



Single Resolution Fund: Council agrees on bank contributions

The Council reached a political agreement on an implementing regulation determining the contributions to be paid by banks to the EU's Single Resolution Fund (SRF).

The fund will be set up under a single resolution mechanism (SRM) that is being established to ensure the orderly resolution of failing banks. The SRF will be built up over a period of eight years to reach a target level of at least 1% of the amount of covered deposits of all credit institutions authorised in all the participating member states.

Banks will have to make annual contributions to the fund. These will be calculated on the basis of their liabilities, excluding own funds and covered deposits, and adjusted for risk.

The recently-adopted bank recovery and resolution directive (BRRD) lays down the basic rules on how to calculate the contributions of individual banks to 28 national resolution funds. The details are included in a Commission delegated act and will also apply to the calculation of contributions to the SRF. The delegated act specifies how to account for risk and what the relation should be between a flat contribution rate (i.e. that which all banks must pay) and a risk-adjusted rate, which will range between 0.8-1.5.

For member states participating in the banking union, the national resolution funds set up under the BRRD as of 1 January 2015 will be replaced by the SRF as of 1 January 2016.

The Commission on 21 October 2014 submitted its draft proposal¹ for the implementing regulation together with the delegated act.

While under the BRRD, the target level of the national resolution funds is set at national level and calculated on the basis of covered deposits, under the SRM the target level of the SRF is the sum of the covered deposits of all institutions of member states participating in the banking union. This leads to changes in the contributions banks have to pay under the SRM versus the BRRD.

¹ For legal reasons, the formal proposal was only adopted on 24 November.

To mitigate any abrupt increase in fees for banks in some member states when switching from a national to a European target level, the implementing regulation provides for an adjustment mechanism during the initial period of eight years when the SRF will be built up. This phase-in period mirrors the eight-year mutualisation phase during which national compartments in the SRF will be gradually merged.

Between 2016 and 2023, annual contributions by banks will be calculated in a manner that is increasingly based on the SRM target level. So while in the first year 60% of banks' contributions will still be calculated in accordance with national target levels, this share will decrease annually. By the 8th year all banks' contributions will be calculated on the basis of the SRM target level.

Bank contributions raised in 2015 under the BRRD will be deducted from the amount due by each institution.

The SRM was established by a regulation adopted on 14 July 2014, and will be applicable from 1 January 2016 (*press release* [11814/14](#)).

The implementation regulation will be adopted without further discussion by written procedure before the end of the year, once the text has been finalised in all languages.

"The implementing act on bank contributions to the single resolution fund adopted today is a crucial step towards the realisation of the single resolution mechanism, the second building block of the banking union," said Pier Carlo Padoan, minister of economy and finance of Italy and president of the Council. "The single resolution fund will substantially increase the resilience of the European banking sector, to the benefit of citizens and businesses", he said.
