



**Single
Resolution Board**

SRB – Banking Industry Dialogue Meeting Ex-ante Contributions to the Fund 2017

Timo Löyttyniemi, Vice Chair of the Board

28 November 2016

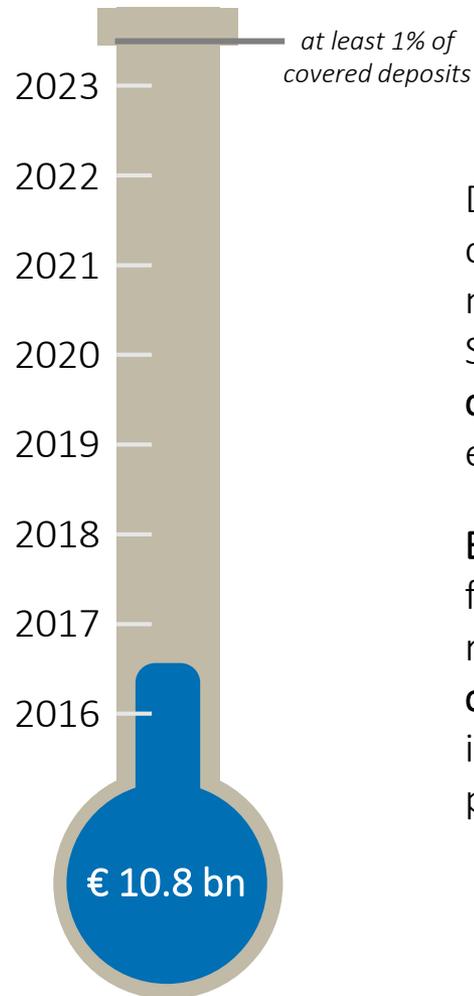
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Single Resolution Fund

Where are we in building the Fund?



During the **eight year initial period**, contributions raised by NRAs at national level and transferred to the SRF are allocated to **national compartments** corresponding to each participating Member State.

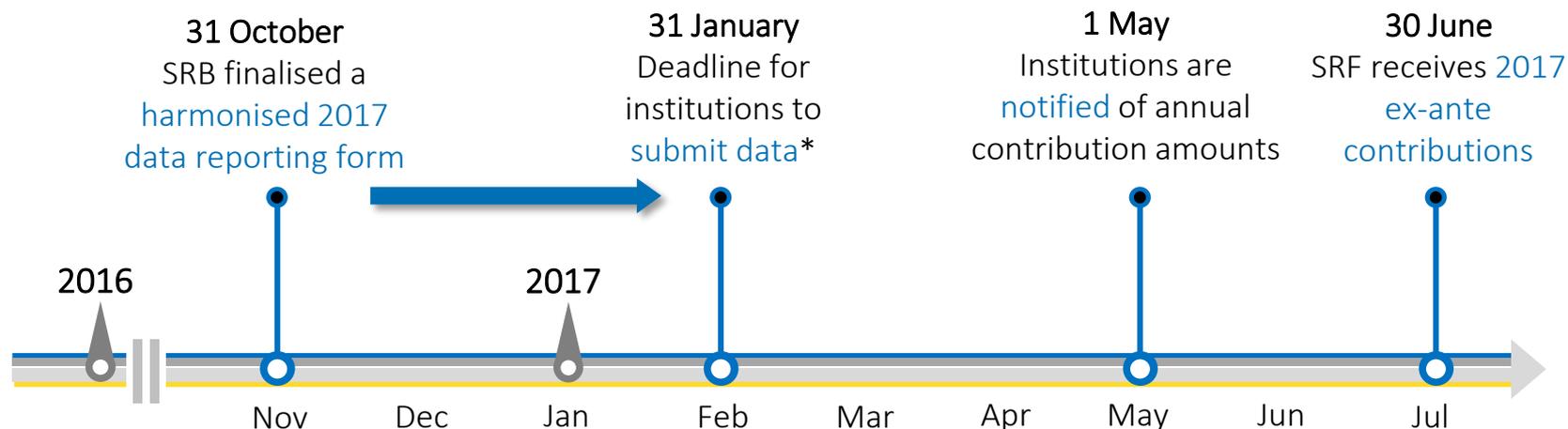
By **1 January 2024**, the available financial means of the Fund shall reach **at least 1 % of the amount of covered deposits** of all credit institutions authorised in all of the participating Member States.

Current Size of National Compartment
(in Bn EUR rounded to nearest decimal point)*

Austria	0,4
Belgium	0,5
Cyprus	0,1
Estonia	0,01
Finland	0,2
France	2,5
Germany	3,3
Greece	0,1
Ireland	0,2
Italy	0,8
Latvia	0,01
Lithuania	0,02
Luxembourg	0,1
Malta	0,02
Netherlands	0,9
Portugal	0,1
Slovakia	0,1
Slovenia	0,03
Spain	1,4
Total	10,8

* Reflects the current amount of contributions (including IPCs)

2017 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

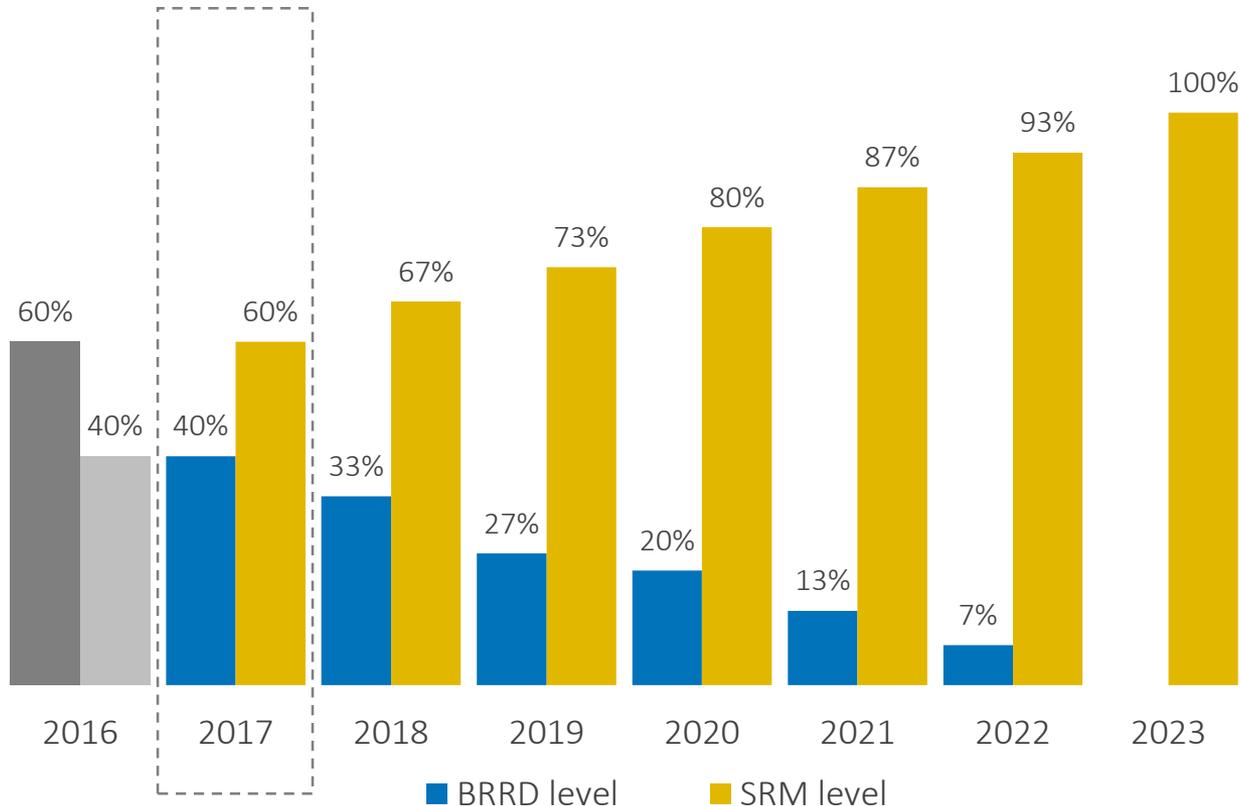
Single Resolution Board is:

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

* NRAs may set the deadline at an earlier date to ensure timely data collection and verification process

How will the ex-ante contributions be calculated?

Until 2023, the **annual contributions** are computed as the sum of **weighted BRRD** and **SRM** contributions as defined in Article 8 of the Council Implementing Regulation (EU) No 2015/81

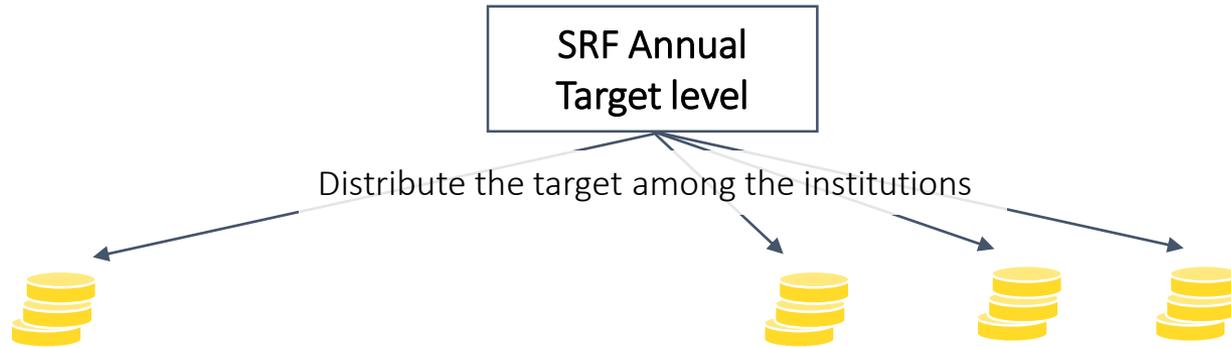


Single Resolution Mechanism level
Percentage of annual contributions computed based on the Euro Area level calculations.

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

How will the ex-ante contributions be calculated?

Contributions to the Fund take into account the SRF Annual Target level as well as the size and the risk profile of institutions.



Non-risky / small institutions

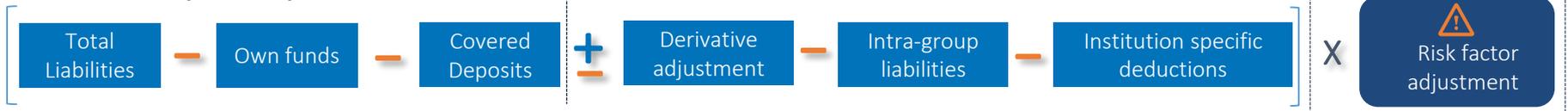
Lump-sum treatment

Risky / large institutions

Base of institution \times Risk of institution

Total base/size and risk of all institutions under the SRF

Calculation of base of institution:



What data will be used in the calculations?

The SRB applies the methodology set out in the **Commission Delegated Regulation (EU) No 2015/63** and the **Council Implementing Regulation (EU) No 2015/81**, which guarantees a level playing field among participating Member States.

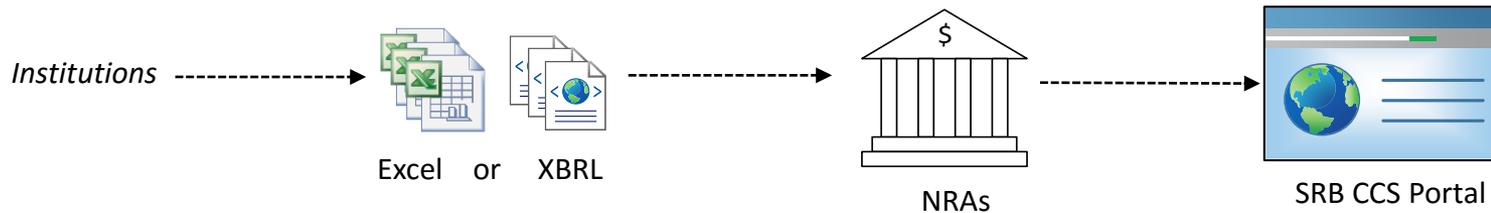
Data used in the calculation of 2017 ex-ante contributions	Source
<p>1. Basic Annual Contribution:</p> <ul style="list-style-type: none"> Total Liabilities (= Total Balance Sheet) <ul style="list-style-type: none"> – Own Funds – Covered Deposits – Accounting on-balance sheet derivative liabilities + Derivative liabilities (leverage methodology) after floor – Deductions (if any) <p>2. Risk adjustment:</p> <ul style="list-style-type: none"> i. Risk Exposure: <ul style="list-style-type: none"> a) MREL b) Leverage Ratio c) Common Equity Tier 1 Capital (CET1) Ratio d) Total Risk Exposure (TRE) e) Total Assets (TA) ii. NSFR & LCR iii. Interbank loans and deposits <ul style="list-style-type: none"> a) Risk exposure on traded debt and equity (out of TRE, CET1, TA) <ul style="list-style-type: none"> Off-balance sheet nominal (out of TRE, CET1, TA) Derivative exposure (out of TRE, CET1, TA) <ul style="list-style-type: none"> Of which: CCP exposure (risk reducing) Complexity of business model (Y/N) b) IPS membership and authorisation (Y/N) c) Extent of previous extraordinary public financial support (Y/N) 	<ul style="list-style-type: none"> Annual financial statements EU COREP (Capital) DGSs / Institution Annual financial statements Institution Institution <ul style="list-style-type: none"> <i>Not included in 2017 contribution period</i> EU COREP (Leverage) EU COREP (Capital) EU COREP (RWAs) Annual financial statements <i>Not included in 2017 contribution period</i> <i>Not included in 2017 contribution period</i> EU COREP (manual if IRB) EU COREP (Leverage) EU COREP (Leverage) Institution <i>Not included in 2017 contribution period</i> Institution Institution

NOTE: in accordance with Article 20(1) of DR 2015/63, each year the availability of applicable supervisory reporting requirements are subject to review by the SRB

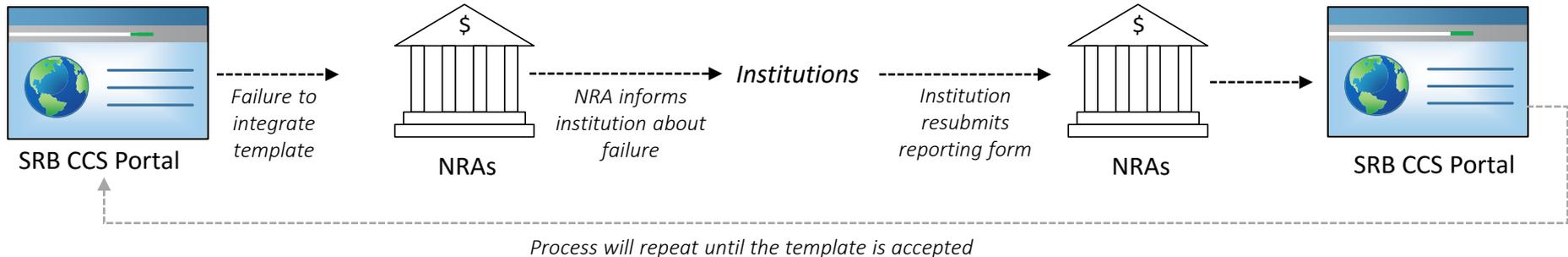
How will the data be submitted?

The **data submission** process in **2017 contribution** period follows a slightly different process than in 2016 using a more **automated verification** of the ex-ante data reporting forms

STEP 1: institutions send the reporting templates to the NRAs either in Excel or XBRL format and NRAs submit it to the SRB Contribution Collection System (CCS) Portal



STEP 2: If the form fails to integrate in the Portal, NRAs will send to the institutions a feedback forms with a list of error and institutions have to resubmit the reporting form until its accepted



Why would the reporting form be rejected by the Portal?

Example: Validation Rules in tab 6 of the ex-ante data reporting form are not fulfilled

Which institutions need to submit additional assurance?

The Executive Session of the Board took a decision on 9 November that some institutions will have to provide additional assurance on data to be used in the 2017 ex-ante contribution calculation.

Scope of institutions covered:

- ✓ all contributing institutions that are part of a group that falls under direct ECB supervision, unless it is subject to the lump-sum payment¹

Institutions could choose to provide:

- Assurance by auditor through agreed-upon procedures (AUP); or
- Sign-off Form by the Management Board

Scope of data (i.e. of AUP):

- ✓ covered deposits (if not provided and verified by the DGSs), derivative adjustment and deductions (intragroup, related to IPS membership and promotional loans)

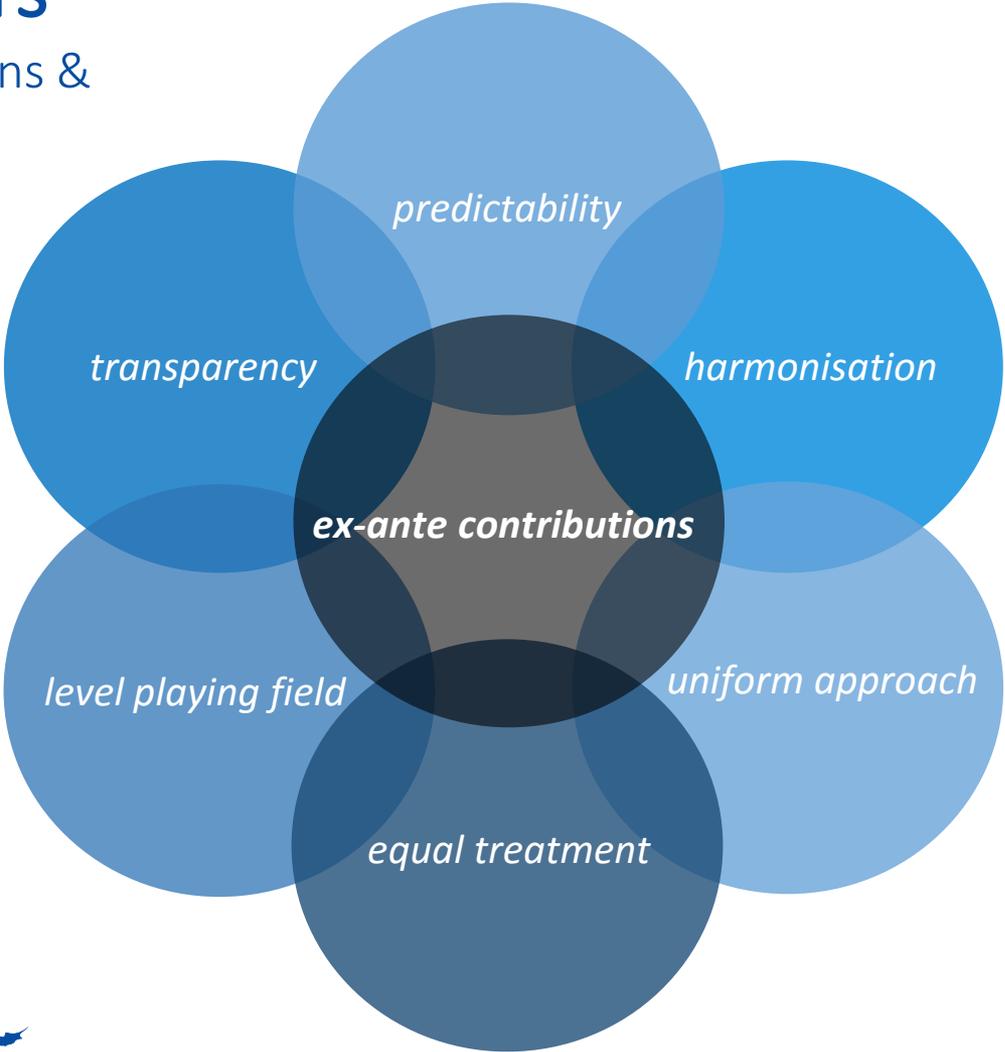
Discretion of the NRAs:

- ✓ NRAs may extend the scope of data covered by the AUP or extend the scope of institutions that need to provide additional assurance

→ Note that similar decision was taken in 2016, but in the 2017 contribution period the SRB has prepared harmonised draft AUP documents and Sign-off Form

SRF and its stakeholders

Predictability of ex-ante contributions & transparency towards institutions to improve understanding



PREDICTABILITY

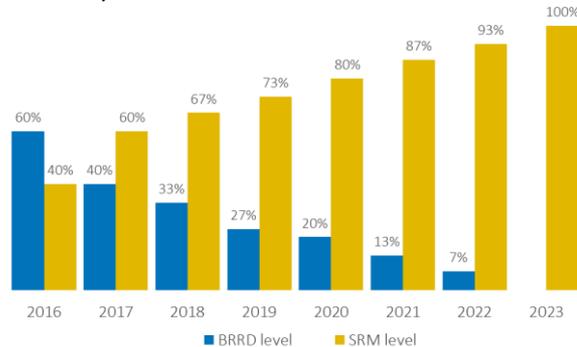
TRANSPARENCY

UNDERSTANDING

Why is it difficult to predict ex-ante contributions?

SRB has been asked about predictability of the ex-ante contributions for the upcoming contribution periods. Rules are set out in DR 2015/63, but some factors render it difficult to predict the contributions:

- ✓ Calculation method is based on relative terms
- ✓ Mixed calculation base: phasing in between BRRD and SRM, in 2017 40% BRRD and 60% SRM (see slide 5)

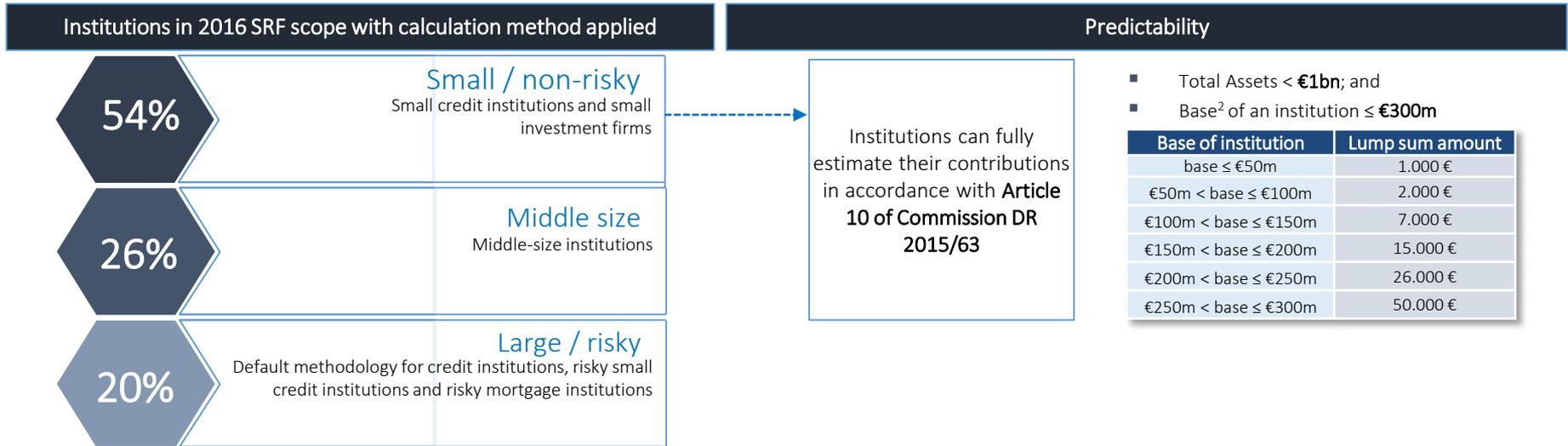


Data used in the calculation of 2017 ex-ante contributions	Source
1. Base: Annual Contribution: Total Liabilities (= Total Balance Sheet) - Own Funds - Covered Deposits - Accounting on-balance sheet derivative liabilities + Derivative liabilities (leverage methodology) after floor - Deductions (if any)	Annual financial statements EU COREP (Capital) DGSS / Institution Annual financial statements Institution Institution
2. Risk adjustment: i. Risk Exposure: a) MRE b) Leverage Ratio c) Common Equity Tier 1 Capital (CET1) Ratio d) Total Risk Exposure (TRE) e) Total Assets (TA) ii. NSFR & ICR iii. Interbank loans and deposits a) Risk exposure on traded debt and equity (out of TRE, CET1, TA) Off-balance sheet nominal (out of TRE, CET1, TA) Derivative exposure (out of TRE, CET1, TA) Of which: CCP exposure (risk reducing) iv. Complexity of business model (Y/N) b) IPS membership and authorisation (Y/N) c) Extent of previous extraordinary public financial support (Y/N)	Not included in 2017 contribution period EU COREP (Leverage) EU COREP (Capital) EU COREP (RWAs) Annual financial statements Not included in 2017 contribution period Not included in 2017 contribution period EU COREP (manual IFRB) EU COREP (Leverage) EU COREP (Leverage) Institution Not included in 2017 contribution period Institution Institution

- ✓ Skipped risk indicators due to data unavailability (see slide 7)
- ✓ Evolution of covered deposits

Can an institution predict its contributions?

Based on the calculation methodology defined in the Delegated Act 2015/63, institutions can not fully recalculate their ex-ante contributions.

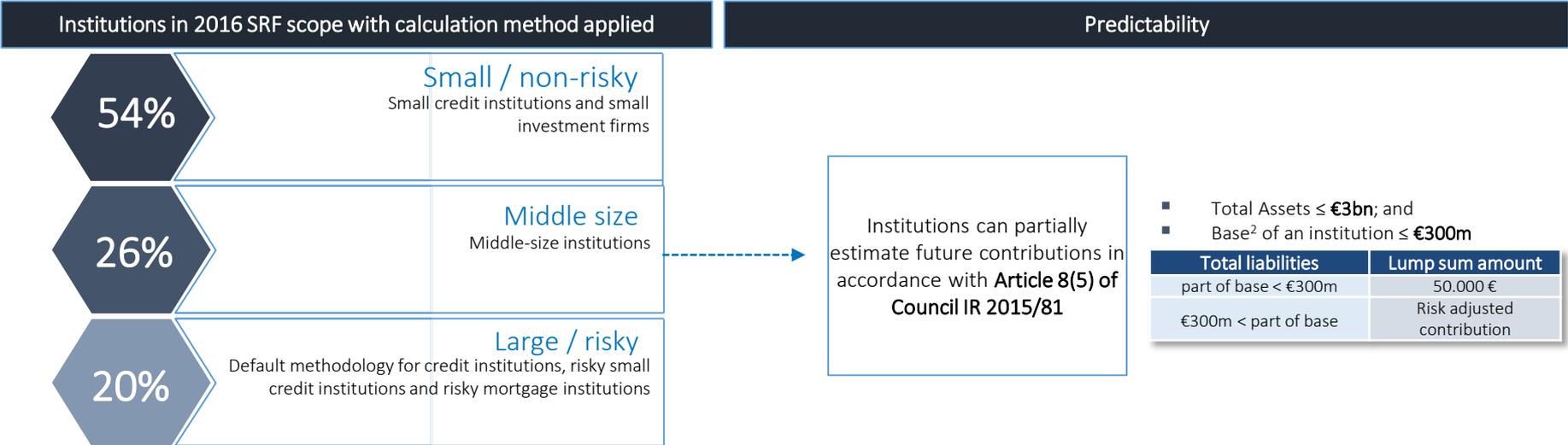


→ Small and non-risky institutions opting for alternative calculation method (Article 10(7) of DR 2015/63) could have a lower contribution than indicated in the lump-sum amount corresponding to its base.

² By base, it is meant: total liabilities – own funds – covered deposits

Can an institution predict its contributions?

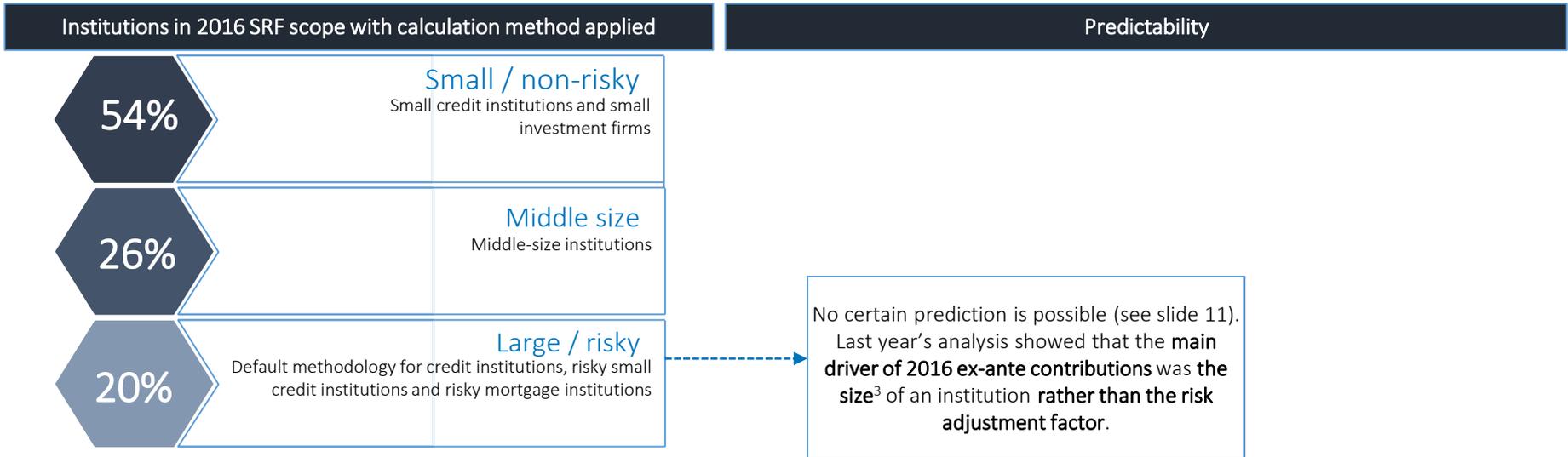
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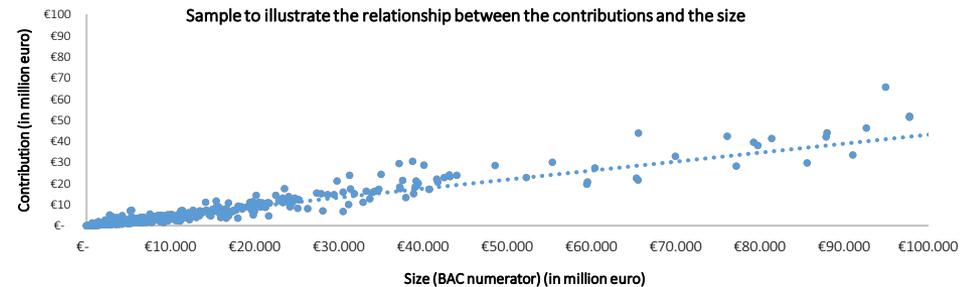
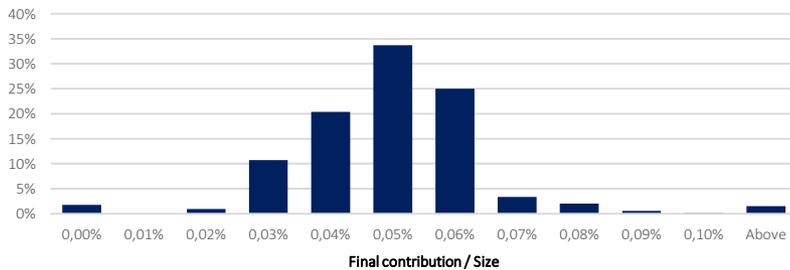
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In 2016, on average, institutions eligible for the risk adjustment **paid 0.05%** of their size (79% of these institutions fall in the range of 0.04%-0.06%).



³ By size, it is meant: total liabilities – own funds – covered deposits +- derivative adjustments and – deductions

How can we improve the predictability, transparency and understanding?

Towards institutions:

- ✓ Working with NRAs to further harmonize information on calculation outcome
- ✓ Improving the understanding of the calculation methodology
- ✓ Making more active use of the SRB's website to disseminate statistics on calculations



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THANK YOU

For more information, please contact:
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