 - In addition, the SRB ICT team will focus on further strengthening collaboration and exchange of information with its stakeholders, in particular the NRAs.

3.2.5.2. SRB LEGAL SERVICE

The following activities are considered priorities for 2018:

- ▶ to continue to support the resolution units in resolution planning activities, resolution cases and policies;
- ▶ to maintain records of legal proceedings and to give advice to the resolution units stemming from experience gained in litigation procedures for the purpose of increasing the robustness of resolution plans and crisis management preparedness;
- ▶ to manage the increasing number of litigation proceedings, concerning resolution actions undertaken by the SRB, brought against the SRB before the Court of Justice.

3.2.5.3. GOVERNANCE – CORPORATE SECRETARIAT, COMPLIANCE AND APPEAL PANEL

In 2018, the SRB will further develop its governance function through the SRB Corporate Secretariat and the Compliance framework. In addition, the Appeal Panel is supported by secretarial staff to ensure the efficient handling of appeal cases.

Concerning the Corporate Secretariat, the following activities are considered priorities for 2018 in this area:

- ▶ strengthening the processes established in the Corporate Secretariat Manual, describing general operating rules, guidelines and procedures for the Secretariat and its decision-making process;
- ▶ maintaining and updating the SRB Corporate Record for the purposes of establishing the institutional memory of the SRB and improving decision-making documentation;
- ▶ drawing up and contributing to the overall SRB Governance Framework defining the set of principles according to which the organisation is steered and providing a structure within which decision-making bodies, directors and operational functions can pursue most effectively the objectives and mandate of the SRB;
- ▶ coordinating the SRB's external and interinstitutional stakeholder relations, which includes, inter alia, offering advice on legal and institutional aspects, as well as centralised management of correspondence.

The work of Compliance comprises the development of compliance policies, guidelines and procedures, the monitoring of the fulfilment of reporting obligations by SRB staff, performing compliance risk assessments, providing SRB staff with awareness campaigns and training. In 2018, the compliance team will continue to enhance the compliance framework and to promote the culture of integrity and ethical conduct within the organisation, with a special focus on the implementation of the SRB Antifraud Strategy, and the correct and timely management of conflicts of interest.

The SRB Appeal Panel is an independent body consisting of five members and two alternates and supported by a Secretariat. The SRB Appeal Panel is established to decide on appeals submitted against selected decisions of the SRB (Article 85 of the SRMR).

As in 2017, the main objective in 2018 remains achieving efficiency in the decision-making process of the SRB Appeal Panel. Having dealt with its first cases in 2016, the SRB Appeal Panel faced a significant increase in appeals in 2017. By October 2017, the Appeal Panel had received more than 40 appeals related to the resolution of Banco Popular, of which more than 30 appeals had already been decided. Given the procedural engagement such a number of appeals requires of the Appeal Panel members and the Secretariat, a sustainable approach will have to be found to ensure the quality of the decisions within the short deadlines set out in the SRMR.

Therefore, the following activities continue to be considered priorities for 2018 in this area:

- ▶ ensuring effective and efficient case management;
- ▶ enhancing practical support for the SRB Appeal Panel by fully implementing the new infrastructure available to Appeal Panel members.

3.2.5.4. COMMUNICATIONS

In 2018, the Communications team will continue initiatives to improve internal and external communication, not only to ensure that messages are conveyed effectively for the smooth functioning of the Board, but also to develop an organisational culture that promotes staff engagement and builds a healthy working environment, leading to improved organisational performance.

The following activities in this area are considered priorities for 2018:

- ▶ External communication: the SRB will continue to proactively communicate its messages and engage with relevant stakeholders on its activities and policies to promote sound planning and decision-making about resolution. Events, such as the SRB Conference, will be organised with stakeholders. The website will remain at the centre of external communications, a repository of public legal documents.
- ▶ Internal communication: planned initiatives include reinforcing the internal communications strategy, in coordination with other SRB units, and the implementation of a more effective SRB intranet.

3.2.5.5. STRATEGIC PLANNING AND EVALUATION

In 2018, the SRB will draft, adopt and publish the SRB Annual Activity Report and the SRB Work Programme in accordance with Article 50 of the SRMR, covering the preceding and the following year, respectively. The SRB Work Programme will be developed as part of the Board's multi-annual Programme, containing elements of annual and multi-annual programming as required by Article 30 of the SRB Financial Regulation. The SRB multi-annual programme will focus on a three-year period.

The year 2018 will be the second year in which the SRB will have developed a multi-annual programme. In future, the objective will be to improve the quality of all planning and evaluation documents. The expected outcomes for 2018 are:

- ▶ the drafting and adoption of the SRB 2017 Annual Activity Report in Q2 of 2018;
- ▶ the drafting and adoption of the SRB multi-annual Programme 2019–2021, including the SRB 2019 Work Programme, in Q4 of 2018;
- ▶ supporting the presentation of the reports by the SRB Chair to the European Parliament.

3.2.5.6. INTERNAL AUDIT

In 2018, Internal Audit will conduct audit engagements in accordance with its annual audit plan and follow up on recommendations from previous audits. In line with the Internal Audit Charter, the audit plan will be approved by the Board in its Executive Session, based on Internal Audit's assessment of risks and consideration of the SRB's objectives, existing risk assessments and management's expectations.

As part of the annual audit cycle, Internal Audit will report in early 2018 to the Board in its Executive Session on performance in relation to the 2017 plan, and to the Board in its Plenary Session on audit findings and recommendations.

In the second half of 2018, Internal Audit will conduct its annual risk assessment and planning exercise.

Furthermore, Internal Audit may attend, as an observer, internal meetings and committees such as the ICT Steering Committee.

3.2.5.7. INTERNAL CONTROL

Internal Control will focus in 2018 on the completion of the Internal Control Framework. This framework has been worked on since the inception of the Board. In 2018, the following standards will have priority: business continuity, risk management process, resources management and evaluation.

Business continuity: the SRB will establish a Business Continuity Plan in line with the procedures applicable to all EU bodies. Further work will be carried out on the topic of operational business continuity, establishing a full set of procedures and guidelines for crisis situations relating to entities under the SRB's remit.

Risk management: in order to complete the risk management processes already partially carried out in 2016, the SRB will perform a screening of the organisation and its activities, and adjust its responses to the identified risks.

On evaluation, the SRB will, in accordance with the guidelines of the European Commission, develop its guidelines for the evaluation of significant spending across the organisation. This will include a structure for both ex-ante and ex-post evaluation.

3.2.5.8. ADMINISTRATIVE TASKS

HUMAN RESOURCES PRIORITIES

The HR function aims to ensure that the staffing of the SRB is in line with its requirements, that staff members are engaged and satisfied with the working conditions and career development possibilities at the SRB, and that HR processes are efficient and fully compliant with the Staff Regulations, HR Implementing Rules and other relevant rules.

In 2018, the HR team will continue to focus on attracting, retaining and developing talented staff. At the same time, the HR team will strive to optimise its processes and procedures to become a leaner and more effective HR function.

The detailed working priorities for 2018 can be summarised in terms of the three areas of operation: selection and recruitment, individual rights and career development:

2018 priorities under recruitment

- ▶ Successful implementation of the SRB annual establishment plan with a target of 350 TAs and 25 SNEs and the selection and on boarding of trainees and interims. Additional staffing needs will be reassessed once the 2018 target level is approached.
- ▶ Further development and improvement of recruitment practices.

2018 priorities under individual rights

- ▶ Execution of the payroll, time and absence management, financial entitlements and allowances, medical services, schooling support.
- ▶ Support to staff on questions concerning their rights, entitlements and obligations.

2018 priorities under career development

- ▶ Carrying out performance management (appraisal and promotion), implementation of a learning and development strategy, internal mobility, staff engagement actions, coaching, harassment prevention and other career development activities.
- ▶ Evaluation of the SRB staff engagement survey and implementation (in cooperation with other departments) of follow-up actions addressing issues stemming from the survey.

FINANCE AND PROCUREMENT

Two major financial administration projects are planned in 2018:

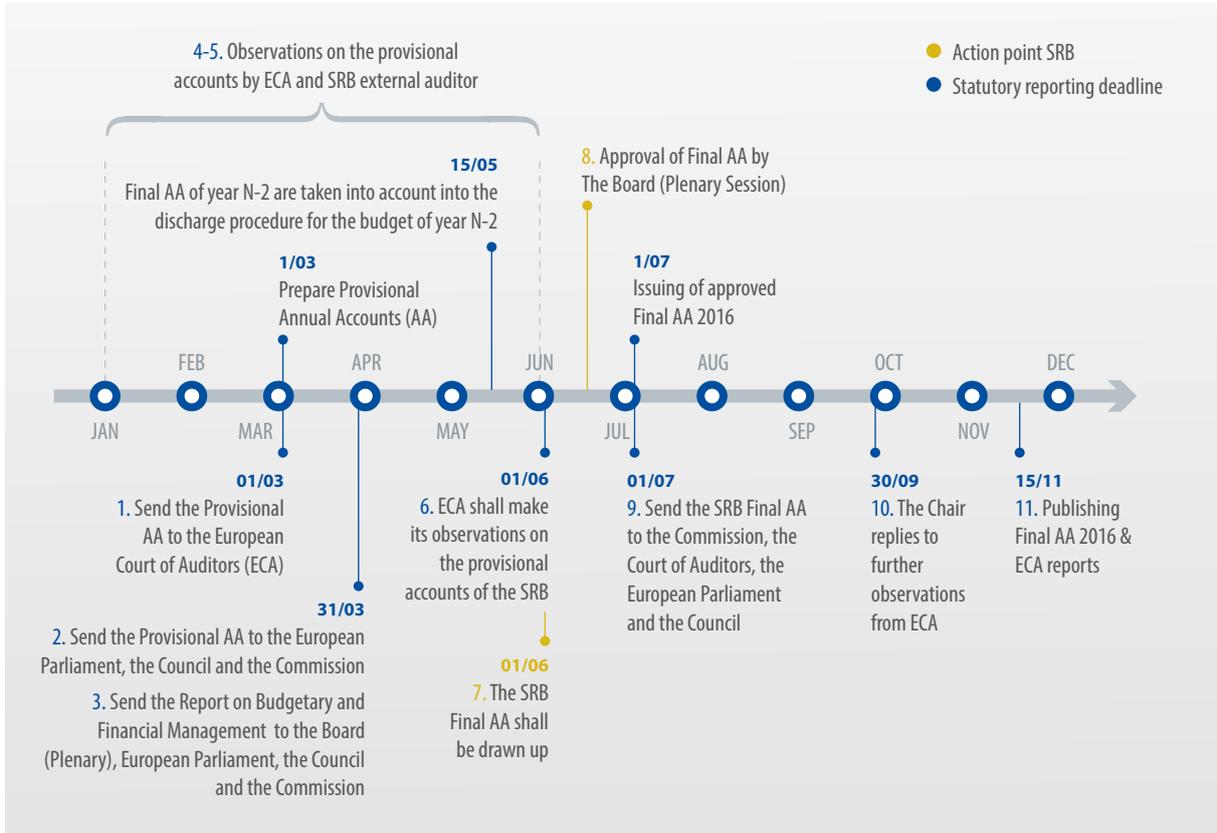
- ▶ the finalisation of the development and roll-out of the new administrative contributions collection mechanism;
- ▶ the continuing development and the adoption of the Rules of Application (the detailed rules for the application of the SRB's Financial Regulation) and of finance and procurement strategies.

The indicative procurement plan for 2018 is presented in Annex 9. In addition to the execution of the procurement plan, the SRB will focus on contract management, digitising its procedures (e-tendering), streamlining processes and updating templates.

ACCOUNTING

In 2018, the SRB's accounts will be developed according to the annual accounts cycle described in Figure 11 below: The discharge procedure is described in Articles 103 and 104 of the SRB Financial Regulation. The discharge is to be carried out by 15 May of the year, and this discharge will cover the accounts of year (N-2). To carry out the discharge, the Plenary receives and examines the SRB's financial statements (including the Report on Financial and Budgetary management), the annual report made by the Court of Auditors, together with the replies of the Chair; any relevant special reports issued by the Court of Auditors in respect of the financial year concerned, and the Court of Auditors' statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions.

Figure 11. The SRB Financial Statements (Annual accounts) - preparation and reporting cycle



FACILITIES

The facilities team ensures an efficient and safe physical working environment at the SRB, including providing support for external meetings and managing the Board’s non-financial assets. The activities are recurring and relate to the smooth running of the facilities of the Board and the acquisition of goods and services in accordance with the EU public procurement rules and procedures. It aims to ensure the security, health and safety of SRB staff and visitors.

ANNEXES

Annex 1: Resource allocation by activity 2018–2020 ⁽¹⁷⁾

Year	Resources	SRB strategic area of operation					TOTAL	
		1 Resolvability	2 Crisis management	3 Resolution framework	4 The SRF	5 The SRB organisation		
APPROVED RESOURCES								
2018	Budget	Title 1	15 839 412	3 683 584	6 630 452	4 297 515	12 524 187	42 975 150
		Title 2	4 710 656	1 095 501	1 971 903	1 278 085	3 724 705	12 780 850
		Title 3	17 831 486	4 146 857	7 464 343	4 838 000	14 099 314	48 380 000
		Total	38 381 554	8 925 943	16 066 697	10 413 600	30 348 206	104 136 000
SRB staff	Number	129	30	54	35	102	350	
RESOURCES OUTLOOK								
2019	Budget	Title 1	18 065 711	4 143 159	7 436 563	5 040 924	13 322 442	48 008 800
		Title 2	5 579 645	1 279 626	2 296 803	1 556 903	4 114 673	14 827 650
		Title 3	18 354 080	4 209 293	7 555 267	5 121 388	13 535 097	48 775 125
		Total	41 999 436	9 632 078	17 288 633	11 719 215	30 972 212	111 611 575
SRB staff	Number	151	34	62	42	111	400	
2020	Budget	Title 1	19 375 991	4 343 606	8 305 470	5 411 452	14 150 251	51 586 770
		Title 2	5 410 834	1 212 972	2 319 340	1 511 173	3 951 522	14 405 841
		Title 3	18 905 405	4 238 113	8 103 754	5 280 024	13 806 583	50 333 878
		Total	43 692 230	9 794 691	18 728 564	12 202 649	31 908 356	116 326 489
SRB staff	Number	154	35	66	43	112	410	

⁽¹⁷⁾ For 2019 and 2020, the figures presented are preliminary estimates subject to further assessment and endorsement by the Plenary Session.

Annex 2: Human and financial resources 2018–2020 ⁽¹⁸⁾

TABLE A1: EXPENDITURE SUMMARY

Expenditure	2017 2nd amendment		2018	
	Commitment appropriations	Payment appropriations	Commitment appropriations	Payment appropriations
Title 1	39,546,000.00	39,546,000.00	42,975,150.00	42,975,150.00
Title 2	13,397,000.00	13,397,000.00	12,780,850.00	12,780,850.00
Title 3	46,795,000.00	46,795,000.00	48,380,000.00	48,380,000.00
Title 4	6,462,335,289.00	6,462,335,289.00	6,805,602,338.00	6,805,602,338.00
TOTAL EXPENDITURE	99,738,000.00	99,738,000.00	104,136,000.00	104,136,000.00

⁽¹⁸⁾ For 2019 and 2020, the figures presented are preliminary estimates subject to further assessment and endorsement by the Plenary Session.

TABLE A2: EXPENDITURE

EXPENDITURE	Commitment appropriations						
	Executed Budget 2016	Budget 2017	DB 2018		VAR 2018 / 2017	Envisaged in 2019	Envisaged in 2020
			Agency request	Budget forecast			
"Title 1 Staff Expenditure"	18,329,195.90	39,546,000.00	42,975,150.00	42,975,150.00	8.67%	48,008,800.00	51,586,770.00
11 Salaries & allowances	16,107,725.80	33,699,000.00	38,094,150.00	38,094,150.00	13.04%	43,890,000.00	47,390,000.00
- of which establishment plan posts	16,107,725.80	33,699,000.00	38,094,150.00	38,094,150.00	13.04%	43,890,000.00	47,390,000.00
- of which external personnel	0.00	0.00	0.00	0.00		0.00	0.00
12 Expenditure relating to Staff recruitment	766,302.30	1,770,000.00	1,804,000.00	1,804,000.00	1.92%	1,000,000.00	1,000,000.00
13 Mission expenses	1,017.10	45,000.00	40,000.00	40,000.00	-11.11%	41,000.00	42,025.00
14 Socio-medical infrastructure	302,978.20	1,340,000.00	1,060,000.00	1,060,000.00	-20.90%	1,086,500.00	1,113,663.00
15 Training	147,780.90	650,000.00	557,000.00	557,000.00	-14.31%	570,925.00	585,198.00
16 External Services	1,003,172.40	2,030,000.00	1,405,000.00	1,405,000.00	-30.79%	1,405,000.00	1,440,125.00
17 Receptions and events	219.20	12,000.00	15,000.00	15,000.00	25.00%	15,375.00	15,759.00
"Title 2 Infrastructure and operating expenditure"	9,048,488.00	13,397,000.00	12,780,850.00	12,780,850.00	-4.60%	14,827,650.00	14,405,841.00
20 Rental of buildings and associated costs	4,238,348.00	5,016,277.20	5,282,000.00	5,282,000.00	5.30%	5,914,050.00	6,561,901.00
21 Information and communication technology	3,611,103.00	5,932,855.03	5,446,850.00	5,446,850.00	-8.19%	7,000,000.00	6,000,000.00
22 Movable property and associated costs	780,939.00	1,196,928.78	868,000.00	868,000.00	-27.48%	700,000.00	600,000.00
23 Current administrative expenditure	161,786.00	847,794.02	674,000.00	674,000.00	-20.50%	690,850.00	708,121.00
24 Postage / Telecommunications	256,312.00	403,144.97	510,000.00	510,000.00	26.51%	522,750.00	535,819.00
"Title 3 Operating expenditure"	8,025,606.00	46,795,000.00	48,380,000.00	48,380,000.00	3.39%	48,775,125.00	50,333,878.00
30 SRB Operations	8,025,606.00	46,795,000.00	0.00	0.00			
31 SRB Operations			25,080,000.00	21,805,000.00		22,350,125.00	22,908,878.00
32 SRB Contingencies			23,300,000.00	26,575,000.00		26,425,000.00	27,425,000.00
TOTAL EXPENDITURE PART I	35,403,289.90	99,738,000	104,136,000	104,136,000	0	111,611,575	116,326,489
"Title 4 Single Resolution Fund"	27,726,505.00	6,462,335,289.00	6,805,602,338.00	6,805,602,338.00	5.31%	6,986,928,012.00	7,172,733,870.00
40 Usage of the Fund within Resolution schemes	27,726,505.00	6,462,335,289.00	6,805,602,338.00	6,805,602,338.00		6,986,928,012.00	7,172,733,870.00
49 Other operating expenditure		0.00	0.00	0.00		0.00	0.00
TOTAL EXPENDITURE PART II	63,129,794.90	6,562,073,289	6,909,738,338	6,909,738,338	5.30%	7,098,539,587	7,289,060,359

TABLE A3: REVENUE

REVENUES	2017	2018
	Revenues estimated by the agency	Budget Forecast
EU Contribution	0.00	0.00
Other revenues	99,738,000.00	104,136,000.00
Total revenues	99,738,000	104,136,000

TABLE A4: BUDGET OUTTURN AND CANCELLATION OF APPROPRIATIONS

Budget outturn	2013	2014	2015
Revenue actually received (+)			21 829 111.21
Payments made (-)			-9 538 612.69
Carry-over of appropriations (-)			-4 685 869.32
Cancellation of appropriations carried over (+)			122 443.76
Adjustment of carry over of assigned revenue appropriations from previous year (+)	0	0	
Exchange rate difference (+/-)			6 484 .92
Adjustment for negative balance from previous year (-)			0
TOTAL	0	0	7 733 557.88

Descriptive information and justification on:

Budget outturn	EUR 7 733 557.88
Cancellation of commitment appropriations	EUR 7 208 159.78
Cancellation of payment appropriations for the year and payment appropriations carried over	EUR 12 138 916.62

The SRB gained its financial independence from DG FISMA early in April 2015. Until that date, the budget execution was handled by DG FISMA on behalf of SRB while the SRB budget was hosted in the European Commission ABAC accounting system.

To provide the necessary financial resources, the administrative contributions of the banks (Part I of the SRB budget) were also billed by the European Commission on behalf of the SRB and the cash collected was transferred to the SRB in the framework of its financial independence.

Like that of almost all start-up agencies, the SRB's budget execution has been affected by the complexity and length of the recruitment procedures (handled by SRB and EPSO) and the time needed to procure while respecting the Financial Regulation of the EU.

In this regard, it is interesting to note that, although the SRB has filled 88% of the statutory posts in 2015, its Title I (staff costs) budget execution has reached only 65%, since most newly recruited staff joined during the second part of the year (reducing de facto the budgetary consumption).

The temporary location (the SRB was hosted in the European Commission's premises in 2015) also played an important role in the Title II (administrative expenditure) budget execution, since its respectable budgetary execution in commitment (necessary to order goods/services) at 84%, was mainly intended to get the deliveries/payments completed during the first quarter of 2016 (the SRB estimated date for moving to its final building).

Lastly, the limited budget execution in Title III (operations) can be explained by the late 2015 arrival of most operational staff (SRF) and is in line with most agencies' budgetary track records during their first years.

TABLE A5:

REVENUES	2017	2018		VAR 2017/ 2018 (Budget forecast)	Envisaged in 2019	Envisaged in 2020
	Revenues estimated by the agency	Agency request	Budget forecast			
1 REVENUE FROM FEES AND CHARGES (including balancing reserve from previous years surplus)- INCOME PART I	99,738,000.00	104,136,000.00	104,136,000.00	100.00%	111,611,575.00	116,326,489.00
RESERVE FROM ACCUMULATED SURPLUS	12,767,564.35					
2 EU CONTRIBUTION						
- Of which Operational (Title 3)						
- Of which assigned revenues deriving from previous years'surpluses						
3 THIRD COUNTRIES CONTRIBUTION (incl. EFTA and candidate countries)	0.00	0.00	0.00		0.00	0.00
- Of which EFTA						
- Of which candidate countries						
4 OTHER CONTRIBUTIONS - INCOME PART II SRF	6,462,335,289.00	6,805,602,338.00	6,805,602,388.00	100.00%	6,986,928,012.00	7,172,733,870.00
- Of which delegation agreement, ad hoc grants						
5 ADMINISTRATIVE OPERATIONS						
6 REVENUES FROM SERVICES RENDERED AGAINST PAYMENT						
7 CORRECTION OF BUDGETARY IMBALANCES						
TOTAL REVENUES	6,574,840,853.35	6,909,738,338.00	6,909,738,388.00	5.09%	7,098,539,587.00	7,289,060,359.00

Annex 3: Human resources – staff policy plan 2018–2020 ⁽¹⁹⁾

TABLE A6

Staff Population	Actually filled as of 31/12/2015	Authorised under EU budget 2016	Actually filled as of 31/12/2016	Authorised under EU budget 2017	Actually filled as of 31/12/2017	Draft budget for 2018	Envisaged in 2019	Envisaged in 2020
TAs								
ADs	73	200	126	278	200	278	315	322
ASTs	16	40	23	52	36	48	59	61
AST-SCs	12	15	2	20	19	24	26	27
Total	101	255	151	350	255	350	400	410

⁽¹⁹⁾ For 2019 and 2020, the figures presented are preliminary estimates subject to further assessment and endorsement by the Plenary Session.

TABLE A7

Category and grade	Establishment plan in EU budget 2016	Modifications in 2016 in application of flexibility rule	Establishment plan in voted EU budget 2017	Modifications envisaged in 2017 in application of flexibility rule	Establishment plan in draft EU budget 2018	DRAFT Establishment Plan 2019	DRAFT Establishment Plan 2020
AD16	0	0	0	0	0	0	0
AD15	0	0	0	0	0	0	0
AD14	0	0	0	0	0	0	0
AD13	0	0	0	0	3	6	6
AD12	7	0	8	0	9	6	9
AD11	3	0	6	0	8	10	13
AD10	9	0	12	0	16	12	19
AD9	15	0	20	0	35	60	55
AD8	36	26	70	0	67	70	65
AD7	10	4	32	0	50	56	60
AD6	70	10	90	0	60	65	70
AD5	5	5	40	0	30	30	25
Total ADs	155	45	278	0	278	315	322
AST11	0	0	0	0	0	0	0
AST10	0	0	0	0	0	0	0
AST9	0	0	0	0	0	0	0
AST8	0	0	0	0	0	0	0
AST7	2	-2	2	0	3	4	3
AST6	2	-1	2	0	3	7	3
AST5	6	-4	4	0	8	10	7
AST4	4	0	6	0	13	16	27
AST3	32	-4	32	-2	17	14	16
AST2	5	0	2	0	2	6	3
AST1	0	0	4	0	2	2	2
Total ASTs	51	-11	52	-2	48	59	61
AST/SC6	0	0	0	0	0	0	0
AST/SC5	0	0	0	0	0	0	0
AST/SC4	0	0	0	0	2	2	3
AST/SC3	9	-3	10	2	12	12	12
AST/SC2	0	0	5	0	3	7	9
AST/SC1	15	-6	5	0	7	5	3
Total AST/SCs	24	-9	20	2	24	26	27
Total	230	25	350	0	350	400	410

Annex 4: Human resources – recruitment policy, appraisal reclassification, mobility, gender and geographical balance and schooling

A. RECRUITMENT POLICY

STATUTORY STAFF

Statutory staff at the SRB consist entirely of Temporary Agents (TAs). There are no officials or contract agents at the SRB.

The selection and recruitment of statutory staff members are governed by the Staff Regulations of the EU, the Conditions of Employment of other Servants and related general implementing rules. Statutory staff fall into three categories: administrators (ADs), assistants (ASTs) and secretaries and clerks (AST-SCs). Responsibilities for administrators include managerial, conceptual and analytical, as well as linguistic, duties. Assistants perform, most notably, executive and technical duties, whereas the staff in the AST-SC category essentially perform clerical and secretarial duties.

At the SRB, TA posts, whatever the category, are filled through a selection procedure following the publication of a vacancy notice on the SRB website and on the EPSO website. The entry grades for the respective functions are AD5, AST1 and AST-SC1. Given the SRB's mandate and tasks, and the fact that it is competing with the private financial sector to attract the right level of resources, higher grades also have to be used in order to recruit staff with long-term experience.

The employment contracts of statutory staff members are for an initial duration three years. They can be extended once and, if extended further, they are extended for a period of indefinite duration.

NON-STATUTORY STAFF

Non-statutory staff are mainly national experts seconded from relevant authorities and from government departments within EU Member States (SNEs). Secondments to the SRB are governed by the SRB SNE rules, which are based on the rules governing secondments at the European Commission.

If an expert is seconded to the SRB following the publication of a call for expression of interest and a selection procedure, secondments have an initial duration of two years and can be extended for a period of two years.

B. APPRAISAL OF PERFORMANCE AND RECLASSIFICATION

APPRAISAL

The SRB carries out the appraisal exercise on an annual basis in accordance with the general provisions of Article 43 and the first paragraph of Article 44 of the Staff Regulations. The modalities of the exercise are articulated in the SRB decision laying down general provisions for implementing the abovementioned articles.

The SRB's performance appraisal aims to support the organisation in achieving its objectives as defined in its mission statement and work programme through measuring and monitoring the individual performance of its staff members. The main actors in the process, the staff member and his or her manager, discuss the performance of the staff member during the appraisal period and agree on the objectives and the assessment criteria for meeting the objectives for the current year.

From 2017, the process has been carried out electronically, resulting in a more resource-efficient and more secure process.

RECLASSIFICATION

The SRB in its Plenary Session has adopted the implementing provisions on reclassification based on a model decision from the European Commission in June 2017. It will carry out its first reclassification exercise in September 2017.

As a guiding principle, the development of the SRB establishment plan and the annual reclassification exercise are carried out in accordance with the multiplication rate for guiding average career equivalence as defined in Article 6 and Annex IB of the Staff Regulations.

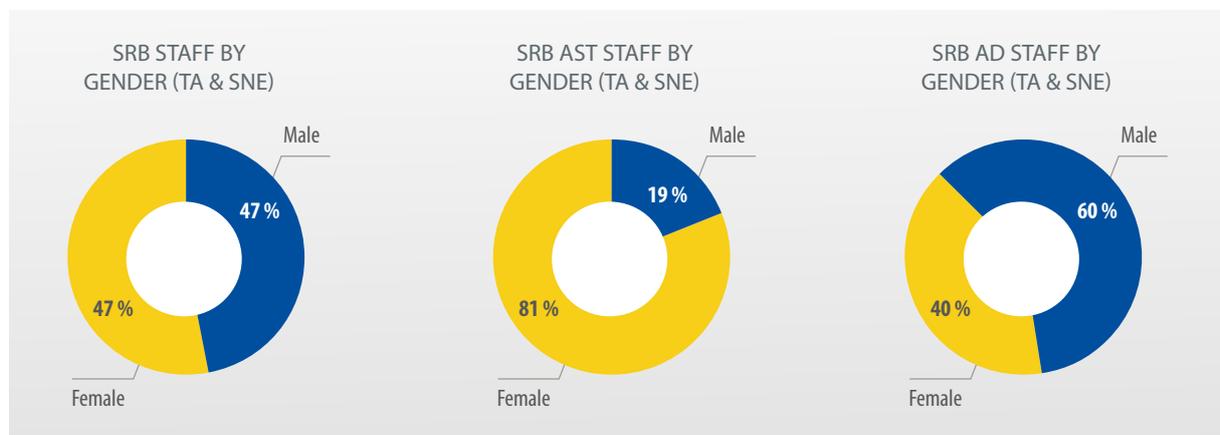
C. MOBILITY POLICY

In accordance with and following the adoption of the Implementing Rules on engagement and use of TAs under Article 2(f) of the Conditions of Employment of Other Servants of the European Union, the SRB has adopted its mobility policy. The policy defines modalities for internal transfers to the benefit of both the organisation and its staff.

D. GENDER AND GEOGRAPHICAL BALANCE ⁽²⁰⁾

The gender balance shows a slight dominance of men, especially in the administrator category. The monitoring of the gender distribution carried out during the selection procedures confirms that the Board operates within a sector with a predominance of men ⁽²¹⁾.

While men outnumber women in administrator functions, women outnumber men in assistant and secretarial positions.

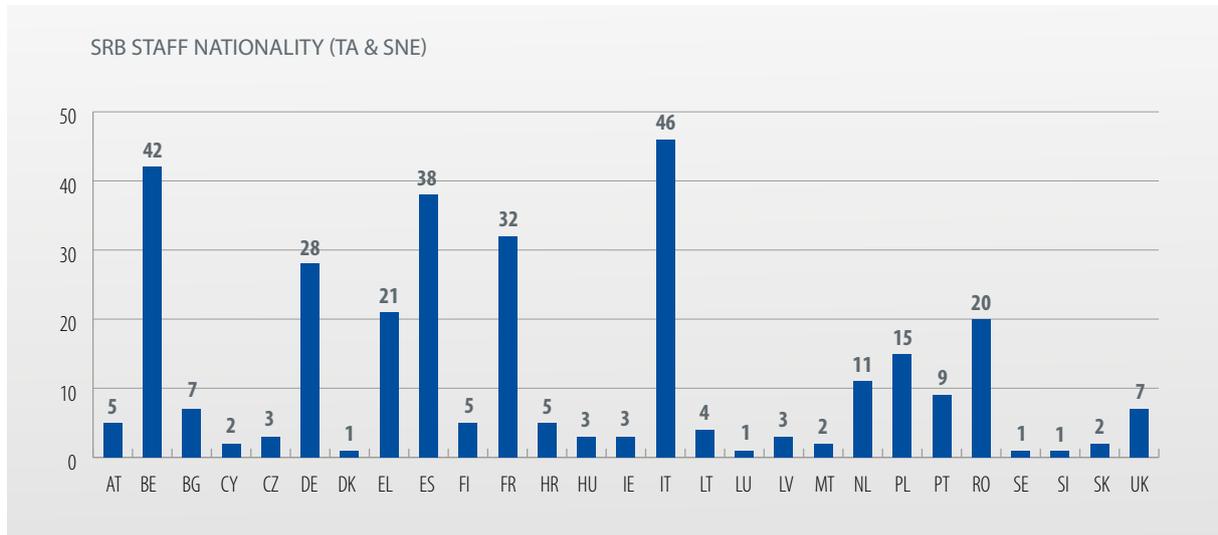


⁽²⁰⁾ Including ongoing onboardings.

⁽²¹⁾ Out of 3 529 applications for all resolution related selections, 2 159 were from men and 1 370 were from women.

GEOGRAPHICAL BALANCE ⁽²²⁾

The SRB employs staff representing 27 nationalities of the EU.



SCHOOLING

The city of Brussels hosts four European schools offering together education in every official language of the EU. The SRB signed an agreement with the European schools at the beginning of its existence in order to grant its staff the possibility of enrolling their children in the schools. In addition, staff members have access to the crèches and day care facilities of the European Commission. If staff members wish, they can also enrol their children in public or private Belgian schools (French- or Dutch-speaking).

Annex 5: Building policy

Name, location and type of building	Other Comment
Information to be provided per building:	
Surface area (m ²)	9 614.17 m ²
of which office space :	7 657.00 m ²
of which non-office space :	1 957.17 m ²
Annual rent (EUR)	2 852 006.78
Type and duration of rental contract	userfruit for 15 years
Host country grant or support	
Present value of building	

⁽²²⁾ Including ongoing onboardings

Annex 6: Privileges and immunities

Agency privileges	
Protocol of Privileges and Immunities (PPI) and Article 151(1)(aa) of Directive 2006/112/EC (the VAT Directive).	VAT exemption for certain services
Privileges granted to staff	
Protocol of privileges and immunities/diplomatic status	Special ID card
Notice D.D. 229.000 du Service Public Fédéral Finances du 01/06/2009 (FR)	VAT exemption to purchase certain goods upon taking up duties

Annex 7: Evaluations

Evaluation activities aim to assess the performance and achievements of programmes, projects, activities or an organisation based on set criteria and indicators, with the aim of establishing findings and conclusions as well as making recommendations for future programming or improvements to current projects.

The SRB's founding regulation refers to different forms of evaluation, as described below.

Evaluation in the context of the SRF by the Plenary

Concerning the use of the Fund and the resolution tools ⁽²³⁾, the Regulation refers to evaluating their use. This is a responsibility given to the Plenary Session. The Plenary, in doing so, is to provide guidance to the executive session, which the latter is to follow in subsequent resolution decisions. Guidance to the executive session should, in particular, focus on ensuring the non-discriminatory application of resolution tools, on avoiding the depletion of the Fund and on differentiating appropriately between no-risk or low-risk liquidity and other forms of support.

Evaluation by external auditors, the European Court of Auditors and the European Anti-Fraud Office

The Board must also take into account and ensure adequate follow-up to findings and recommendations stemming from the internal or external audit reports and evaluations, as well as from investigations of the European Anti-Fraud Office (OLAF).

Ex-post evaluations by the European Commission

These take place in the context of the functioning of the SRM and cooperation with other related authorities ⁽²⁴⁾. The functioning of the SRM will be evaluated in the framework of the review set out in Article 94 of Regulation 806/2014 ⁽²⁵⁾, where the Commission is tasked to publish a report on the application of this Regulation, with a special emphasis on monitoring the potential impact on the smooth functioning of the internal market. This is to be done for the first time by 31 December 2018, and then every three years thereafter.

⁽²³⁾ Art. 50, Reg. 806/2014

⁽²⁴⁾ In particular the SSM, the ESRB, EBA, the European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority, and the other authorities which form part of the ESFS.

⁽²⁵⁾ Art. 94, Reg. 806/2014

The Commission, when reviewing Directive 2014/59/EU, is invited also to review Regulation 806/2014, as appropriate.

Evaluations under the internal control standards framework

In line with its planning to achieve compliance with the internal control standards, the SRB is in the process of developing a comprehensive methodology for both ex-ante and ex-post evaluations. This work is to be implemented in the course of 2018.

Annex 8: Risk management

An important element of the SRB's strategic planning is the identification and mitigation of the risks to which the organisation is exposed.

This is crucial to formulate a risk management strategy based on both an awareness and an understanding of the risk environment.

So far, the SRB has carried out three partial risk assessments:

- ▶ risk assessment of the SRF;
- ▶ SRB compliance risk assessment;
- ▶ SRB ICT risk assessment.

The SRF

Regarding the Fund, a compliance risk assessment was done in 2016, with mitigating actions. In 2017, an operational risk assessment was carried out. Follow-up action plans will be drawn up following this risk assessment.

SRB compliance risk assessment

In 2016, the SRB carried out a compliance risk assessment. This exercise was repeated in the last Quarter of 2017.

SRB ICT risk assessment

In 2017, as part of a consulting engagement on ICT governance, Internal Audit coordinated a risk assessment of the ICT organisation. In addition, ICT carried out a security risk assessment on the SRB data centre and collaboration platform. Both assessments will be followed up with concrete mitigating measures.

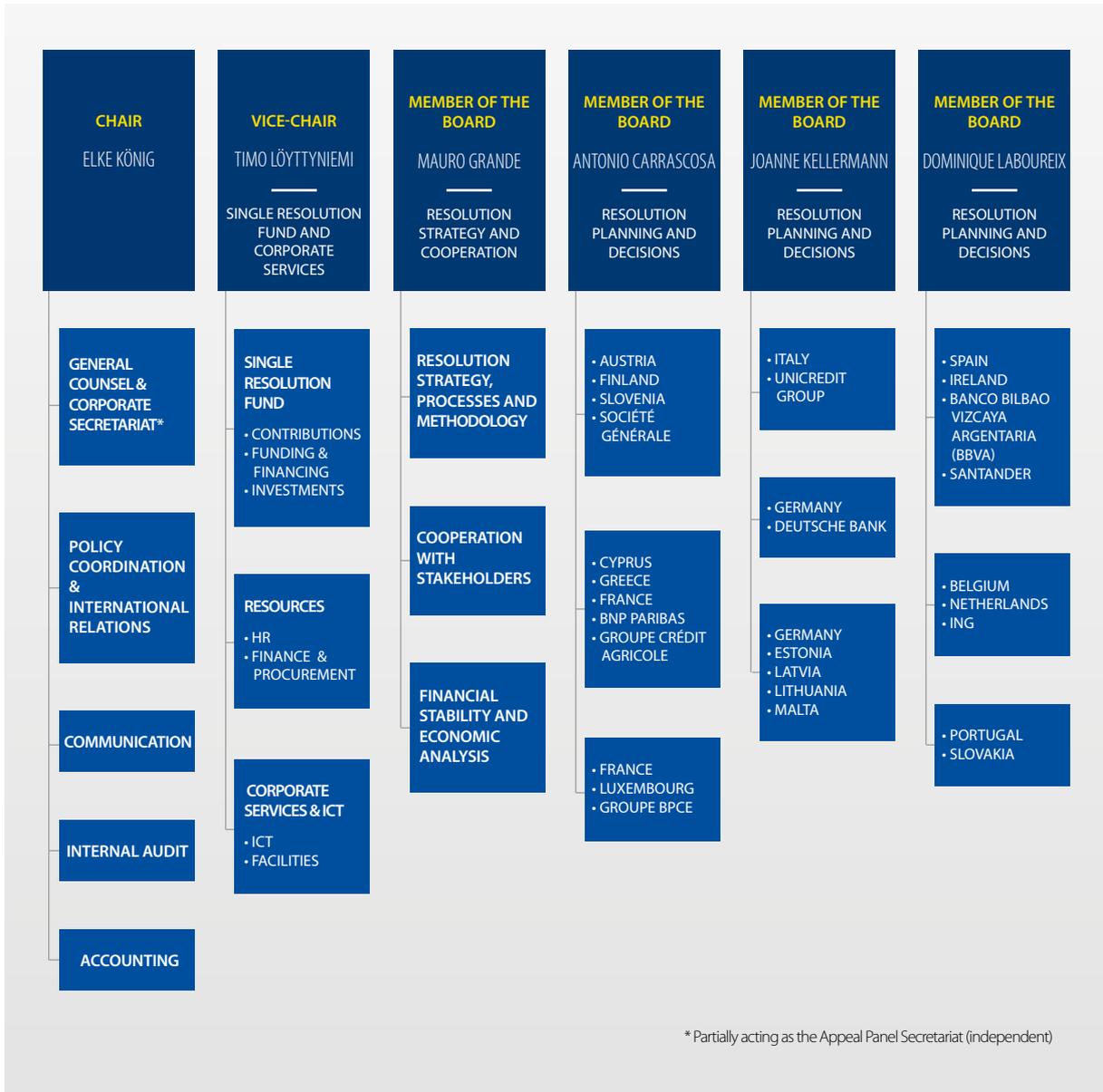
Risk assessment under the internal control standards framework

As part of the internal control standard on risk assessment, the SRB's Internal Control Office will develop a Board-wide methodology and implement a risk assessment exercise in 2018.

Annex 9: Indicative procurement plan 2018

Nr	Strategic area of operation	Subject	Contract type	Duration of contract (years)	Estimative multi-annual value (EUR)	Estimative value for 2018 (EUR)	Indicative quarter for launching the procedure
1	Operationalising the SRF	Automatisation of the Fund	Framework contract	4	5 400 000.00	1 350 000.00	Q1–Q2 2018
2	Operationalising the SRF	Advisory needs of the Fund	Framework contract	4	6 400 000.00	1 900 000.00	Q1–Q2 2018
3	Strengthening resolvability of SRB banks and LSI & effective crisis management	Studies related to resolution	Framework contract	4	2 000 000.00	500 000.00	Q2–Q4 2018
4	Establishing a lean and efficient organisation	Public Relations Services	Framework contract *The SRB is investigating the possibility of covering this service under the European Commission framework contracts	4	1 600 000.00	400 000.00	Q2–Q3 2018
5	Establishing a lean and efficient organisation	Software to analyse comprehensive data sets	Framework contract *The SRB is investigating the possibility of covering this service under the European Commission framework contracts	4	115 000.00	50 000.00	Q1 2018
6	Establishing a lean and efficient organisation	Legal Services	Service Contract(s)	n/a	5 000 000.00	5 000 000.00	Q1–Q4 2018
7	Strengthening resolvability of SRB banks and LSI & effective crisis management	Strategic consultancy, investment banking & corporate finance advice	Framework contract	4	30 000 000.00	2 000 000.00	Q2 2018
Grand total					50 515 000.00	11 200 000.00	

Annex 10: SRB organisation chart



Annex 11: Key performance indicators related to the 2018 Work Programme

Number	The SRB's KPIs for 2018	Target
Strengthening resolvability for all banks		
1	Substantially complete resolution plans for banking groups covered by resolution colleges, under the direct remit of the SRB*, including a first identification of substantive impediments and of MREL at material entity level.	100%
2	Substantially enhance resolution plans for banking groups not covered by resolution colleges, under the direct remit of the SRB, including a binding MREL target at consolidated level.	75%
3	Assessment of draft resolution decisions on LSIs under NRAs direct remit.	100%
Establishing a robust resolution framework		
4	Revision of the Cooperation Framework with the NRAs of the participating Member States.	Finalised by end of Q3
5	Finalising all core policies regarding resolution tools and setting MREL policies for significant banking groups and update the resolution planning manual accordingly.	By end of Q3 for the policies and by end of Q4 for the manual update
6	CoAgs with relevant authorities within the Banking Union and non-participating member states covering significant institutions and LSIs.	Finalisation for all Banking Union member states and for 50% of non-participating member states by end of Q4
7	Actively participate in relevant European and international fora (in particular the EBA and the FSB) to enrich SRB policy work and share SRB policy stances.	Attendance of 90%
Carrying out effective Crisis Management		
8	Steering coordination of national handbooks on crisis management.	Three sessions for coordination of national handbooks
9	Organise training sessions on the use of the Crisis Operational Manual for relevant SRB staff.	3
10	Dry Run Exercises for relevant SRB staff and NRAs within the Banking Union or NRAs within non-participating member states.	3 exercises
Operationalising the SRF		
11	Implementation of the Investment Plan 2018.	100%
12	Prepare documentation, including the terms and conditions for the use of the SRF.	100%
13	Monitor the LFA and explore the potential use of alternative funding means and actively contribute to the development of the Common Backstop for the SRF.	By Q3 2018
Establishing a lean and efficient organisation		
14	Release of a first version of an ICT environment for resolution planning by end of Q1 and for crisis management by end of Q4.	100%
15	Implementation of a disaster recovery datacentre.	Finalised by end of 2018
16	Timely handling of all compliance requests and requests for legal advice as well as litigation and SRB Appeal Panel cases.	90%
17	Timely payment of invoices.	90%
18	Implementation of the internal control standards.	Risk assessment report by end of Q3

* Art. 7.2(a) and (b) SRMR.

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