Press Breakfast – Timo Löyttyniemi

21 January - Treurenberg

Thank you, Elke, for your presentation of our work for 2015 and the challenges ahead for 2016.

Good morning, ladies and gentlemen, and welcome, from my side, to our new building. And building seems to be a common theme here, as we have been building up the SRB's tools and resources in readiness for the task ahead of us. Elke has mentioned just some of the things we need to do in 2016 to make sure that failing banks don't cause problems for European national economies and taxpayers.

Many of us have seen the devastating effects of the financial crisis, especially when national economies are so interlinked that what happens in one country has a knock on effect in another country. Fragile banking systems are vulnerable and a bank going bust in one country can mean that investors, shareholders…*and ordinary* people, in other countries are also threatened. But it doesn't have to be that way. And with the right tools and outlook, we can make a difference. In Finland, my home country, we have the concept of "sisu", which is a combination of strength and perseverance. And I believe, with these two qualities, we can build on our foundations and achieve our objectives.

But, today, I would like to talk about the Single Resolution Fund. The assets for the Single Resolution Fund will be collected from credit institutions in the participating Member States. The fund will be formed to its full strength, of approximately 55 billion euros, in eight years' time – or precisely 1% of covered deposits.

I will discuss what the Fund is, where contributions come from, and how and when it would be used.

If a bank is failing or is likely to fail, we at the SRB ask: can the private sector find a solution? If the answer is no, then we will consider whether – as a last resort - the resolution of the bank is in the public interest. If it isn't, then the bank would be wound down.

But, if resolution *is* in the public interest, the SRB can adopt a resolution scheme. In this resolution scheme, we will identify the tools to use for resolution and whether we should use monies from the Single Resolution Fund. That way, we will help reduce the impact of the bank's failure on the economy and we won't use taxpayers' *hard earned* money to save the bank.

So, how would the Fund be used in resolution?

The point of the Fund is to make sure that there is a harmonised way of dealing with the financing of bank resolution within the Single Resolution Mechanism. The Fund may be used to meet a capital shortfall only after a minimum bail-in of 8 percent of the total liabilities of bank's shareholders and creditors. The Fund may invest or contribute no more than five per cent of the bank's total liabilities. The Fund can guarantee the assets or liabilities of the bank under resolution. The Fund can make loans to the bank or buy its assets. And the Fund can compensate shareholders and creditors who have lost more than they would have under a normal insolvency.

So, where do the Fund's resources come from? Over the next 8 years, we will build up the Fund with contributions from the banks: *at least* one per cent of covered deposits of all the banks in Member States which are part of the Banking Union.

The SRB makes sure that it applies the same rules to calculate contributions from credit institutions and investment firms to the Fund in all Member States. For 2016 contributions, they (banks / NRAs) need to give the SRB the information it needs to calculate contributions by the first of February: for example, information on own funds, covered deposits and total assets. If the SRB doesn't get this information by the first of February, we can use our own estimates. On the first of May, we will notify institutions of what they need to contribute by the deadline of the 30th of June. Throughout this process, National Resolution Authorities are the first point of contact for any questions institutions might have and will collect the data from institutions and pass them on to us.

If, during a resolution scheme, we see that the use of the Fund is not enough to cover losses, we will collect ex-post contributions to cover the losses.

We are also delighted to inform you about our work related to the so-called Member State backstop. At the ECOFIN meeting on the 8th of December the Member States endorsed a 55 bn euro "bridge financing" loan facility to the SRB. The facility from each Member State to the SRB will provide temporary financing for the collection of ex-post contributions. This loan facility arrangement will enable the SRB, if necessary, to have access to 55 bn euros already in 2016.

In this way, we can make sure that we can – if need be – take resolution decisions quickly and effectively to promote financial stability in the Banking Union. National funds on their own are not sufficient to protect taxpayers. Only if we work together, pool our resources and use them wisely can we help make sure European economies don't fail. Only if we work together, with strength and perseverance, can we build better, stronger and more stable economies. I read somewhere once: "It is not the beauty of a building you should look at; it’s the construction of the foundation that will stand the test of time." Thank you.

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Quote from David Allen Coe