



11 January 2017

SRB Press breakfast

9h30 – 11h00 (-1 Athens Room)

Timo LÖYTTYNIEMI

CHECK AGAINST DELIVERY

Thank you very much Elke. And thanks to all of you for making the time to come to this Press Breakfast this morning.

As you may all know, I am the responsible board member in charge of the Single Resolution Fund – which may be used, as last resort, to ensure the efficient application of resolution tools and the exercise of the resolution powers conferred to the SRB.

[SRF Basics]

The SRF is composed of contributions from credit institutions and certain investment firms in the 19 participating Member States within the Banking Union.

It will be built up during the transitional period of eight years (2016-2023) and will reach at least 1% of covered

deposits within the Member States of the Single Resolution Mechanism by the end of 2023. So, when you have an estimate for covered deposits by end of 2023, you can estimate the size of the Fund. Based on the amount of covered deposits in the Banking Union when the SRB was set up, the first prognosis was that the Fund would account for approximately 55 billion Euros by the end of the transitional period.

If you allow me, I would just like to remind you about a few principles when it comes to **using** the SRF.

A precondition for accessing the Fund is the application of the bail-in rules and principles laid down in the bank recovery and resolution directive and in the single resolution mechanism regulation. Therefore:

- First, a bail-in of at least 8% - which means that losses totalling not less than 8% of the total liabilities including own funds of the institution under resolution have already been absorbed by shareholders and creditors
- Secondly, a contribution from the SRF of maximum 5% of the total liabilities including own funds of the institution under resolution.

The SRF shall not be used to directly absorb the losses of an institution

The SRF may only be used to ensure the effective application of the resolution tools, in particular:

- To guarantee the assets or the liabilities of the institution under resolution;
- To make loans to or to purchase assets of the institution under resolution;
- To make contributions to a bridge institution or an asset management vehicle;
- To make a contribution to the institution under resolution in order to exclude certain creditors from the scope of the bail-in tool in extraordinary circumstances;
- To pay compensation to shareholders or creditors who incurred greater losses than they would have had under normal insolvency proceedings.

[Conditions of use]

As a general principle for resolution, shareholders and creditors will have to bear the first losses if a bank fails.

For the Banking Union this principle is enshrined in the bail-in tool.

[Facts]

I am convinced that you are also very interested to learn about the financial details in the build-up of the fund. Let me tell you that as of July 2016 we collected a total amount of 10.8 billion Euros. These contributions were raised from nearly 4000 institutions – not only banks, but also certain investment firms in the Eurozone. The collection of the contributions was done in cooperation with the SRB's main partners, namely, the National Resolution Authorities. In fact, the SRB calculates the amounts while the NRAs raise all the contributions from the institutions in their respective jurisdictions. This is why the cooperation between the NRAs and the SRB is so important in order to harmonize processes and ensure that the level playing field is maintained.

[Contribution process 2017]

For the 2017 contribution period, this process is already well underway.

The individual contributions to the SRF in 2017 will be calculated on the basis of the size and the risk profile of each institution. In order to allow the SRB to calculate the individual contributions, institutions are required to provide data on the basis of a unified reporting template. Institutions need to provide the completed reporting template by 31 January of every year at the latest.

Following the timeline set out in the Delegated Regulation, NRAs will notify institutions of the amounts they need to contribute before the first of May 2017.

The last step of the process is that the Member States which have collected the ex-ante contributions need to transfer the relevant amounts to the SRF by 30 June. This is done on the basis of an Intergovernmental Agreement (IGA) that was agreed between Member States.

Over the course of the last months we have put a lot of efforts into increasing transparency surrounding the contribution process. The SRB website now not only lists the size of each national compartment of the SRF, but it

also provides aggregated statistical information on the 2016 calculation. For example, it now lists the amount of covered deposits per jurisdiction, the amount of contributions calculated under the various calculation methods and the number of institutions in each interval of the risk adjustment factor.

By providing this information we hope to increase stakeholders' understanding of the calculation method, provide more insight into the process of raising and – ultimately – improve the predictability of the contributions.

[Investment strategy]

But you might ask: what comes next??

Well, it is expected that the amounts held in the SRF will amount to 17 billion Euros following the receipt of the 2017 contributions. The main objective for 2017 is to put the investment policy into practice. In 2016, the SRB developed and adopted an investment strategy. The investment objective set in the Investment Strategy is to satisfy liquidity needs and to preserve the value of

the amounts held in the SRF. In the current times of negative interest rates and early stage of the fund build up, preserving the liquidity will be prioritized.

At the moment the amounts held in the SRF are placed on cash accounts with Central Banks of the Euro system.

[Conclusion]

Resolution readiness and SRF operations require a strong resolution framework for the SRB to be an effective authority.

The credibility of resolution actions is also determined by the SRF and its ability to support resolution actions financially, if necessary.

In the course of 2016 the SRB has signed loan facility agreements with nearly all participating MSs. This facility provides bridge financing for the SRB in case of resolution funding needs. The final size of this financing arrangement to support the SRF will be 55 bn euros.

Elke very often compares the SRB to a fire brigade. I would like to add that the Single Resolution Fund is an integral part of the Banking Union. The water in the firehose, if you will.

We need strong and credible tools for the Single Resolution Mechanism to work – and today I am happy to say that we are more than on the right track.

Thank you very much and now I hand over to Camille for the Q&A session.

* * *

[982 words = around 8 minutes)