



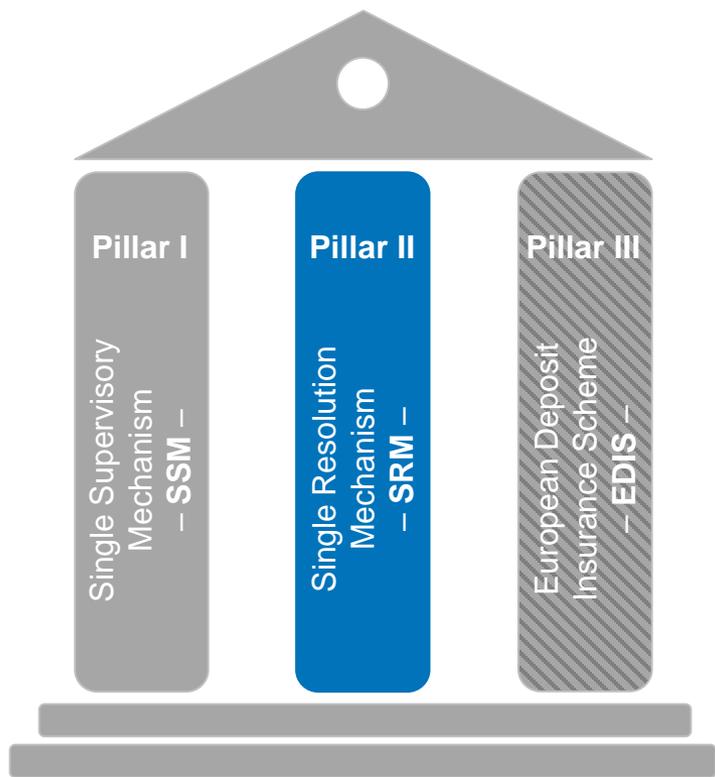
Single
Resolution Board

3rd SRB–Banking Industry Dialogue Meeting Contributions to the SRF

Timo Löyttyniemi, Vice Chair of the SRB

23 May 2016, Brussels

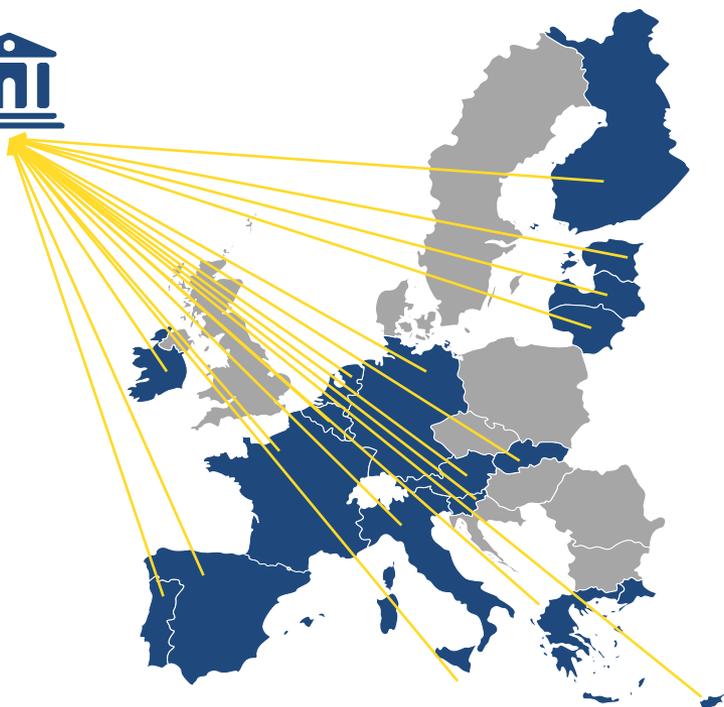
Three pillars of Banking Union



- The Single Resolution Fund ('The Fund') is an **essential element of the Single Resolution Mechanism (SRM)** which manages resolution of credit institutions and certain investment firms within the 19 participating Member States. In 2016, **3762 institutions** are in the scope of the Fund.
- The Fund helps to establish a uniform administrative practice in the financing of resolution within the SRM and ensures that resolution decisions are taken effectively and quickly enhancing the financial stability in the Banking Union.
- The Fund will be built up during the first eight years (2016-2023) and shall reach **at least 1%** of covered deposits.

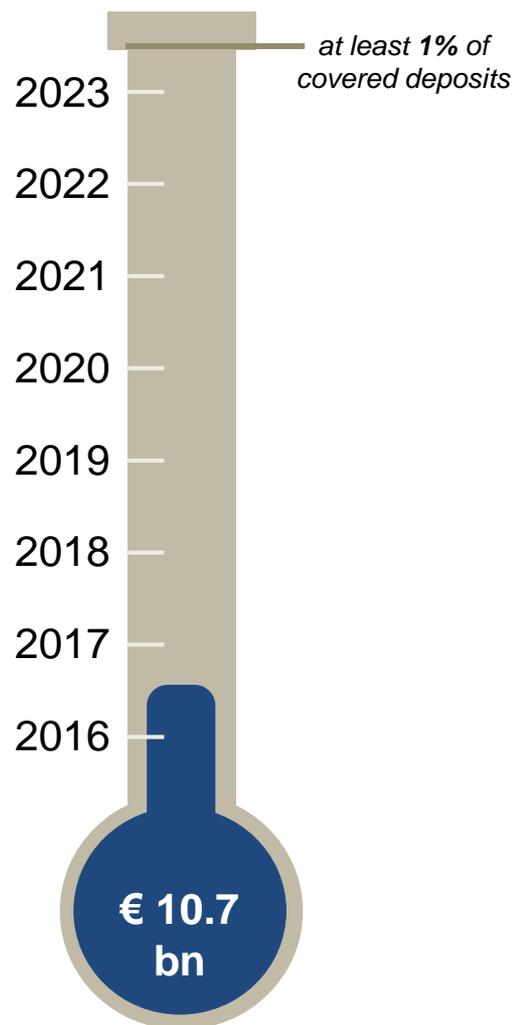
The Single Resolution Fund

Contributions to the Single Resolution Fund ("Fund")



- The Fund is financed from **ex-ante contributions** paid annually at individual (solo) level by all credit institutions and some investment firms established in the 19 Member States participating to the SRM.
- The SRB is responsible for the calculation of the ex-ante contributions. 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 Fund, **additional ex-post contributions** should be collected.

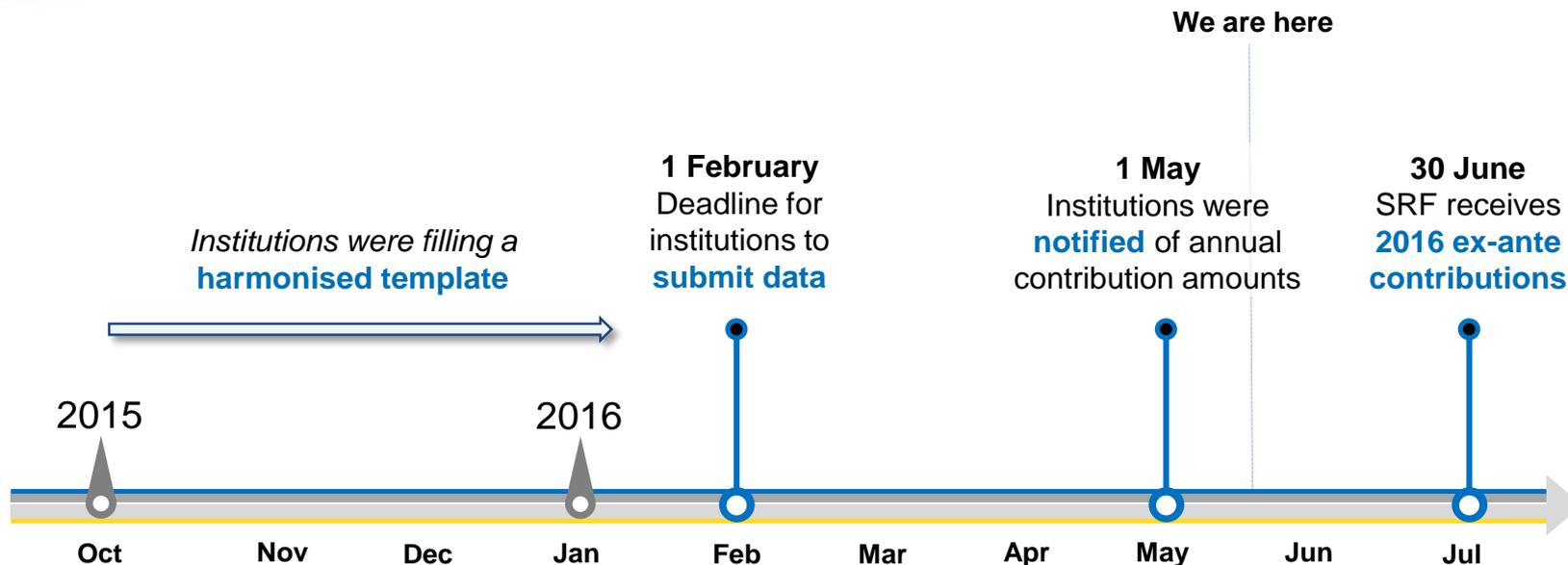
Where are we in the building of the Fund?



By 1 January 2024, the available financial means of the Fund shall reach **at least 1 % of the amount of covered deposits** of all credit institutions authorised in all of the participating Member States.

- In January 2016, the NRAs transferred to the SRF **€ 4.3 bn of 2015 ex-ante contributions**
- By 30 June 2016, the NRAS will transfer to the SRF **€ 6.4 bn of 2016 ex-ante contributions** (after 2015 deduction)

What is the 2016 ex-ante contribution process?



National Resolution Authorities are:

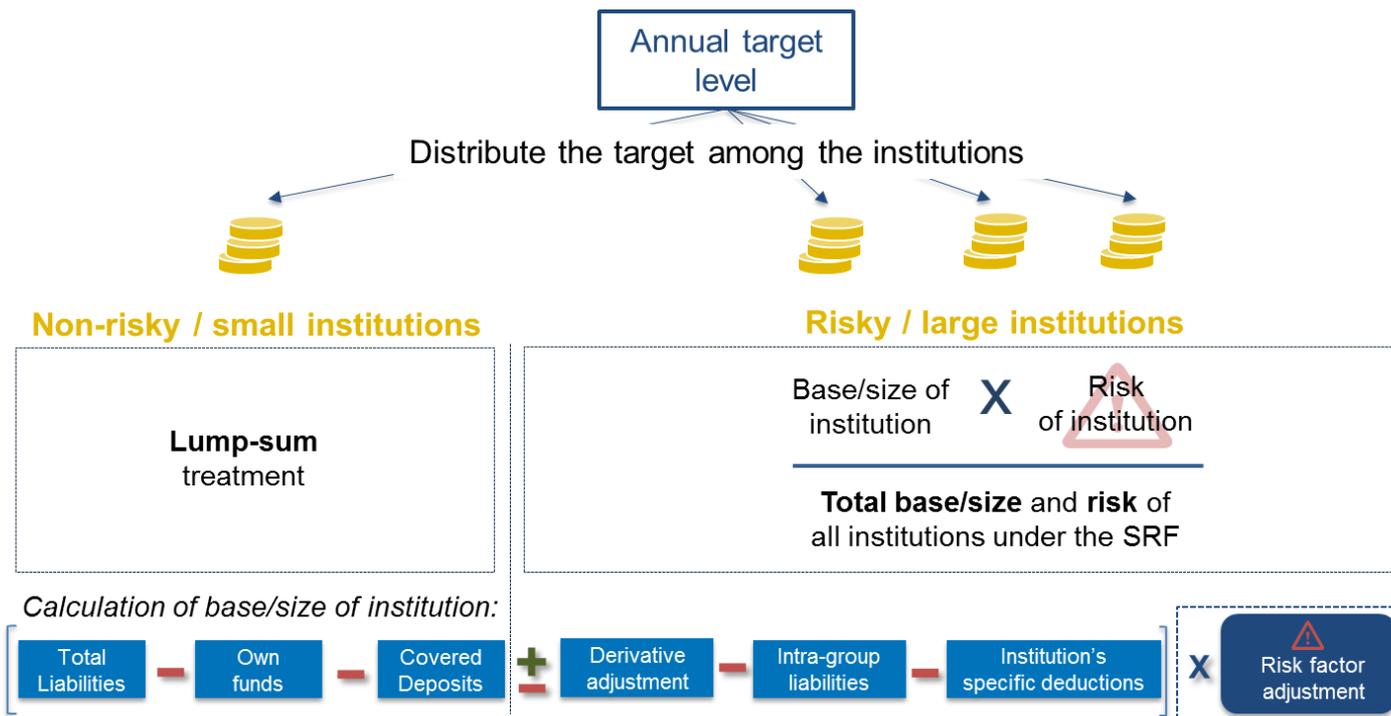
- First contact point for institutions in case of any questions or need of clarification
- Collecting the data and contributions for the Fund

Single Resolution Board is:

- Calculating the ex-ante contributions
- Applying common rules and giving guidance to the NRAs

How are ex-ante contributions calculated?

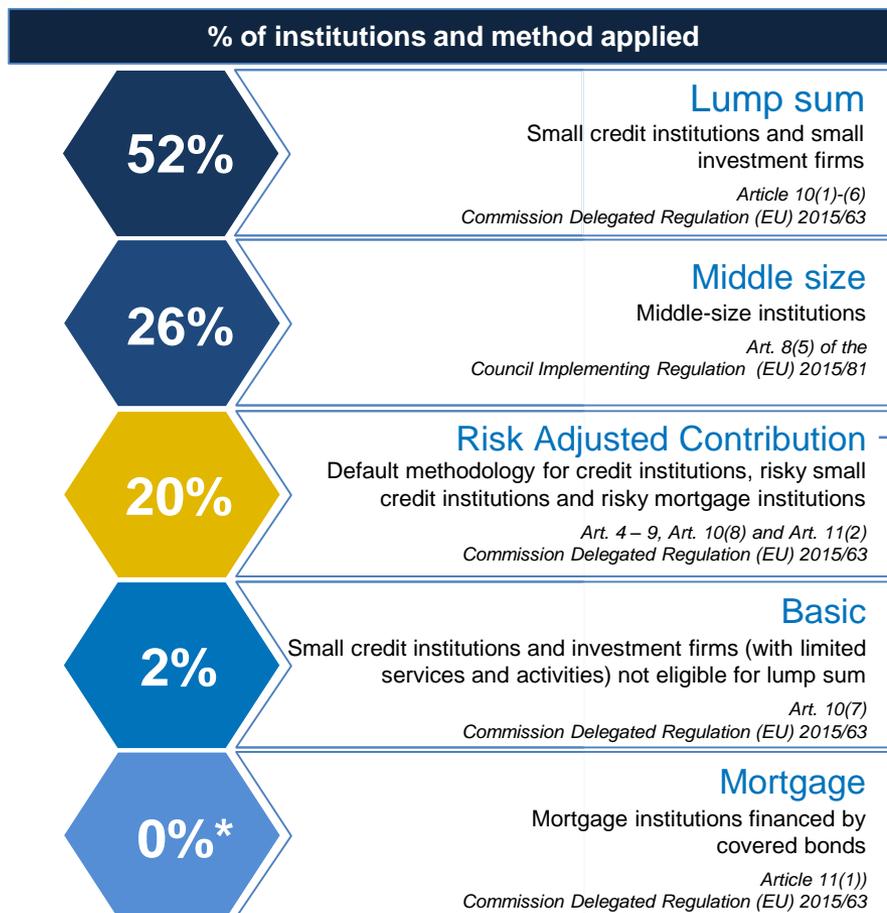
In calculating the ex-ante contributions, the SRB applies the methodology as set out in the **Commission Delegated Regulation (EU) 2015/63** and **Council Implementing Regulation (EU) 806/2014**



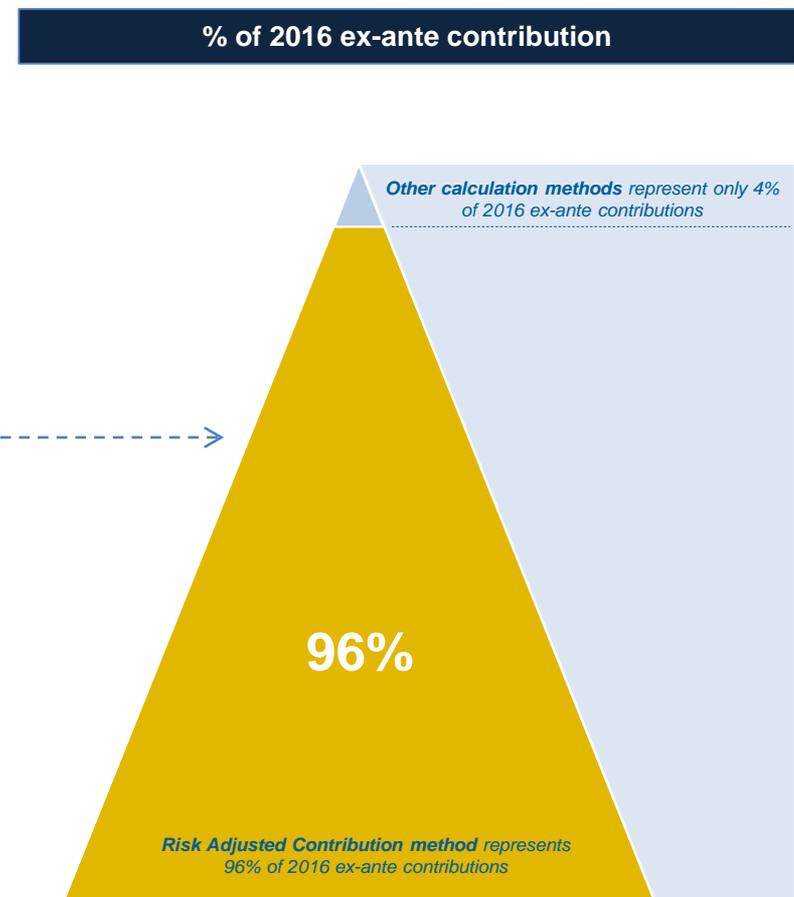
Contributions to the Fund take into account the **annual target level** as well as the **size** and the **risk profile** of institutions.



Who is contributing to the Fund?



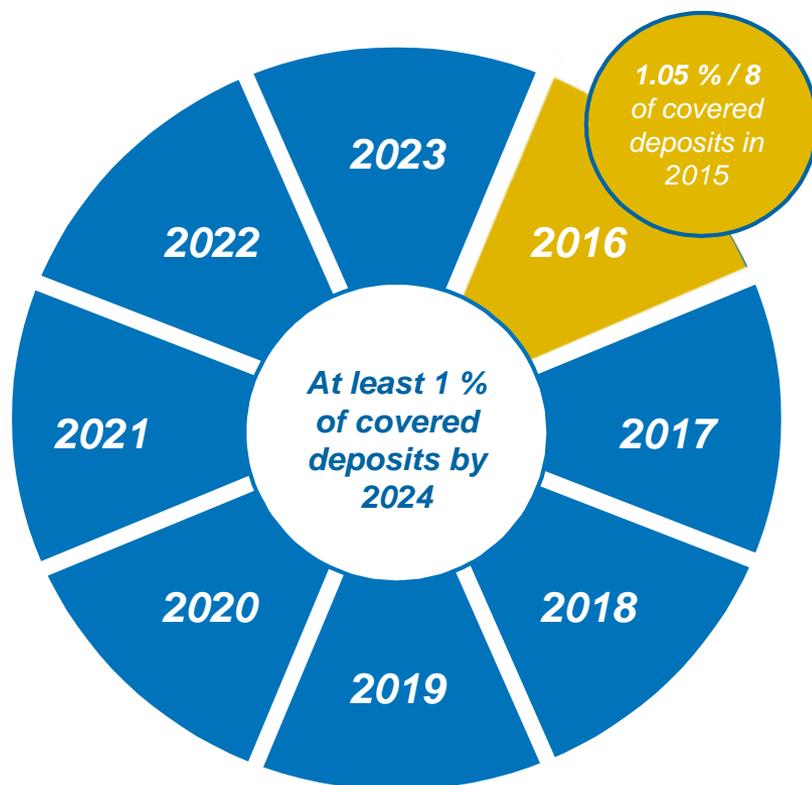
* 14 mortgage institutions are in the SRF scope



Risk Adjusted Contribution calculation method was applied for 20% of institutions that represent 96% of total 2016 ex-ante contributions

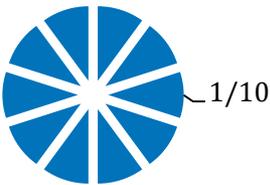
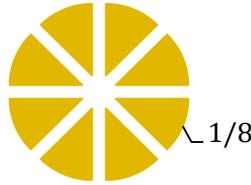


How did the SRF set the 2016 Annual Target level?



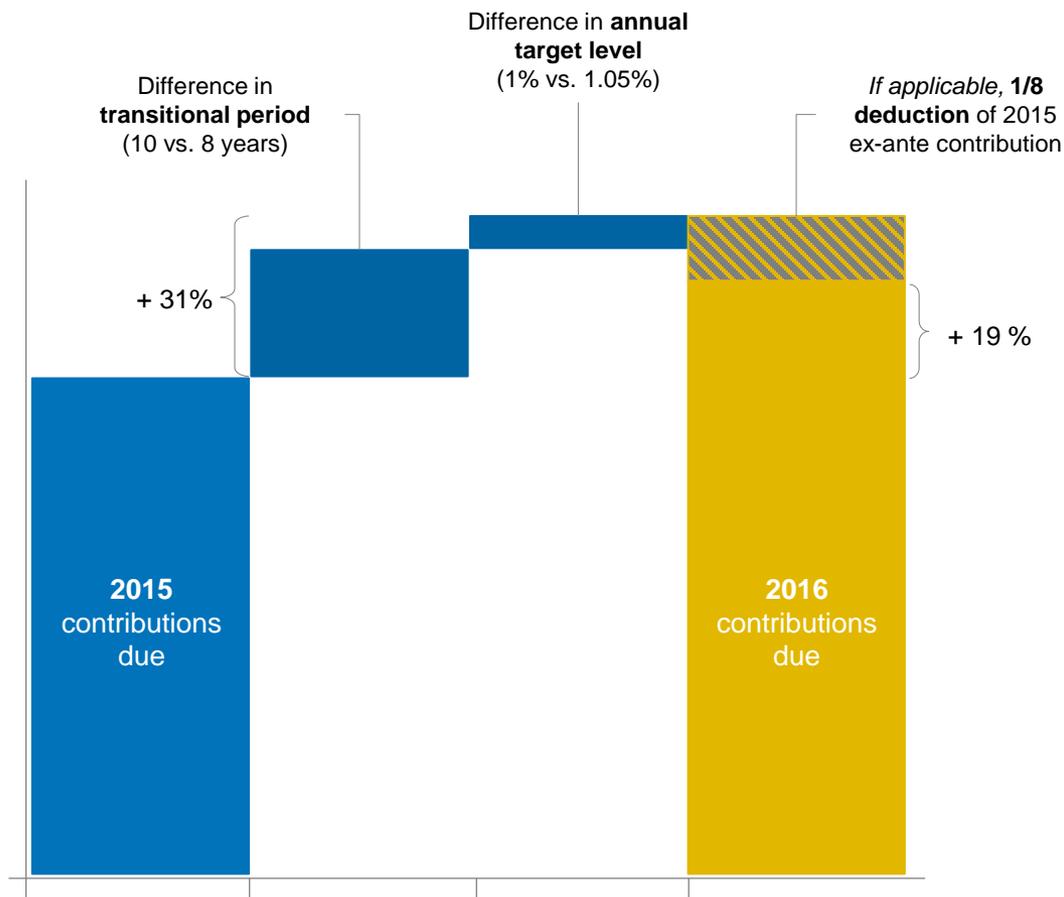
- By **1 January 2024**, the available financial means of the Fund shall reach at **least 1 %** of the amount of covered deposits of all credit institutions authorised in the participating Member States.
- The SRB decided to set the **2016 Annual Target** level at **1.05 % / 8** of covered deposits in 2015. The annual target level was set taking into account the current and conservatively estimated level of covered deposits in the end of 2023.

What is the difference between 2015 and 2016?

	2015 ex-ante contributions	2016 ex-ante contributions
Reference date for calculation	2013 data	2014 data
Annual target level	<p>BRRD (100%) = 1% * covered deposit /10</p>  <p>100% BRRD</p>	<p>BRRD (60% weight) = 1.05% * covered deposit /8 SRMR (40% weight) = 1.05% * covered deposit /8</p>  <p>40% SRMR 60% BRRD</p>
Reference date for Target level	Total amount of covered deposits in 2014	Total amount of covered deposits in 2015
Length of transitional period	<p>Under BRRD the target of 1% is to be reached in 10 years</p>  <p>1/10</p>	<p>Under SRMR the target of 1% is to be reached in 8 years*</p>  <p>1/8</p>
Calculation method	National Resolution Authorities were fully responsible for the calculation of ex-ante contributions	Ex-ante contributions were calculated by the Single Resolution Board based on a common approach for all the Member States

* If applicable, the ex-ante contributions collected in 2015 will be evenly deducted from the contributions due during the transitional period.

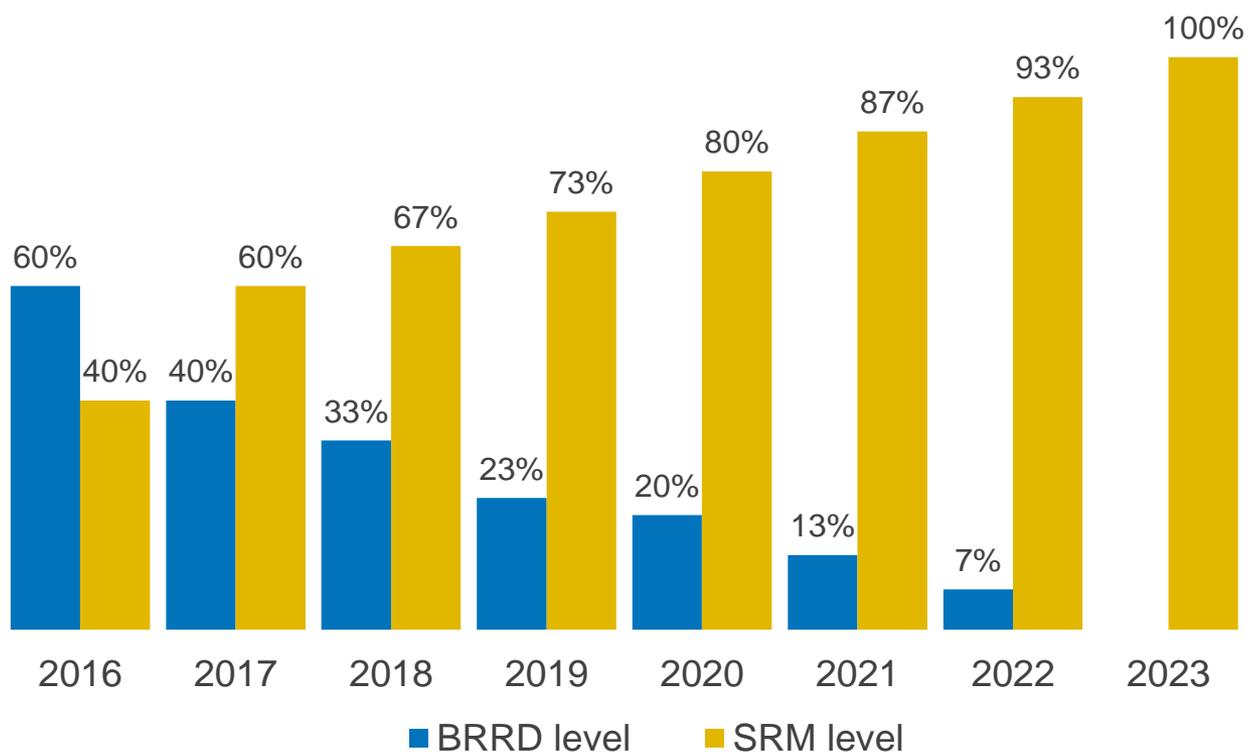
What is the difference between 2015 and 2016?



Up to **31% increase in 2016 ex-ante contributions** in comparison with 2015, can be explained (*ceteris paribus*) as a difference in the **transitional period length** and **annual target level** between BRRD and SRMR

Transitional period: *Calculation method*

Until 2023, the annual contributions are computed as the sum of weighted BRRD and SRM contributions.



Single Resolution Mechanism level
Percentage of annual contributions computed based on the Euro Area level calculations.

Bank Recovery and Resolution Directive level
Percentage of annual contributions computed based on the national level calculations.

Transitional period: *Irrevocable Payment Commitments*

- Each year the SRB is to take a decision regarding the share of **Irrevocable Payment Commitments** (IPCs) that each institution may decide to pay as part of its annual ex-ante contributions.
- In 2016, the SRB has decided that institutions may apply to pay **15%** of its ex-ante contributions in IPCs.
- The IPCs should be fully backed by **collateral** of low-risk assets unencumbered by any third-party rights, at the free disposal of and earmarked for the exclusive use by the Board for the purpose of the use of the Fund.
- In 2016, the SRB has decided that the only acceptable collateral will be **cash**.

Transitional period: *Additional elements*

Data restatements and revision

- Where information or data submitted is subject to updates or corrections, it should be submitted to the resolution authorities without delay.
- The SRB will adjust the annual contribution in accordance with the updated information of that institution for the following contribution period.

Ex-post reviews

- For the purpose of performing its tasks, the SRB may require the legal or natural persons to provide additional information and conduct all necessary investigations (incl. on-site inspections).

Pooling of contributions to the Fund

An Intergovernmental Agreement (IGA) was signed on 21 May 2014 between participating Member States on transfer and mutualisation of contributions to the Single Resolution Fund.

The IGA complements the SRM Regulation:

- During a transitional period, the contributions will be allocated to **different compartments** corresponding to each participating Member State (national compartments).
- Those compartments will be subject to a **progressive merger** so that they will cease to exist at the end of the transitional period.
- The Agreement determines how the Board is able to dispose of the national compartments that are progressively merged.



1. Use of the national compartment

Firstly, the costs are borne by the national compartments where the institution/group are established or authorised.

→ In 2016, 100% of the national compartment will be used in Step 1.

2. Mutualisation of all compartments

If the national compartments used in Step 1 are not sufficient, recourse is to all compartments ('mutualisation').

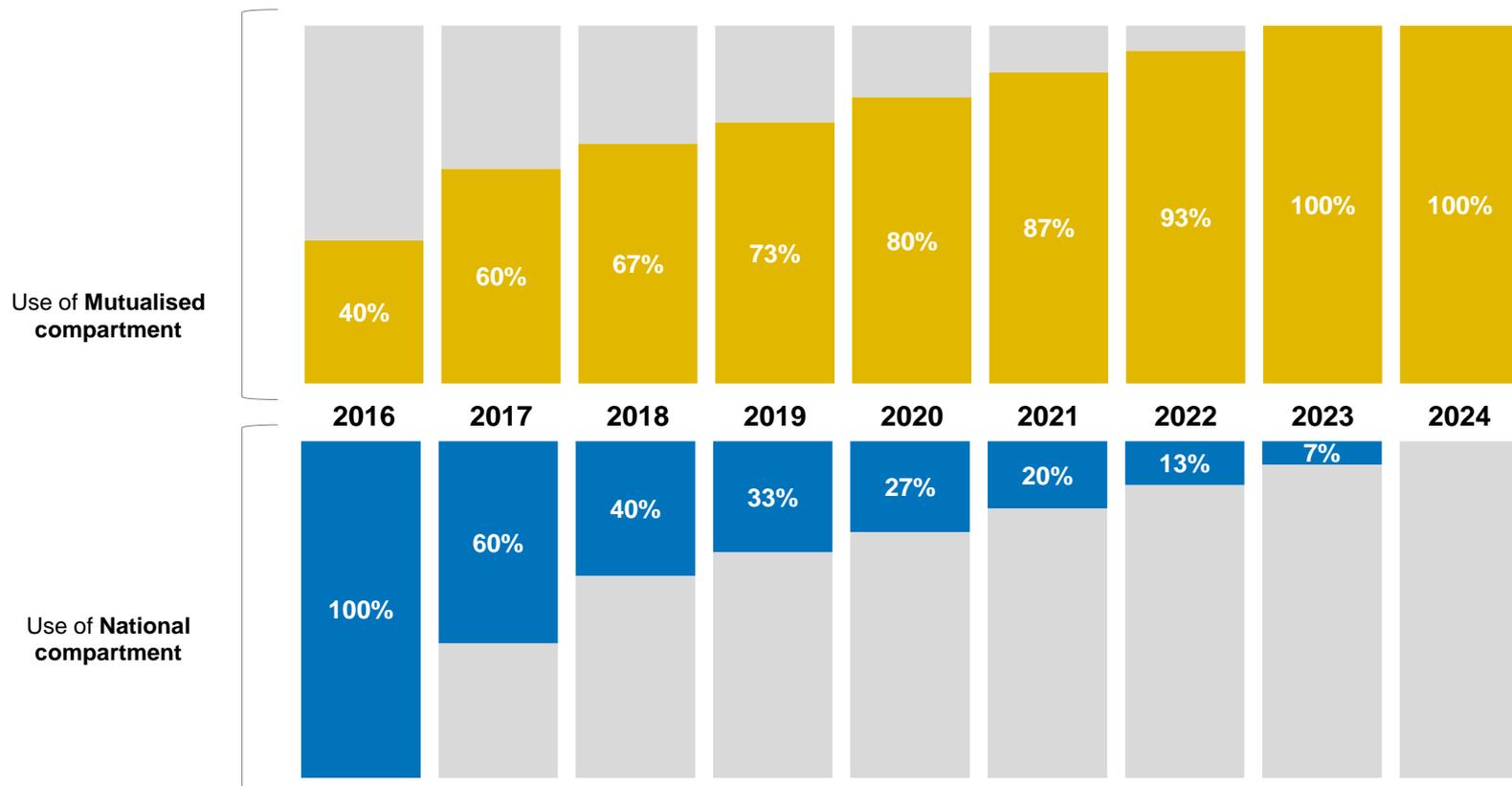
→ In 2016, 40% of all the Compartments are mutualised.

3. Call for ex-post contributions

If the costs of the resolution are still not covered, the Fund may call for:

- (i) external borrowing or other forms of support
- (ii) temporary transfers between national compartments

Progressive merger of compartments



Public bridge financing

- On 8 December 2015, the Economic and Financial Affairs Council (ECOFIN) endorsed the **public bridge financing arrangement for the Fund**.
- **As a last resort**, the ex-post contributions may be bridge financed by borrowing from the Member States by **Loan Facility Agreements (LFAs)**. This borrowing shall be recouped with the ex-ante and ex-post contributions within the maturity period of the loan.
- The **SRB is in process of signing the LFAs with all 19 Member States**.

To ensure the efficient application of the resolution tools of the SRB, the Fund will have a **prudent and safe investment strategy**.

- An interim investment strategy is implemented until the final investment strategy is developed and adopted by the SRB.
- Commission Delegated Regulation (EU) No 2016/451 provides the legal basis for the investment strategy, the Fund is currently developing.
- The investment objective is i) to satisfy the liquidity needs of the Fund and ii) to preserve the value of the Fund.
- The implementation of the investment policy is expected to take place gradually during 2016 and 2017.

The Single Resolution Fund and the Single Resolution Board were established pursuant to the SRM Regulation.

- The Fund ensures that resolution decisions are taken effectively and quickly *enhancing the financial stability* in the Banking Union.
- The Fund pools *significant resources from all institutions* and therefore *protects taxpayers* more effectively than national funds.
- The Fund will be built up during the *first eight years (2016-2023)* and shall reach *at least 1% of covered deposits*.



Thank you!