6th Industry Dialogue: Update on the Delegated Regulation on administrative contributions

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TABLE OF CONTENTS

1. New Delegated Regulation adopted by the European Commission
2. Calculation methodology of the final system
3. Transitional period in 2018
New Delegated Regulation adopted

The SRM Regulation ("SRMR") No. 806/2014 establishes that the administrative budget of the Single Resolution Board ("SRB") shall consist of the annual contributions necessary to cover the annual estimated administrative expenditure.

On 14 September 2017 the European Commission adopted a Delegated Regulation on the final system of contributions. Once in force, this Delegated Regulation will establish the manner in which the amounts of the contributions are calculated as well as how they are collected.

From 2018 on, in Q1 of each year, the SRB will collect the annual contributions from all institutions that fall in the scope of the SRM Regulation in the 19 participating Member States (MS).
Final system and transitional period

2014-2017
- Provisional system
- Advanced contributions (instalments paid by ~100 institutions)
- Total amount EUR 169.7 million

2018
- First application of the final system
- All entities in scope of the SRM Regulation
- Recalculation of 2014-2017 contributions for all entities
- Offsetting of over / under payments

2019 onwards
- Application of final system
- Second round of offsetting (if needed)
Calculation methodology of the final system

How were the contributions determined in the past?

Article 65(5) of the SRMR empowers the European Commission to adopt delegated acts regarding the contributions, including on how to determine them before the SRB becomes fully operational. In practice, this resulted in a **provisional system**, which had the following characteristics:

<table>
<thead>
<tr>
<th>Provisional system</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget years of application</strong></td>
</tr>
<tr>
<td>• 2014/2015 (considered as one year)</td>
</tr>
<tr>
<td>• 2016</td>
</tr>
<tr>
<td>• 2017</td>
</tr>
<tr>
<td><strong>Contributing institutions</strong></td>
</tr>
<tr>
<td>Entities that were deemed <strong>significant</strong> by ECB and were mentioned in the list published on <strong>4 September 2014</strong> (excl. subsidiaries of a group and branches of credit institutions established in non-participating MS) were asked to pay <strong>advanced instalments</strong>.</td>
</tr>
<tr>
<td>The amount of contributions due by these entities would be <strong>(re)calculated</strong> and <strong>settled</strong> under the <strong>final system</strong>.</td>
</tr>
<tr>
<td>~ 100 entities</td>
</tr>
<tr>
<td><strong>Reference date for data</strong></td>
</tr>
<tr>
<td>31 December 2013</td>
</tr>
<tr>
<td>(or on applicable date for the financial year 2013)</td>
</tr>
<tr>
<td><strong>Data used in the calculation</strong></td>
</tr>
<tr>
<td>Calculation was based on <strong>total assets</strong> only</td>
</tr>
</tbody>
</table>

1 In accordance with the Commission Delegated Regulation (EU) No 1310/2014
Calculation methodology of the final system

How will the contributions be determined in future?

On 14 September 2017, the European Commission adopted its proposal for the final system of administrative contributions to the SRB. **If not objected by the European co-legislators¹**, the system will have the following characteristics:

<table>
<thead>
<tr>
<th>Final system</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget years of application</strong></td>
</tr>
<tr>
<td>From 2018 onwards and recalculation of previous budget years</td>
</tr>
<tr>
<td><strong>Contributing institutions</strong></td>
</tr>
<tr>
<td>All entities in accordance with Article 2 of SRM Regulation:</td>
</tr>
<tr>
<td>• All credit institutions established in a participating MS</td>
</tr>
<tr>
<td>• Parent undertakings (incl. financial holding and mixed financial companies), that are subject to consolidated supervision by the ECB</td>
</tr>
<tr>
<td>• Investment firms and financial institutions, that are subject to consolidated supervision by the ECB</td>
</tr>
<tr>
<td>~ 3000 entities</td>
</tr>
<tr>
<td><strong>Reference date for data</strong></td>
</tr>
<tr>
<td>Using data collected by the ECB for SSM fees in the previous financial year</td>
</tr>
<tr>
<td><strong>Data used in the calculation</strong></td>
</tr>
<tr>
<td>Calculation will be based on total assets and total risk exposure</td>
</tr>
</tbody>
</table>

¹ Expected for mid-December 2017 (official publication) and entry into force in the beginning of January 2018.
Calculation methodology of the final system

Who needs to contribute?

<table>
<thead>
<tr>
<th>Entities in scope of Administrative Contributions (Yes / No)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit institutions</strong>, established in a participating MS, as defined in CRR 575/2013</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Investment firms</strong>, as defined in CRR 575/2013</td>
<td></td>
</tr>
<tr>
<td><strong>Financial institutions</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Financial holding companies</strong>, including mixed</td>
<td>Yes, when covered by the consolidated supervision of the parent undertaking carried out by the ECB in accordance with 1024/2013 Art. 4(1)(g)</td>
</tr>
<tr>
<td><strong>Parent</strong> financial holding companies, including mixed</td>
<td></td>
</tr>
<tr>
<td><strong>Branches</strong>, established in a participating MS of credit institutions of non-participating MS</td>
<td>No</td>
</tr>
<tr>
<td><strong>Data reporting level</strong></td>
<td>Individual, unless belonging to a group – then consolidated</td>
</tr>
</tbody>
</table>
Calculation methodology of the final system

How will the contributions be calculated?¹

How is the budget allocated?

Which institutions fall in each category?

How are the annual contributions calculated?

- Minimum fee component (MFC)
  - The fixed percentage is 10% of the total amount of annual contribution for significant banks and relevant cross-border groups split equally among the contribution debtors in this category.
  - For smaller significant institutions and cross-border groups with total assets of €10 billion or less, the minimum fee component is halved.

- Variable fee component (VFC)
  - The variable fee component covers the remaining amount of the contributions after the deduction of the minimum fee component.
  - Each bank pays a share of this amount based on its importance (measured via total assets) and risk profile (measured via total risk exposure) weighted equally.

Annual contribution = minimum fee component (MFC) + variable fee component (VFC)

- Significant entities/groups (SI)
- Certain cross-border groups (CBG) under direct supervision of the SRB

- Less significant entities/groups (LSI)

¹ For more detailed explanation please see annex.
Transitional period in 2018
(Re)calculation of the transitional period

As soon as the new Delegated Regulation comes into force, the transitional system will be replaced by the final system. Therefore, it is expected that in 2018, the SRB will -for the first time- raise administrative contributions based on the final system and (re)calculate contributions due for the provisional period taking into account the advanced instalments paid in this period by ~ 100 entities.

The following principles will apply for the (re)calculation:

• For entities that paid advanced instalments, any difference between the instalments paid by significant entities and the recalculated contributions shall be settled by decreasing or increasing annual contributions
• For entities that did not pay advanced instalments, all contributions will have to be paid for those budget years
• In case the increase or decrease is larger than 2018 annual administrative contribution, the amount will be capped and the remaining adjustment will continue in the following years.
Transitional period in 2018

Preliminary timeline

End of Nov
Plenary Session makes a decision on the 2018 Budget

14 Sep
Commission adopts the Delegated Regulation (DR)

The DR is expected to come into force

Beginning of Feb
Executive Session adopts policy on admin. contributions and master (calculation) decision

Beginning of Mar
SRB sends invoices to institutions

x Apr
Deadline payment (35 days after invoice is sent)

External action

SRB action

All dates are deadlines or due dates
Once the new Delegated Regulation comes into force (expected beginning of January 2018), the SRB will:

**Inform all institutions via email that they are in scope of the administrative contributions and of the upcoming changes.**

**Request institutions to confirm their contact details and language of notification.**

**Send each institution an invoice which will include the institution-specific justification of the calculation.**

**Beginning of January**

**Beginning of March**

Please note: NRAs are not involved in the process of raising administrative contributions.
Transitional period in 2018

More information

The SRB will inform all entities that are liable to pay contributions under the final system of the upcoming changes as soon as the Delegated Regulation comes into force. Until that moment, entities are referred to the following documents for more information:


> [Commission Delegated Regulation](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R0131) on the final system of contributions to the administrative expenditures of the SRB

> [Commission Delegated Regulation](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0131) (EU) No 1310/2014 (provisional system of instalments that has been in use since 2014)

Also, the SRB website will be updated with more information on administrative contributions as soon as it becomes available ([https://srb.europa.eu/en/content/administrative-contributions](https://srb.europa.eu/en/content/administrative-contributions)).
Main Challenge: Communication

• Given that many institutions are not aware of the upcoming changes, communication is one of the main challenges that need to be addressed.

• Therefore, help from (national) banking associations in informing their members would be much appreciated.

• Also, ideas and suggestions on how to better inform institutions are welcomed. The SRB team can be reached via SRB-ADMIN-CONTRIBUTIONS@srb.europa.eu.
THANK YOU
Calculation methodology of the final system

**How will the contributions be calculated?**

How is the **budget allocated?**

Which institutions fall in each category?

How are the **annual contributions** calculated?

What is the **minimum fee component (MFC)** for each category?

What is the **variable fee component (VFC)** for each category?

What is the **fee factor (FF)**?

**Annual contribution = minimum fee component (MFC) + variable fee component (VFC)**

\[
MFC_n = \frac{\text{Budget} \times 0.95 \times 0.10}{N_{\text{Cat A}}}
\]

*Note:* in case institution’s TA ≤ €10 bn, the MFC is halved

\[
VFC_n = (\text{Budget} \times 0.95 - \sum_{i=1}^{N} MFC_i) \times \frac{FF_n}{\sum_{i=1}^{N} FF_i}
\]

\[
FF_n = TA_n \times 0.5 + TRE_n \times 0.5
\]

**Cat A**

- Significant entities/groups (SI)
- Cross-border groups (CBG)

**Cat B**

- Less significant entities/groups (LSI)

**Symbol explanation:**
- **TA** – total assets
- **TRE** – total risk exposure
- **N** – total number of entities per cat.
- **MFC** – minimum fee component
- **VFC** – variable fee component
- **FF** – fee factor