

SINGLE RESOLUTION FUND (SRF)

2018 Contribution period



The Single Resolution Fund (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.

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

TARGET LEVEL

€ 8.1
BILLION

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 2018 target level at 1/8th of 1.15% of the average amount of covered deposits in 2017 (calculated quarterly) of all credit institutions authorised in the euro area. Thus, the 2018 target level this year amounts to €8.1bn, which is 13% higher than in 2017. The main reason for this increase is the historical evolution of the euro area covered deposits during the period 2014-2017.

AMOUNT TO BE COLLECTED

€ 7.5
BILLION

Taking into account the deduction of the 2015 contributions and the impact of data restatements and revisions, the total amount of 2018 ex-ante contributions to be transferred to the SRF amounts to €7.5bn.

SCOPE

In 2018, 3315 institutions fall within the scope of the SRF (compared to 3512 institutions in 2017).

CALCULATION METHOD

49% of institutions are small and pay a lump sum contribution (their total assets are below €1bn), 28% are medium size institutions (total asset below €3bn), 21% are large institutions subject to a risk-adjusted contribution (and pay 96% of the bill) and the rest have a special calculation methodology due to their business model. The distribution did not change significantly compared to 2017.

RISK ADJUSTMENT FACTOR

In 2018, the level of harmonisation in the supervisory reporting allowed the SRB to add the Liquidity Coverage Ratio (LCR) in the calculations of the risk adjustment factor. Nevertheless, the level of harmonisation is still not enough to implement the full methodology**. The following risk indicators are not harmonised yet and have been skipped:

- ▶ 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 III: Share of interbank loans and deposits in the European Union;
- ▶ Risk Pillar IV: Complexity and resolvability.

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

2018 CONTRIBUTIONS VERSUS 2017 CONTRIBUTIONS

The increase of the **annual target level** is the main driver of the changes in the contributions amounts. Other driving forces include:

- ▶ **Phase-in of Single Resolution Mechanism (SRM) calculation approach during the initial period (2016-2023):** In 2018, the BRRD/SRM weights are 33.33/66.67% instead of 40/60% in 2017. 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.
- ▶ **Changes in the calculation method:** a weak relative position (in national and euro area contexts) in terms of LCR can drive to a contributions increase;
- ▶ **Changes in size:** an increase in size (measured as total liabilities, less own funds minus covered deposits less deductions allowed in Article 5 DR) does not necessarily lead to increase in contribution (and vice versa). The change depends on the change in size of all other 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.

NEXT PHASES

The next phases of the 2018 contributions period are the following:

- ▶ **1 May 2018:** institutions shall be notified;
- ▶ **28 June 2018:** the National Resolution Authorities (NRAs) transfer the contributions to the SRB. NRAs will set the payment window during the period 1/5/2018 – 28/06/2018.



For more information about the SRF, see <https://srb.europa.eu/>