Council of the European Union

PRESS

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Bank resolution: Council adopts regulation on fund contributions and appoints members of the single resolution board

The Council adopted two implementing acts to supplement the single resolution mechanism, one of the main elements of Europe's banking union.

It adopted:

– **a decision appointing the chairperson, vice-chairperson and four other full-time members of the single resolution board** (*15121/14*).

The Council appointed:

- as chairperson, Ms Elke König;
- as vice-chairperson, Mr Timo Löyttyniemi;
- as strategy and coordination director, Mr Mauro Grande;
- as resolution planning directors, Mr Antonio Carrascosa, Ms Joanne Kellermann and Mr Dominique Laboureix.

The term of office of the first chairperson appointed after entry into force of the SRM regulation is three years, renewable once for a period of five years. The term of office of the vice-chairperson and the four other full-time members is five years.

SRB website: http://srb.europa.eu/

– **a regulation determining the contributions to be paid by banks to the EU's single resolution fund** (*14593/14*).

The single resolution mechanism (SRM) is being set up to ensure the orderly resolution of failing banks. Established by a regulation adopted in July 2014, it will be applicable from 1 January 2016 (see press release *11814/14*).

The single resolution fund (SRF) is an essential component of the SRM. It 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.

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The recently-adopted bank recovery and resolution directive lays down the basic rules on how to calculate the contributions of individual banks to national resolution funds of all 28 member states. 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 bank recovery and resolution directive 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 proposal[1] for the SRF implementing regulation together with the delegated act under the directive.

While under the directive, 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 directive.

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 an 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 eighth 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.

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