Single Resolution Fund (SRF)

The Single Resolution Fund[1] (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 participating Member States within the Banking Union. 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.

Fact Sheet

2019 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 2019 target level at 1/8th of 1.15% of the average amount of covered deposits in 2018 (calculated quarterly) of all credit institutions authorised in the euro area. Thus, the 2019 target level this year amounts to **€8.313bn,** representing an increase of 2.7% versus 2018. The increase of the annual target level is exclusively driven by the yearly increase in Euro Area covered deposits.

- **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 2019 ex-ante contributions to be transferred to the SRF amounts to **€7.819bn**.

- **Scope**: In 2019, 3,186 institutions fall within the scope of the SRF (compared to 3,315 institutions in 2018).

- **Calculation method**: 49% 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), 22% 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 2018.

- **Risk adjustment factor**: in 2019, the level of harmonisation in the supervisory reporting allowed the SRB to add the risk indicator 'Share of Interbank Loans and Deposits in the EU' in the calculations of the risk adjustment factor. Nevertheless, the level of harmonisation is still not enough to implement the full methodology[2]. 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);

[1] Established by Regulation (EU) No 806/2014 (SRM Regulation)
[2] The risk pillars and indicators are described in Article 6 of Commission Delegated Regulation (EU) 2015/63.

- Risk Pillar II: Net Stable Funding Ratio (NSFR);
- Risk Pillar IV: Complexity and resolvability.

- **2019 contributions versus 2018 contributions**: In the 2019 contribution period, relative changes in size (BAC[3]) of the institutions are the main drivers of the changes in the ex-ante contributions. This is different from the 2018 contributions period, where the increase in the coefficient used to calculate the Target Level (from 1.05% to 1.15%) played a significant role. In the 2019 contribution period the coefficient remained 1.15%. Other driving forces include:
    - **Phase-in of Single Resolution Mechanism (SRM) calculation approach during the initial period (2016-2023):** In 2019, the BRRD/SRM weights are 26.67/73.33% instead of 33.33/66.67% in 2018. 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 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 2019 contributions period are the following:
    - **1 May 2019**: institutions shall be notified;
    - **28 June 2019**: the National Resolution Authorities (NRAs) transfer the contributions to the SRB. NRAs will set the payment window during the period 1/5/2019 – 27/06/2019.

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

[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.