



Brussels, 27 May 2020

Single Resolution Fund (SRF)

The Single Resolution Fund¹ (SRF) is owned by the Single Resolution Board (SRB). The SRF can be used to allow the SRB apply its resolution tools and powers effectively and efficiently. The SRF is a way to ensure that the financial industry helps pay for the stabilisation of the financial system. The SRF is composed of contributions from credit institutions and certain investment firms in the 19 Banking Union states, which today is the 19 euro area countries. It will be gradually built up during its first eight years (2016-2023). The SRF shall reach the target level of at least 1% of the amount of covered deposits of all credit institutions within the Banking Union by 31 December 2023. This amount is expected to be just over €60 billion.

Fact Sheet

2020 Contribution period

Target level: With the objective of reaching at least 1% of the total amount of covered deposits in the euro area by 31 December 2023, the Single Resolution Board (SRB) set the 2020 target level at 1/8th of 1.25% of the average amount of covered deposits in 2019 (calculated quarterly) of all credit institutions authorised in the euro area. This coefficient implies a level of ex-ante contributions of **€9.685 billion for 2020** (compared to 1.15% and €8.3bn in 2019). The increase of the annual target level is driven by the yearly increase in Euro Area covered deposits (7.18%) as well as by the increase of the coefficient from 1.15% to 1.25%. When setting the Target Level 2020, the SRB took also into account the current situation in the euro area related to the COVID-19 Pandemic. For more information, please refer to question 6 of the Q&A document.

- **Amount to be collected:** Taking into account the deduction of the 2015 contributions and the impact of data restatements and revisions, the total amount of 2020 ex-ante contributions to be transferred to the SRF amounts to **€9.195 billion for 2020** (compared to €7.8bn in 2019).
- **Scope:** In 2020, 3,066 institutions fall within the scope of the SRF (compared to 3,186 institutions in 2019).
- **Calculation method:** 47% of institutions are small and pay a lump sum contribution (their total assets are below €1bn), 29% are medium size institutions (total asset below €3bn), 23% are large institutions subject to a risk-adjusted contribution (and pay 97% of the bill) and the rest have a special calculation methodology due to their business model. The distribution did not change significantly compared to 2019.

¹ Established by Regulation (EU) No 806/2014 (SRM Regulation)

- **Risk adjustment factor:** in 2020, the level of harmonisation of reporting across the participant Member States is still not sufficient to implement the full methodology². The following risk indicators have not been applied:
 - Risk Pillar I: Own funds and eligible liabilities held by institutions in excess of MREL (Minimum requirement for own funds and eligible liabilities);
 - Risk Pillar II: Net Stable Funding Ratio (NSFR);
 - Risk Pillar IV: Complexity and resolvability.
- **2020 contributions versus 2019 contributions:** the amount of contributions to be paid is the result of the combination of different factors. Institutions may notice an increase of their contributions that may depend, among other factors, on:
 - **Changes in the Target level:** The growth of covered deposits in 2019 was 7.18%, indicating that the growth rate of covered deposits has accelerated considerably compared to the previous year. Given that, in order to be able to reach the target level at the end of the initial period, the coefficient used for setting the 2020 target level was increased from 1.15% to 1.25%.
 - **Changes in BAC:** Although this effect is less sizeable than in 2019 contributions period, relative changes in size (BAC³) of the institutions are still one of the main drivers of the changes in the ex-ante contributions.
 - **Phase-in of Single Resolution Mechanism (SRM) calculation approach during the initial period (2016-2023):** In 2020, the BRRD/SRM weights are 20.00/80.00% instead of 33.33/66.67% in 2019. This change may cause an increase of contributions for institutions located in countries with a relative small weight in terms of covered deposits and relatively bigger institutions.
 - **Change in the risk adjustment factor:** an increase in the risk adjustment factor (at national or euro area level) does not necessarily lead to a proportional increase in contribution (and vice versa). The change depends on the change in risk adjustment factor of all other institutions.

The overall effect of the driving forces is not known in advance: it depends on the combination of country-specific and institution-specific forces. The contributions to the SRF are computed in relative terms, and the effect of the drivers on one specific institution depends on the country where the institution is located and on the institution's relative position in terms of size and riskiness.

- The **next phases** of the 2020 contributions period are the following:
 - **1 May 2020:** institutions shall be notified by the National Resolution Authorities (NRAs) about the contributions to be raised;
 - **26 June 2020:** the NRAs transfer the contributions to the SRB. NRAs will set the payment window during the period 1/5/2020 – 26/06/2020.

For more information about the SRF, see www.srb.europa.eu

² The risk pillars and indicators are described in Article 6 of Commission Delegated Regulation (EU) 2015/63.

³ The 'basic annual contribution' (BAC) is defined as total liabilities less own funds minus covered deposits, adjusted, when applicable, in accordance with Article 5 Commission Delegated Regulation (EU) 2015/63.