

ANNUAL REPORT 2017



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SINGLE RESOLUTION BOARD

ANNUAL REPORT 2017

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FOREWORD

2017 was another busy year at the Single Resolution Board (SRB). We continued to embed ourselves as a bank resolution authority in Europe and internationally. While our recruitment drive continued and policies and internal guidelines were developed, the year also saw the SRB tackle its first resolution case, Banco Popular Español S.A., which was one of the leading banking groups in Spain. This first case in resolution for the SRB was proof that the framework is fit for purpose. We managed to maintain the bank's critical functions, preserve financial stability in Spain and further afield, while at the same time the taxpayer was protected.

In 2017, the SRB, in close cooperation with the National Resolution Authorities (NRAs) focused on identifying potential obstacles to resolvability and assist the banks under its remit in strengthening their resolvability. The development and publication of the SRB's 2017 policy for Minimum Requirements for own funds and Eligible Liabilities (MREL), which is a core tool to ensure that banks are resolvable was an important milestone, as it provides information and clarity to all relevant stakeholders especially regarding bank-specific adjustments, the quantity and quality of MREL and what can be expected in 2018 and beyond. In 2017, for the first time, binding MREL targets at consolidated level were set for the majority of the largest banking groups within the SRB's remit, while informative targets were communicated to most of the other banking groups. 2018 will see the SRB build on this work.

2017 saw the SRB continue to improve its crisis readiness, with dry-run exercises carried out and internal SRB processes were further optimised. Last but not least, 2017 also saw the Single Resolution Fund (SRF) further operationalised and growing.

International cooperation was further strengthened, for example with the signature of cooperation agreements with the Federal Deposit Insurance Corporation (FDIC) and the Canada Deposit Insurance Corporation (CDIC).

Always striving for better

At the end of 2017, the European Court of Auditors (ECA) published a Special Report, in which it examined the first resolution plans drafted by the SRB and the SRB's overall readiness. The SRB welcomes this extensive evaluation of its work and accepts most of the ECA's recommendations. However, it should be pointed out that the ECA Special Report examined the state of play and resolution plans drafted by the SRB in 2016. Many of the Court's findings have been already

addressed in the resolution plans which were prepared in 2017 or have been included as priorities in the Multiannual Planning and Work Programme (MAP) published in December 2017. This being said resolution planning is a multi-year project and the SRB has presented a clear roadmap on how to achieve fully fledged resolution plans for all banking groups under its direct remit by 2020.

Looking ahead

The MAP marks the way ahead and the SRB's priorities for 2018 and beyond. The determination of MREL is a multi-step process; during 2018 MREL targets for the largest and most complex banks should be determined at the level of material entities, while binding targets at consolidated level should be determined for all other banks. Moreover, key internal policies such as the identification of critical functions or the assessment of public interest will feed into the upcoming resolution planning cycles. The SRB is in constant communication with the banks under its remit, not least through dedicated workshops, and the industry at large and ensures that the industry is fully aware of the need to build up MREL and enhance resolvability. It is first and foremost for the banks to make themselves resolvable and build up the needed MREL. Indeed, as strong economic conditions prevail, banks can and should already get on with this work in advance of any determinations from the SRB.

Regarding the ongoing political negotiations on the risk reduction package, especially the review of the Bank Recovery and Resolution Directive (BRRD) and the SRM-Regulation (SRMR) and the implementation of the international Total-Loss-Absorbing-Capacity standard (TLAC) into European Union law, we welcome the recent efforts by the co-legislators to reach an agreement and encourage a quick progress in the trilogue negotiations. The Council seems to share our view that minimum subordination requirements should be mandatory not only for globally systemically important banks (G-SIBs) but also for other systemically relevant banks to avoid cliff effects. It is important that the legislative review does not limit the discretion of resolution authorities to tailor MREL on a bank-specific basis reflecting the individual riskiness and resolution strategy. Likewise, the adopted revised rules should avoid unnecessary complexity. Once the new provisions have been finalised, they will feed into the SRB's resolution planning process.

The SRF is being built up and there is a political commitment to establish a common backstop to the SRF. The SRB as the main beneficiary contributes actively to the ongoing negotiations and hopes for a timely agreement on this file of enormous importance. A credible and workable backstop as last resort is needed to demonstrate the Euro area's ability to resolve even large and complex banks.

A topic of relevance for all resolution authorities is funding, i.e. liquidity in resolution. Hence, we continue to work on this important issue in several areas also in 2018. Naturally, first and foremost, the banks themselves must prepare for potential liquidity outflows and ensure adequate funding paths. In a crisis, all private solutions will be investigated first. In resolution the SRF can be part of the solution for funding, too. However, the SRF – even with a backstop – will most likely not be sizable enough to provide sufficient funding in case of the resolution of a large and complex institution. Therefore, alternative means of liquidity provision must be explored not least with the national central banks and the European Central Bank (ECB).

The divergence of national insolvency laws and the fact that insolvency proceedings differ widely in Europe remains a major obstacle towards a fully-fledged Banking Union. In the current system, the counterfactual of no-creditor-worse off (NCWO) might produce different results in different countries depending on the national insolvency regime. In addition, in cases where a bank is failing or likely to fail but there is no public interest in resolution the subsequent wind down under national insolvency procedures might prove challenging. The SRB therefore strongly encourages legislators to harmonise national insolvency laws, not least in order to create a level-playing field.

The Banking Union is still incomplete. A European Deposit Insurance Scheme (EDIS) is still under discussion in Parliament and Council. This third leg of the Banking Union must become a reality, and the SRB hopes that an agreement at political level can be found soon, in order to advance with the technical discussion.

In 2018, further improving the already good cooperation with our national, European and international stakeholders will be a priority. In May the SRB and the ECB updated their Memorandum of Understanding (MoU) to reflect the experience gained. Likewise, the cooperation between the SRB and the NRAs continues to be close. Building on the member states' expertise and know-how within the Internal Resolution Teams (IRT), the dedicated committees for developing internal policies, technical work streams and of course at the level of the SRB Plenary ensures the best possible solutions, taking into account the principle of proportionality, will be found.

Last but not least, I'd like to thank all staff members, my fellow Board Members as well as our partners on the national, European and international level for their dedication and cooperation, which supported the work of the SRB in making banks resolvable. We have achieved much over the past years, but we also know that many challenges still lie ahead of us. True to the title "Building bank resolvability together" of last year's SRB conference, we are looking forward to further cooperation as we continue this journey successfully in 2018 and beyond.

Elke König

Chair of the Single Resolution Board

ABBREVIATIONS

AHWP	ad hoc working party	LAA	loss absorption amount
BRRD	Bank Recovery and Resolution Directive	JRC	Joint Research Centre
CCP	central counterparty	LDT	liability data template
CCS	Contribution Collection System	LFA	loan facility agreement
CoAg	cooperation agreement	LSI	less significant institution
CS	Corporate Secretariat	MAP	Multiannual Work Programme
CoFra	cooperation framework agreement	MCC	market confidence charge
EA	euro area	MoU	memorandum of understanding
EBA	European Banking Authority	MREL	minimum requirements for own funds and eligible liabilities
ECON	European Parliament Committee on Economic and Monetary Affairs	MS	Member State(s)
EDIS	European Deposit Insurance Scheme	NCA	national competent authority
FAS	financial accounting system	NCWO	no creditor worse off
FMI	financial market infrastructure (e.g. CCPs)	NRA	national resolution authority
FSAP	Financial Sector Assessment programme	O-SII	other systemically important institution
FSB	Financial Stability Board	RAP	resolvability assessment process
FTWP	further trilateral work programme	RCA	recapitalisation amount
GLRA	group-level resolution authority	RWA	risk-weighted-asset
G-SIB	global systemically important bank	SI	significant institution
HR	human resources	SME	small and medium-sized enterprise
ICS	internal control standard(s)	SRB	Single Resolution Board
ICT	information and communications technology	SRF	Single Resolution Fund
IMF	International Monetary Fund	SRM	Single Resolution Mechanism
IPC	irrevocable payment commitment	SRMR	Single Resolution Mechanism regulation
IRT	internal resolution team	TFCA	Task Force on Coordinated Action
		TLAC	total loss-absorbing capacity
		WS	work stream

INTRODUCTION

In accordance with Article 50 of the Single Resolution Mechanism regulation (SRMR), this document presents the Single Resolution Board (the SRB) Annual report 2017, describing the activities and performance of the SRB in 2017. The work carried out during the previous year aims at achieving and implementing the SRB's vision, mission and mandate.

(A) THE SINGLE RESOLUTION BOARD'S VISION

The SRB strives to become a trusted and respected resolution authority with a strong resolution capacity in the Single Resolution Mechanism (SRM) and to act swiftly and in an appropriate, consistent and proportionate manner in establishing and enforcing an effective resolution regime for banks in the SRM jurisdictions, thus avoiding future bail-outs. The SRB aims to be a centre of expertise in bank resolution in the Banking Union and beyond.

(B) THE SINGLE RESOLUTION BOARD'S MISSION

The SRB is the central resolution authority within the Banking Union. Together with the national resolution authorities (NRAs) of participating Member States (MS) it forms the SRM. The SRB works closely with the NRAs, the European Commission (the Commission), the European Central Bank (the Central Bank), the European Banking Authority (EBA) and national competent authorities (NCAs). Its mission is to ensure an orderly resolution of failing banks with minimum impact on the real economy, the financial system, and the public finances of the participating MS and beyond. The role of the SRB is proactive: rather than waiting for resolution situations to emerge, the SRB focuses on resolution planning and enhancing resolvability, to avoid the potential negative impacts of a bank failure on the economy and financial stability.

(C) THE SINGLE RESOLUTION BOARD'S MANDATE

To enhance financial stability, the SRB prepares resolution plans as a forward-looking activity. Should a bank within the SRB's remit be failing or likely to fail and fulfil the criteria for resolution, the SRB will carry out its resolution through a so-called resolution scheme. The SRB is also in charge of the industry-funded Single Resolution Fund (SRF), which was established to provide ancillary financing to ensure the effective application of resolution schemes under certain circumstances. In addition, the SRB oversees the consistent functioning of the SRM as a whole. The SRB was established by Regulation (EU) No 806/2014 (the Single Resolution Mechanism regulation or SRMR), and began operating as an independent European Union agency on 1 January 2015. It assumed its full legal mandate for resolution planning and adopting all decisions relating to resolution on 1 January 2016. Throughout its work the SRB remains accountable towards its stakeholders.

(D) ACCOUNTABILITY

The SRMR sets out a substantive and robust accountability framework for the SRB's activities vis-à-vis the European Parliament (the Parliament), the Council of the European Union (the Council) and the Commission.

One of the main channels of accountability is the annual report, which, in accordance with the SRMR (Article 50(1)(g)), has to be adopted by the SRB in its Plenary Session. The SRB must then transmit it to the Parliament, the national parliaments of participating MS, the Council, the Commission and the European Court of Auditors (the Court of Auditors).

The Chair must present the annual report in public to the Parliament and to the Council (Article 45(3) SRMR). National parliaments of the participating MS may also submit reasoned observations on the annual report to which the SRB will reply.

For the implementation of the SRMR the SRB is held accountable by the representatives of European citizens in the Parliament through regular public hearings and ad hoc exchanges of views with the Chair at meetings of the European Parliament Committee on Economic and Monetary Affairs (the ECON Committee). The Chair may also be heard by the Council, at the Council's request.

The SRB must reply orally or in writing to questions addressed to it by the Parliament and by the Council. The national parliament of a participating MS may also invite the Chair to participate in an exchange of views regarding the resolution of entities in the relevant MS. In this context, the Chair participated in a hearing in the Spanish Parliament on 11 December 2017, where it addressed the resolution of Banco Popular Español S.A.

With regard to the Parliament, in 2017 the Chair attended several public hearings held by the ECON Committee, the latest of which was held on 4 December 2017 and at which the Chair presented the SRB multiannual planning document and the SRB work programme for 2018.

With the aim of informing and communicating with the public about its work, mission and mandate, the SRB actively reached out to stakeholders and the general public by publishing special information on its website, such as the SRB's 2017 minimum requirements for own funds and eligible liabilities (MREL) policy, and by conducting industry dialogues and holding the second SRB conference. The Chair and the other board members also visited individual countries to build up and strengthen cooperation with relevant local authorities and stakeholders.

EXECUTIVE SUMMARY

The year 2017 marked a milestone for the SRB, as in June 2017 the case of Banco Popular constituted the first resolution of an institution under the SRB's remit, which was widely perceived as a success. The SRB also made significant progress in other domains, in order to fulfil its mandate by improving resolution planning, further operationalising resolution tools and the corresponding resolution planning policies, refining the MREL policy, enhancing crisis readiness, further operationalising the SRF, strengthening international and regulatory cooperation and improving operational processes. The SRB therefore focused its work on the following main operational areas:

- (I) strengthening resolvability for SRB entities and less significant institutions (LSIs);
- (II) fostering a robust resolution framework;
- (III) preparing and carrying out effective crisis management;
- (IV) operationalising the SRF;
- (V) establishing a lean and efficient organisation.

The main objectives identified in the SRB working priorities for 2017 have been reached, and the SRB's main achievements were the following.

- ▶ The resolution of Banco Popular Español S.A. on 7 June 2017 constituted the SRB's first resolution decision. After all the necessary conditions had been fulfilled, the SRB decided that selling the shares to Santander Group best met the resolution objectives. This resolution decision was widely perceived as a success, as it preserved the institution's critical functions, preserved financial stability and avoided the use of the SRF and of public funds. Moreover, in order to establish a consistent approach and to ensure the best preparation possible, several horizontal initiatives on crisis readiness were undertaken.
- ▶ In pursuing its mission to ensure resolvability for significant institutions (SIs) and LSIs, the SRB worked with the NRAs through internal resolution teams (IRTs) to draft 106 resolution plans in 2017, and contributed to five host plans drafted by other EU group-level resolution authorities (GLRAs). Moreover, regarding its LSI oversight function, the SRB assessed 2047 draft measures and improved its working methods on LSI oversight in collaboration with the NRAs.
- ▶ In resolution planning, MREL represents one of the key tools to ensure the resolvability of banks. In 2017, the SRB refined its MREL policy introducing a number of bank-specific adjustments regarding both the quality and the quantity of MREL. The 2017 policy on MREL was also published on the SRB's website on 20 December 2017. In 2017, for the first time, the SRB set binding MREL targets at consolidated level for the majority of the largest banking groups, while informative targets were communicated to most of the other banking groups under the SRB's remit for which a resolution plan exists. Moreover, work on the

resolution planning manual continued and work on a set of important policies such as the identification of critical functions, the public interest assessment or the identification of impediments to resolvability was carried forward.

- ▶ Regarding international cooperation, the SRB continued to contribute its expertise to regulatory discussions both in the EU legislative process and in international regulatory bodies. Moreover, in 2017 the SRB signed two CoAgs, with the Federal Deposit Insurance Corporation and the Canada Deposit Insurance Corporation.
- ▶ In 2017, the SRF collected EUR 6.6 billion of *ex ante* contributions, as calculated by the SRB. The amounts held in the SRF currently reach a total of EUR 17 billion. The processes for data collection, data verification and calculation of contributions have been optimised over the last year. The NRAs are expected to further build up the SRF by transferring the 2018 contributions by 30 June 2018.
- ▶ In its efforts to become a lean and efficient organisation, the SRB improved many internal processes, but most importantly intensified its recruitment efforts. As such the staff level increased by 55 % compared to 2016 and full staffing capacity is envisaged for 2018.

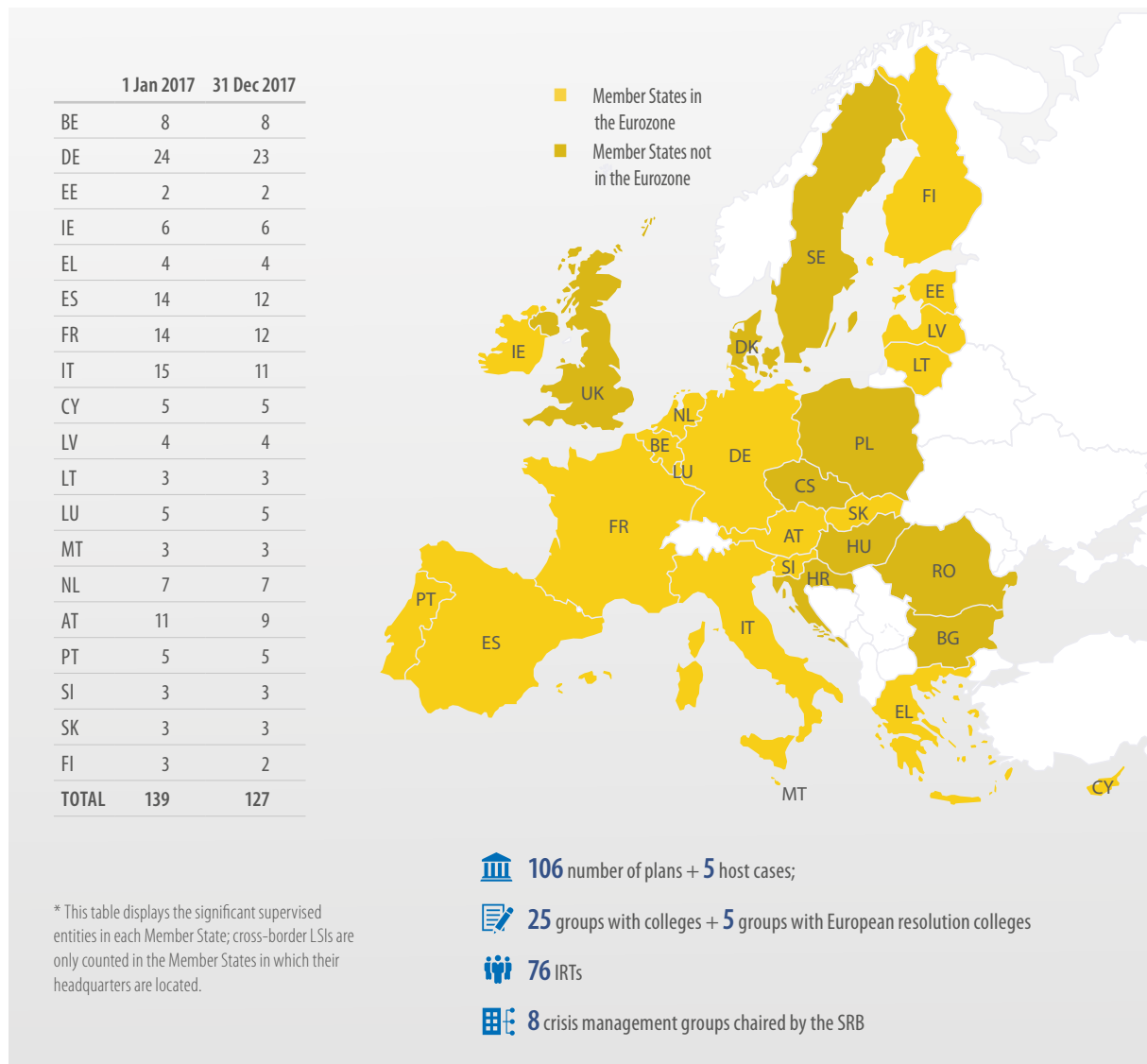
1. STRENGTHENING THE RESOLVABILITY OF SRB BANKS AND LESS SIGNIFICANT INSTITUTIONS

In order to fulfil its mandate to ensure the resolvability of failing banks and cross-border institutions with minimum impact on the real economy and public finances, a predominant part of the SRB's work consists of drafting resolution plans for all banks under the SRB's remit, setting binding MREL targets and identifying and removing impediments to resolvability. In order to ensure consistent resolution planning activities among all banks in the Banking Union, the further strengthening of an effective LSI oversight function is another key strategic area. In all these efforts, close collaboration with NRAs proved crucial.

1.1. Resolution plans for SRB banks

Whereas in January 2017 the SRB had 139 banks including 130 banking groups under its remit, on 1 January 2018 the number had reduced to 127 banks and 119 banking groups. Over the course of 2017, a total of 12 banks and 11 groups left the SRB's remit due to mergers and acquisitions (there were four such cases, including one as a result of a resolution action); liquidation (two cases), the withdrawal of the banking licence (one case) and restructuring of banks that were no longer SIs (two cases) or cross-border LSIs (two cases).



Figure 1: Overview of the number of banks under SRB remit by Member State *

MAIN ACHIEVEMENTS IN 2017

1. NUMBER OF RESOLUTION PLANS

Starting from the 36 transitional resolution plans that existed in December 2015, the SRB worked with the NRAs through IRTs to draft a total of 92 resolution plans in 2016, which were adopted by the SRB. Over the course of 2017, the number of plans drafted by the SRB increased to 106 ⁽¹⁾, in addition to the contribution to five host plans drafted by other EU GLRAs such as the Bank of England, the Swedish National Debt Office or the Central Bank of Denmark.

Concerning the 2017 resolution planning cycle, the resolution plans for the majority of the banking groups were adopted by the SRB in its Extended Executive Sessions in Q4 2017 and in Q1 2018. For the 25 groups with resolution colleges ⁽²⁾ for which a resolution plan has been

⁽¹⁾ In case of multiple points of entry, one plan is counted per resolution group within the Banking Union.

⁽²⁾ Groups with a cross-border European footprint outside the Banking Union.

drafted, the decisions on the resolution plans 2017 will be taken at the latest in Q2 2018, allowing the required 4-month period for the consultation process as provided for in the bank recovery and resolution directive (BRRD) and the delegated regulation on the functioning of resolution colleges ⁽³⁾.

Table 1: Resolution planning cycle 2015-17

Types of plans	2015	2016	2017
Resolution plans drafted by the SRB	36	92	106
Host plans	0	6	5

2. CONTENT OF RESOLUTION PLANS

Beyond the number, the depth of the resolution plans has also increased following the steady development of SRB policies on a number of topics, in particular the SRB policies on critical functions, MREL ⁽⁴⁾, access to financial market infrastructures (FMIs) and operational continuity. Resolution plans further benefited from direct interaction with banking groups on a variety of resolution-specific topics. The SRB is further pursuing a modular approach depending on the level of priority assigned to the banking group in question in order to achieve the overarching objective to draft complete resolution plans for all banking groups under its remit by 2020, except if material changes of the bank's structure delay the resolution planning process or if fully fledged resolution planning is not relevant ⁽⁵⁾. The prioritisation of riskier banks in resolution planning is in line with and implements the recommendations in the 2017 report by the Court of Auditors ⁽⁶⁾.

3. DECISIONS ON MINIMUM REQUIREMENTS FOR OWN FUNDS AND ELIGIBLE LIABILITIES

MREL represents one of the SRB's key tools for achieving the resolvability of the banks under its remit. It requires significant analysis of banks' specific risk profiles and resolution strategies, as well as information exchange and coordination with multiple stakeholders such as NRAs, competent authorities, resolution college members or banks. At the end of the 2017 cycle, binding MREL targets at consolidated level were set for the first time for the majority of the largest banking groups within the SRB's remit, while informative targets were communicated to most of the other banking groups under the SRB's remit for which a resolution plan exists.

⁽³⁾ Commission Delegated Regulation (EU) 2016/1075 of 23 March 2016.

⁽⁴⁾ https://srb.europa.eu/sites/srbsite/files/item_1_-_public_version_mrel_policy_-_annex_i_-_plenary_session.pdf

⁽⁵⁾ Please also refer to the SRB Multiannual planning and work programme, p. 17.

⁽⁶⁾ European Court of Auditors, Special report No 23, *Single Resolution Board: Work on a challenging Banking Union task started, but still a long way to go*, Publications Office of the European Union, 2017 (https://www.eca.europa.eu/Lists/ECADocuments/SR17_23/SR_SRB-BU_EN.pdf).

1.2. SRB oversight for resolution planning and decisions for less significant institutions

While the NRAs are directly responsible for LSIs ⁽⁷⁾, the SRB oversight for resolution planning and decisions for LSIs contributes to the effective and consistent functioning of the SRM. In 2017, NRAs were responsible for resolution planning for a total of 2 821 LSIs in the Banking Union ⁽⁸⁾.

MAIN ACHIEVEMENTS IN 2017

1. ASSESSMENT OF DRAFT MEASURES

As part of its oversight role, the SRB received 2047 draft measures from NRAs in 2017 (e.g. draft resolution plans, decisions on the application of simplified obligations, MREL and decisions to put an entity into resolution), leading to 19 decisions of the SRB Extended Executive Session ⁽⁹⁾. The SRB expressed views in accordance with Article 31(1)(d) SRMR in eight cases. Of the 2047 draft measures notified, 504 were draft resolution plans (see Table 2 for country breakdown). Only 3.8 % of these envisaged resolution as the preferred course of action. In total, draft resolution plans notified in 2017 concerned 497 LSIs ⁽¹⁰⁾, or 17.6 % of the 2 821 LSIs for which resolution planning is required.

2. IMPROVED WORKING METHODS FOR LESS SIGNIFICANT INSTITUTION OVERSIGHT IN THE SINGLE RESOLUTION MECHANISM

In 2017 the SRB also launched a project to work with the NRAs on applying resolution methodologies to LSIs, in order to ensure alignment of resolution planning for LSIs within the SRM. To this end, a work plan was agreed with NRAs. Moreover, within the framework of the LSI oversight function, the SRB maintains an LSI early warning system, pursuant to the relevant provisions of the cooperation framework agreement (CoFra) between the SRB and the NRAs. NRAs should inform the SRB about LSIs facing signs of financial deterioration, so as to allow the SRB to closely monitor and prepare for the timely assessment of possible draft crisis measures. Regarding the assessment of LSI resolution plans and LSI crisis management, a proportionate approach was discussed with NRAs in order to focus on the available resources according to the relevance of each case.

⁽⁷⁾ Except cross-border LSIs, which are under the SRB direct responsibility.

⁽⁸⁾ Numbers as notified by the NRAs.

⁽⁹⁾ In several cases, single notifications concerned multiple draft resolution plans.

⁽¹⁰⁾ In some cases, the SRB received in the course of 2017 several notifications for the same institution because they referred, for example, to different planning cycles or several draft decisions were submitted for the same LSI.

Table 2: Breakdown of the draft resolution measures notified in 2017 (from 1.1.2017 to 31.12.2017)

MS	Total number of notified draft measures	Decision to apply simplified obligations	Resolution plans	MREL setting	Decision to place an entity into liquidation
BE	0				
DE	1489	1488			1
EE	12	4	4	4	
IE	13		13		
EL	0				
ES	67	38	29		
FR	19		19		
IT	1				1
CY	0				
LV	1		1		
LT	0				
LU	5		5		
MT	0				
NL	1		1		
AT	424		424		
PT	0				
SI	0				
SK	9	4	5		
FI	6	1	3	2	
Total	2047	1535	504	6	2

2. RESOLUTION FRAMEWORK

Another key priority of the SRB's work is the establishment and improvement of a strong resolution framework. In this context, the main activities focused on the adoption of internal policies and standards for effective resolution planning and crisis management as well as the contribution to legislative and regulatory work in resolution matters in close cooperation and exchange with key actors at the international level.

2.1. Tools and policies

In 2017, the SRB further developed its set of tools and policies to improve resolution planning and ensure horizontal consistency. These include guidance, technical notes and templates that contribute to the drafting of resolution plans. The new set of tools and policies has been included in the resolution planning manual, a public version of which will be reviewed and updated accordingly in 2018. This work has been carried out in close cooperation with NRAs and in the context of the work of the relevant committees. The SRB further developed its MREL policy and its guidance on operational continuity, focusing on the identification, mapping and assessment of critical services as well as on the need for preparatory measures including repository requirements, principles for resolution-proof contract clauses, information requirements and service-delivery models.

MAIN ACHIEVEMENTS IN 2017

1. RESOLUTION PLANNING MANUAL

In 2017 the SRB enriched its resolution planning manual with new horizontal guidance to be used in the planning and execution phases of the operationalisation of resolution tools, in particular the bail-in and bridge institution tools. The work undertaken was on the subject of the public interest assessment and the identification of impediments to resolvability and specificities linked to cooperatives and savings banks. This work will be continued in 2018. The public version of the manual ⁽¹⁾ will be updated in 2018 following further policy developments. The document provides relevant information on resolution planning, including on policy issues such as strategic business analysis, preferred resolution strategy, financial and operational continuity in resolution, information and communication plans, assessment of resolvability and the opinion of the bank.

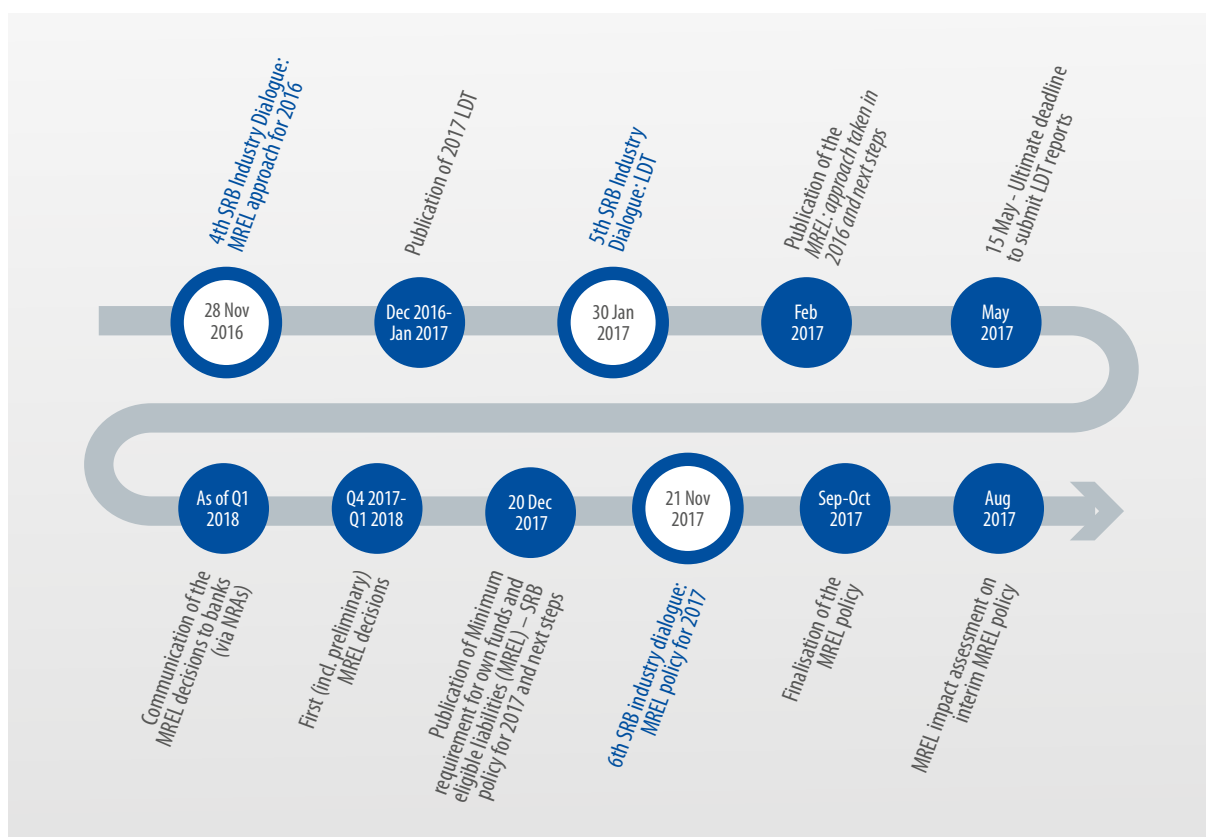
⁽¹⁾ Single Resolution Board, Introduction to Resolution Planning, Publications Office of the European Union, Luxembourg, 2016 (available on the SRB website, <https://srb.europa.eu/en/node/163>).

2. POLICY ON MINIMUM REQUIREMENTS FOR OWN FUNDS AND ELIGIBLE LIABILITIES POLICY

(a) General provisions

In 2016 the SRB set informative targets to prepare the banks for their expected future MREL requirements. In 2017 the SRB further refined its MREL policy by introducing a number of bank-specific adjustments addressing both the quantity and the quality of MREL. Beyond that, the SRB set binding requirements on a consolidated level for most of the largest and most complex banks and banks with resolution colleges under its remit. (see section 1.1.3 for further details).

Figure 2: Timeline of SRB MREL Policy for 2017



(b) Target level and location

Generally, the MREL approach of 2016 marked the starting point for the calculation of MREL in 2017. However, the 2017 MREL policy allows for bank-specific adjustments. These adjustments are in respect of the risk-weighted-assets (RWAs) used as a basis in the calculations of the recapitalisation amount (RCA), including the market confidence charge (MCC) (Article 2(3) Delegated Regulation on MREL⁽¹²⁾), and refer to one of the following three possibilities: the effect of balance sheet depletion, the use of recovery options or the restructuring plan divestments and sales (for details refer to Box 1).

⁽¹²⁾ Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016

Moreover, the SRB's 2017 MREL policy addresses specificities of banks with multiple-point-of-entry strategies to allow for the principle of resolving different resolution groups separately and thus minimising contagion risks. Within a multiple-point-of-entry group, consolidated MREL targets are considered at the level of the resolution group and are based on the applicable total supervisory review and evaluation process capital requirements, the applicable total RWA of the resolution group, adjustments from the potential expected loss absorption amount (LAA) from participation in other resolution groups and adjustments from RCA needs related to residual exposures to those resolution groups.

BOX 1: POSSIBLE ADJUSTMENTS TO THE MREL TARGET ACCORDING TO THE SRB MREL POLICY FOR 2017

Loss absorption amount (LAA). The calibration of the LAA amount remains — as in 2016 — the default LAA set out in EU Delegated Regulation 2016/1450 on MREL (the delegated regulation) without taking into account any bank-specific adjustments.

Recapitalisation amount (RCA). The default RCA defined in the delegated regulation remains the starting point for setting the RCA amount in 2017. However, on a bank-by-bank basis with due justifications, adjustments to the RWA amount to be used for the calculation of the RCA are possible. These adjustments refer to the following.

- (1) **The effect of balance sheet depletion.** The failure of a banking group, particularly if the cause of failure was due to credit risk losses, may lead to a smaller balance sheet directly following resolution. The SRB limits the maximum balance sheet depletion to adjust the RWA of up to 10 % of total assets.
- (2) **The use of recovery plans.** The number of recovery options that might be relevant for a reduction in RWA is limited to those that can be implemented swiftly in resolution, assuming that the bank was unable to use them in the early intervention or recovery phase.
- (3) **Restructuring plan divestments and sales.** If actions as formulated in restructuring plans are legally binding and time-bound, the SRB has the possibility to adapt the RWA accordingly.

Besides adjustments to the RWA component of the RCA, no further adjustments were made to the default RCA in 2017.

Market confidence charge (MCC). Apart from the adjustments of the RWA that in turn have an impact on the amount of the MCC, no further adjustments to the MCC were made in 2017. The MCC remains identical to that set in 2016, at a level equal to the CBR minus 125 basis points.

(c) Quality of MREL

The SRB has further enhanced its policy with respect to the quality of MREL. In addition to a subordination benchmark for global systemically important banks (G-SIBs) that was introduced in 2016, the SRB set a minimum subordination benchmark for other systemically important institutions (O-SIIs) to improve resolvability and limit the risk of breaching the no creditor worse off (NCWO) principle.

Regarding the eligibility of liabilities, progress has been made by further specifying the requirements for eligible liabilities.

BOX 2: SRB POLICY ON SUBORDINATION

- (1) G-SIBs are expected to meet a minimum subordination level:

G-SIBs minimum subordination = 13.5 % RWA + CBR

- (2) For O-SIIs, a subordination benchmark is introduced

O-SIIs subordination benchmark = 12 % RWA + CBR

A potential bank-specific add-on to address the risk of NCWO based on mandatory exclusions is monitored in the SRB's 2017 resolution planning cycle. The SRB will analyse NCWO issues in more detail throughout 2018 and 2019.

BOX 3: SPECIFIC CASES OF ELIGIBLE INSTRUMENTS

- (1) Structured notes are by default excluded from MREL. However, by exemption, structured notes may be considered on a case-by-case basis eligible if (a) a given amount of the liability arising from that instrument is known in advance at the time of issuance and is fixed and not affected by derivative features (only up to the amount of the liability that complies with the condition); and (b) the instrument is not subject to any netting agreement and its valuation is not subject to Article 49(3) BRRD.
- (2) By default, non-covered non-preferred deposits are excluded from MREL unless there is evidence that they cannot be withdrawn over a one-year horizon.
- (3) Liabilities held by retail investors are MREL-eligible and the SRB does not see any legal basis to exclude these liabilities *ex ante* and uniformly under the legal framework. However, an overly large proportion of retail holders of eligible instruments could be considered as an impediment to resolution.
- (4) Liabilities issued under non-EU law are excluded by default unless the bank is able to demonstrate that the write-down or bail-in of those liabilities would be recognised by the courts in that non member state
- (5) Liabilities issued by entities located outside the EU are not recognised as MREL eligible. Minority interest in subsidiaries are recognised as MREL eligible to the extent that they are recognised in the own funds of the EU parent, if the foreign subsidiary is part of the resolution group of the EU parent.

(d) Communication

The SRB worked closely with the industry in 2017. In addition to bilateral meetings and workshops with banks, the SRB organised another industry dialogue on 21 November to explain its MREL policy. A policy statement on MREL for 2017 was published on 20 December 2017.

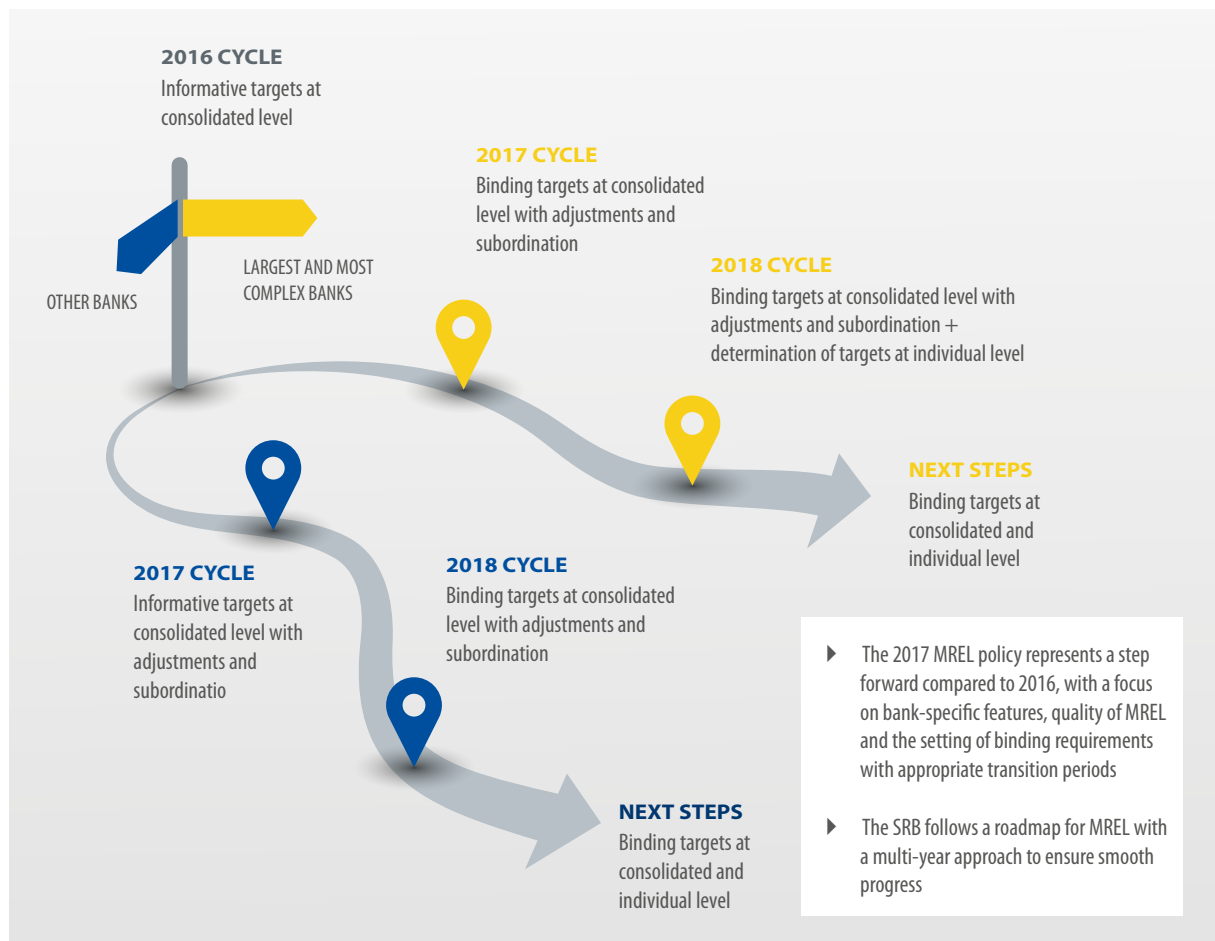
(e) Going forward

The SRB will continue working on the same approach in the years to come, with the aim of setting binding MREL targets at consolidated and solo levels by 2020 for all banks, complementing the objective to have complete resolution plans for all banking groups under its remit by 2020. In 2018 and beyond, decisions on MREL will be regularly updated in light of possible changes in banks' structures and risk levels, as well as possible changes in the regulatory framework and refinement in the SRB's approach.

In particular, for the 2018 and 2019 cycles, banks with resolution colleges will be subject to binding MREL targets at consolidated level as well as a determination of binding targets at solo level in accordance with the applicable legislation.

For non-college banks, a key distinguishing feature of resolution plans for priority banks will be the inclusion of a binding target at consolidated level in the 2018 cycle, while other banks will be subject to an informative target only.

Figure 3: MREL roadmap and next steps



2.2. Data for resolution planning

During the resolution planning process, but most importantly in the event of a crisis or resolution, it is of utmost importance that banks are able to report liability data on an ad hoc basis and in a standardised format. To minimise errors and increase efficiency, the resolution authorities need to be able to collect, store, process and analyse the data received in a fully automated fashion. Other major data collection exercises for resolution planning were performed via the critical functions template and the FMI template.

MAIN ACHIEVEMENTS IN 2017

1. LIABILITY DATA TEMPLATE

In 2017, in line with its work programme objectives, the SRB proceeded with the implementation of an automated data collection system for receiving and analysing liability data from all the major banking groups under the SRB's remit. In the case of the liability data template (LDT) collection, the data collected were used for the development of resolution plans, particularly for the assessment of the loss-absorbing capacity of banks, as well as for the analysis of data from a horizontal policy perspective. An essential feature of the 2017 collection was the use of XBRL⁽¹³⁾, a reporting standard already used by authorities such as the EBA to streamline reporting under the Common Reporting Framework (COREP) and the Financial Reporting Framework (Finrep). Close cooperation and communication with banks and NRAs was key for the successful implementation of these changes.

In addition to reporting on an individual, (sub-)consolidated and resolution group basis, some banks needed to provide individual-level granular data in what is called the individual point-of-entry scope. Most notably, however, banks were asked to provide the complete set of granular (contract-level) information in line with the guidance on the LDT, as opposed to reporting on a best-effort basis in 2016. The necessity of granular liability data is not limited to the potential application of the bail-in tool, but is also important to enable the separation of liabilities related to critical functions where the preferred resolution strategy is based on the sale of business or bridge bank tools. This new standard will allow for improved structuring, quality checking, sharing and analysis of the collected data and will be a suitable tool to adapt to the SRB's evolving data collection needs.

Once the collection and analysis cycle was completed, NRAs were solicited for feedback on the 2017 experience, as well as for ways to improve the collection process going forward. Building on this feedback and its own experience, the SRB has already embarked on changes to the collection process for 2018, which kept changes to a strict minimum and was communicated to banks and NRAs well in advance in order to allow for timely preparation.

2. CRITICAL FUNCTIONS TEMPLATE

Resolution authorities need up-to-date information on whether institutions are providing critical functions. When banking functions provided to third parties are critical, their sudden discontinuation would have a material impact on financial stability and/or the real economy. Therefore, in accordance with the first resolution objective, resolution authorities should seek to preserve the continuity of critical functions.

⁽¹³⁾ eXtensible Business Reporting Language.

In 2017, the SRB collected the self-assessments of critical functions of the banks under its remit in the critical functions template. The SRB and NRAs reviewed the reports received and discussed them with the banks in question with a view to reaching a final conclusion on criticality. This conclusion is reflected in the resolution plans and informs, among others, authorities' assessments as to whether it might be appropriate to put the banks in resolution if they were to fail.

To facilitate this work, the SRB developed a benchmarking tool aggregating the self-assessments and comparing the various elements of the template across banks in different countries. In contrast to the liability data template, the critical functions template is still fully Excel-based, as are the analytical tools developed by the SRB to benchmark the information that it contains. Benchmarking was one of the key deliverables of the 2017 SRB work programme.

The 2018 data collection exercise will take place in a similar fashion, with minor changes derived from lessons learnt by the SRB and the NRAs during the 2017 cycle.

3. FINANCIAL MARKET INFRASTRUCTURE TEMPLATE

Whenever an institution fails, resolution authorities need to have comprehensive information on the FMI service providers (FMI and intermediaries providing payment, clearing or settlement services) used by that institution. Ensuring continued access to FMIs is key to enabling an institution to continue performing its banking activities, and in particular the critical functions it provides to the economy.

The SRB collects such information during the resolution planning process in the form of the FMI template. This template builds upon Annex VIII to EU Commission Implementing Regulation 2016/1066.

The template is used to collect data in Excel format and to prepare the relevant chapters in the strategic business analyses of resolution plans.

2.3. Financial stability analysis

MAIN ACHIEVEMENTS IN 2017

In 2017, the SRB established a dedicated unit to support its resolution planning and crisis management activities by using robust financial stability analysis, to be developed based on appropriate and best practice methodologies and data. The work of the unit will contribute to a number of resolution topics, for example the public interest assessment, critical functions, the selection of resolution tools, asset valuation and bail-in exercises. The purpose of the unit is also to monitor risks, vulnerability and other developments in banking and financial markets relevant from a resolution perspective, as well as NRA experience, by leveraging on the work done by other relevant institutions such as the European Central Bank, the European Commission, national central banks and the European Systemic Risk Board.

Although not fully staffed, the unit has contributed to the public interest assessments of recent resolution cases. It is expected that the unit will be fully staffed during the course of 2018. It also benefits from expertise in the area of financial stability at NRAs level through the Resolution Committee.

2.4. Cooperation with national authorities, European institutions and non-EU authorities

In 2017 the SRB also continued its cooperation with relevant stakeholders such as the European institutions, national authorities from Banking Union MS and from MS outside the Banking Union and non-EU countries at different levels. This continuous cooperation at European and international level ensures a steady exchange of information, work streams and best practices and thus proves to be essential for the SRB's work. Not only does it strengthen the resolution framework, but it also improves the SRB's visibility.

MAIN DEVELOPMENTS IN 2017

1. COOPERATION WITH NATIONAL RESOLUTION AUTHORITIES WITHIN THE SINGLE RESOLUTION MECHANISM

The SRB also maintained its strong cooperation with NRAs within the SRM, which is enshrined in the governing rules of the SRM. It provides that NRAs are members of the Plenary Session and ad hoc participants to Extended Executive Sessions. NRAs also participate in SRB committees, networks and task forces. Throughout 2017, cooperation with the NRAs was essential for advancing the resolution planning activities within the IRTs and for developing internal policies and technical work streams in the monthly meetings of the Resolution Committee. This also applies for cooperation with NRAs within the SRF investment and contributions committees for carrying out the activities related to the functioning of the SRF and within the Administrative Budget Committee. Moreover, NRAs were invited and actively contributed to the training programmes organised by the SRB, which in 2017 focused mainly on induction training for new SRB and NRA staff and specific legal and financial matters relevant to bank resolution. Finally, work on revising the CoFra — which is an essential part of the framework for the cooperation between the SRB and the NRAs — started in 2017.

2. COOPERATION WITH THE EUROPEAN INSTITUTIONS AND AGENCIES

EUROPEAN PARLIAMENT



In line with the SRB's obligation of public accountability, the SRB Chair was invited to the European Parliament several times in 2017. The Chair presented the Annual report 2016 during a public hearing of the ECON Committee on 11 July, and the multiannual planning and work programme 2018 in a public hearing on 4 December. Throughout the year, the Chair participated in several other hearings and exchanges, particularly in one on the resolution of central counterparties (CCPs). The SRB continued its close contact and exchange with the Secretariat of the ECON Committee on all matters related to its mandate and answered parliamentary questions in a timely and comprehensive manner. The SRB closely monitored the legislative process and committee meetings on relevant files, in particular the progress on the risk reduction package.

COUNCIL OF THE EUROPEAN UNION



Likewise, the SRB strengthened its ties and cooperation with the Council in many areas and maintained a regular exchange with the Maltese and Estonian Council Presidencies on their priorities. The Chair participated in meetings of the Eurogroup when invited. The SRB contributed to and participated in the work of the Eurogroup working group and the Economic and Financial Committee on aspects related to the risk reduction package, the implementation of the total loss-absorbing capacity (TLAC), the strengthening of the resolvability framework and deposit insurance. The SRB provided technical support and presentations on these topics during the meetings of the ad hoc working party (AHWP) on the European deposit insurance scheme (EDIS), where it is a permanent member, and to the Council Working Party on Financial Services when invited. In 2017 the SRB continued to provide technical expertise in order to advance the discussions about a common backstop to the SRF in the context of the Task Force on Coordinated Action (TFCA).

EUROPEAN CENTRAL BANK



In 2017, the SRB continued its cooperation and exchange of information with the Central Bank in line with the memorandum of understanding (MoU). A high-level meeting between the Central Bank and the SRB took place in May 2017 to discuss operational and policy issues. At middle-management level, quarterly meetings or videoconferences were organised to address operational topics arising as part of the cooperation between the SRB and the Central Bank. At a technical level, the SRB and Central Bank horizontal units are in regular contact. Similarly, the IRTs and the joint supervisory teams cooperate on a daily basis with respect to individual institutions. The SRB also attended meetings of the Supervisory Board of the Central Bank to discuss resolution-related topics or individual cases (with respect to potential resolution or early intervention actions in the future), whenever invited.

Over the second half of 2017, in line with the provisions of the MoU, the Central Bank and the SRB revised the MoU and worked in particular on enhancing information exchange, which corresponds to a key recommendation by the 2017 Court of Auditors' special report. The 2017 MoU revision was made to address the lessons learnt in the exchange of information since the signature of the MoU in 2015, including information exchange in crisis cases. The scope of automatic information exchange between SRB and Central Bank will be broadened for the preparatory phase as well as for crisis management and resolution purposes, building further on the current practice whereby for banks in situations of rapidly deteriorating financial conditions the Central Bank will share relevant information with the SRB independently of and before the adoption of an early intervention measure. In addition, the revised draft MoU provides for some simplifications and clarifications regarding the ad hoc exchanges of information not covered by the automatic exchange. The revised MoU was published on both the Central Bank and the SRB websites on 6 June 2018.

EUROPEAN COMMISSION



In 2017, the SRB continued its close cooperation with the relevant directorates-general of the Commission, mostly with the Directorate-General for Financial Stability, Financial Services and Capital Markets Union and the Directorate-General for Competition at all levels on numerous aspects which are relevant to the SRB's work and functions. Moreover, the close cooperation between the Commission and the SRB is institutionalised by the fact that the Commission has an observer status in the SRB's Plenary and Executive Sessions and the meetings of the Resolution Committees in the SRB.

The SRB strived to provide expertise and technical support in order to help the Commission in advancing the legislative process on implementing the TLAC standard, on setting MREL and on deposit insurance.

EUROPEAN BANKING AUTHORITY



In 2017 the SRB further strengthened its cooperation with the EBA, particularly in the development of the single rule book and in covering resolution planning items including the organisation of resolution colleges. The SRB contributed to the development of the remaining technical standards under the BRRD (e.g. valuation and implementing technical standards on resolution planning information) and to dedicated work streams under the aegis of the EBA Resolution Committee. This Committee is chaired by a full-time SRB Board Member, who also attends the EBA Board of Supervisors meetings as an observer. The SRB also carried out activities as regards compliance with the EBA's reporting and notification requirements.

Likewise, the SRB strengthened its cooperation with the other EU supervisory agencies, namely the European Securities and Markets Authority as well as the European Systemic Risk Board and the European Stability Mechanism.

3. COOPERATION WITH NON-EU AUTHORITIES

(A) BILATERAL RESOLUTION COOPERATION ARRANGEMENTS

In 2017, the SRB concluded two cooperation arrangements — with the Federal Deposit Insurance Corporation (28 September 2017) ⁽¹⁴⁾ and with the Canada Deposit Insurance Corporation (22 December 2017) ⁽¹⁵⁾. Negotiations continued with the Australian Prudential Regulation Authority, the Central Bank of Brazil, Mexico Bank Savings Protection Institute, the National Bank of Serbia and the Swiss Financial Market Supervisory Authority with the objective of concluding the bilateral arrangements in 2018. These arrangements provide a basis for the exchange of information and cooperation in resolution planning and the implementation of such planning for financial institutions with operations in the Banking Union and countries outside the EU in order to strengthen cross-border resolvability.

⁽¹⁴⁾ <https://srb.europa.eu/en/node/457>

⁽¹⁵⁾ <https://srb.europa.eu/en/node/467>

(B) COOPERATION AGREEMENTS FOR CRISIS MANAGEMENT GROUPS ON GLOBAL SYSTEMICALLY IMPORTANT BANKS FOR WHICH THE SRB IS THE HOME AUTHORITY

The signatories of these cooperation agreements (CoAgs) include, among others, non-EU authorities such as the Federal Deposit Insurance Corporation, the New York State Department of Financial Services, the Board of Governors of the Federal Reserve System, the U.S. Securities and Exchange Commission, the Mexican Institute for the Protection of Bank Savings, Mexico's National Bank and Securities Commission or the Central Bank of Brazil. In 2017, the SRB advanced its work on CoAgs and held extensive negotiations with the signatories with the objective of concluding them in 2018. Similarly, the SRB conducted negotiations on accession to the CoAgs concerning those G-SIBs for which the SRB is the host authority.

(C) ASSESSMENT OF THE PROFESSIONAL SECRECY AND CONFIDENTIALITY REGIMES OF NON-EU AUTHORITIES

In accordance with Article 98 BRRD, the exchange of information with non-EU authorities depends upon their professional secrecy requirements and standards being equivalent to those of the EU. The SRB has therefore adopted opinions on the equivalence of the professional secrecy and confidentiality regimes of the Federal Deposit Insurance Corporation (on 26 June 2017), the Canada Deposit Insurance Corporation (on 15 December 2017), the Board of Governors of the Federal Reserve System, the New York State Department of Financial Services and the U.S. Securities and Exchange Commission (all on 8 January 2018). Assessments of 15 more authorities were launched, and these will be finalised and progressively adopted in 2018.

2.5. International relations

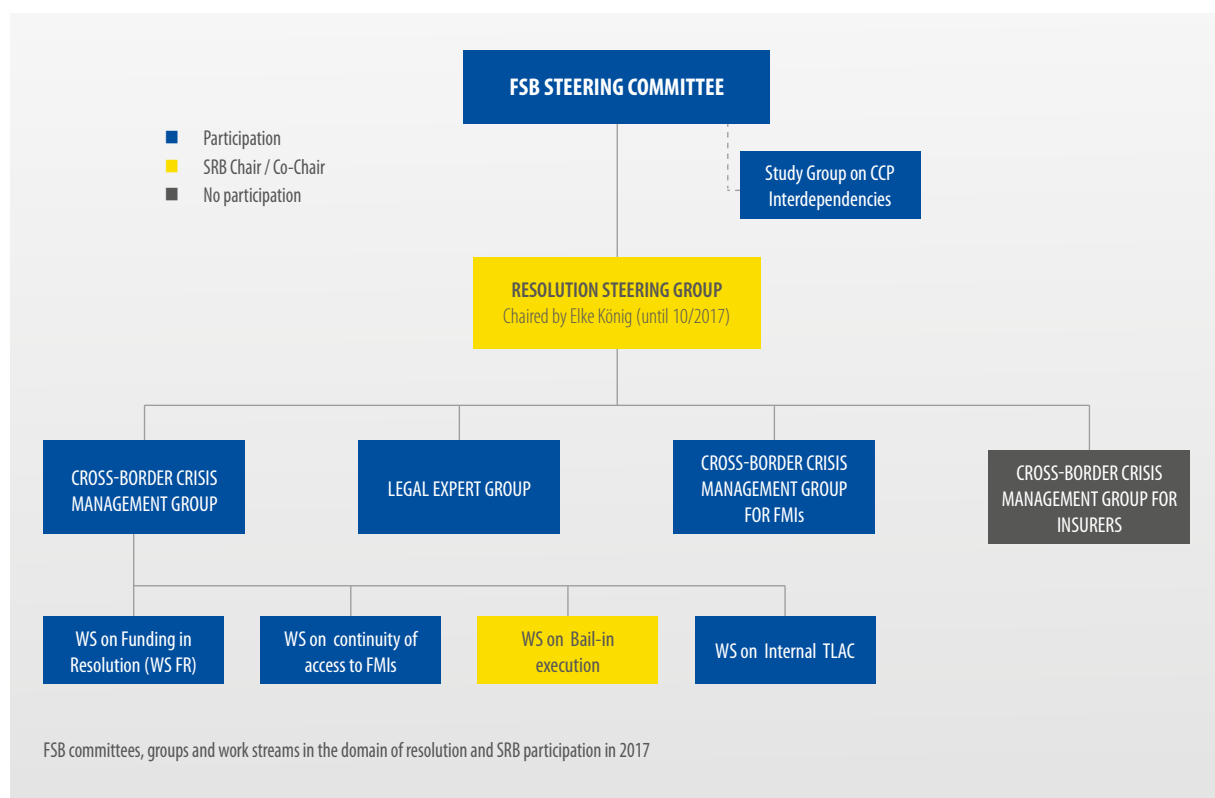
The Financial Stability Board (FSB) and other intergovernmental organisations play an important role in promoting convergence and providing advice in the domain of resolution. In this context, in its capacity as the resolution authority within the Banking Union with direct responsibility for the most important banks in the euro area and for cross-border banking groups, the SRB sharpened its profile and contributed its growing expertise to the work of such intergovernmental organisations.

MAIN DEVELOPMENTS IN 2017

1. FINANCIAL STABILITY BOARD

In 2017, the SRB took part in all of the FSB working groups for which resolution-related topics were the focus. The Resolution Steering Group, chaired by the Chair of the SRB until the last quarter of 2017, is the encompassing committee that addresses resolution matters within the FSB. In 2017, in addition to the Resolution Steering Group, the SRB engaged in all the relevant resolution-related groups and work streams of the FSB. Figure 4 provides an overview of the main FSB committees that are relevant for the SRB's activities.

Figure 4: FSB committees, groups and work streams in the domain of resolution and SRB participation in 2017



As regards the bank resolution framework of the FSB, in 2017 the SRB supported the FSB in its efforts to further operationalise its key elements, notably internal TLAC ⁽¹⁶⁾ and, more generally, with regard to how the provisions set out in the TLAC term sheet should be implemented. Access to FMIIs ⁽¹⁷⁾, funding in resolution ⁽¹⁸⁾, and bail-in execution ⁽¹⁹⁾ were other focal points during the course of the year. The SRB also contributed to the development of guidance for a recovery and resolution regime for CCPs by the FSB. Following a first public consultation on a discussion note ⁽²⁰⁾, guidance on CCP resolution and resolution planning was published in July 2017 ⁽²¹⁾.

2. INTERNATIONAL MONETARY FUND

In 2017 the SRB was involved in two national Financial Sector Assessment programme (FSAP) exercises, namely in Spain and Belgium. The SRB provided the International Monetary Fund (IMF) with information regarding the specificities of the functioning of the SRM, resolution planning process for significant institutions established in respective countries and overall progress in developing respective guidance and methodologies in the area of resolution.

At the end of 2017, the IMF started the euro area (EA) FSAP where the SRB is directly involved as the EA resolution authority. The first meeting of the EA FSAP between the IMF and the SRB took place in November and was followed by a detailed questionnaire received by the SRB in December. The EA FSAP will continue in 2018.

⁽¹⁶⁾ See FSB, *Guiding principles on the internal total loss-absorbing capacity of G-SIBs* ('internal TLAC'), 2017 (<http://www.fsb.org/2017/07/guiding-principles-on-the-internal-total-loss-absorbing-capacity-of-g-sibs-internal-tlac-2/>).

⁽¹⁷⁾ See FSB, *Guidance on continuity of access to financial market infrastructures (FMIs) for a firm in resolution*, 2017 (<http://www.fsb.org/2017/07/guidance-on-continuity-of-access-to-financial-market-infrastructures-fmis-for-a-firm-in-resolution-2/>).

⁽¹⁸⁾ See FSB, *Funding strategy elements of an implementable resolution plan — Consultative document*, 2017 (<http://www.fsb.org/2017/11/funding-strategy-elements-of-an-implementable-resolution-plan/>).

⁽¹⁹⁾ See FSB, *Principles on bail-in execution — Consultative document*, 2017 (<http://www.fsb.org/2017/11/principles-on-bail-in-execution/>).

⁽²⁰⁾ See FSB, *Essential aspects of CCP resolution planning — Discussion note*, 2016 (<http://www.fsb.org/2016/08/essential-aspects-of-ccp-resolution-planning/>) and FSB SRC, FSB RESG, BCBS, CPMI and IOSCO, *Progress report on the CCP workplan*, 2016 (<http://www.fsb.org/2016/08/progress-report-on-the-ccp-workplan-2/>).

⁽²¹⁾ See FSB, *Guidance on central counterparty resolution and resolution planning*, 2017 (<http://www.fsb.org/2017/07/guidance-on-central-counterparty-resolution-and-resolution-planning-2/>).

2.6. Regulatory activity/legislative process of relevant files

In 2017, the SRB continued its intensive dialogue with the Commission and the co-legislators in the Parliament and the Council on resolution-related matters accompanying the progress made on the risk reduction package. The SRB's mission in this context was to provide expertise and technical advice throughout the different stages of the legislative process.

MAIN DEVELOPMENTS IN 2017

1. TRANSPOSITION OF THE TOTAL LOSS-ABSORBING CAPACITY AGREEMENT INTO EUROPEAN LAW AND HARMONISATION WITH MREL

In 2017, the SRB closely followed the developing debates in the Council and the Parliament on aligning the transposition of the international agreement on TLAC into European legislation with the existing legislation on MREL.

The proposal to transpose TLAC was included in the risk reduction package the Commission presented in November 2016 by modifications of the existing BRRD, SRMR, Capital Requirements Regulation and Capital Requirements Directive IV. The SRB closely monitored the ongoing work and presented to the Council its position on several relevant policy topics, including the contractual recognition of bail-in or institution-specific MREL requirements and guidance. Likewise, the SRB provided detailed comments on a variety of topics affecting the overall design of the resolution framework and the SRB's work, such as eligibility criteria for TLAC and MREL, as well as appropriate levels of MREL and moratorium powers.

The first important progress on the risk reduction package was the agreement in October 2017 on the new framework of a creditor hierarchy which provides clarity and legal certainty for investors, banks and supervisors alike. The SRB will continue to assume its role by providing expertise, helping to establish an improved framework for resolvability in the Banking Union and supporting the co-legislators in finding a quick agreement on the remaining parts of the risk reduction package. The SRB's strong engagement in the legislative process of this important legislative package is also in line with a recommendation of the 2017 Court of Auditors special report.

2. FINANCIAL MARKET INFRASTRUCTURE RESOLUTION

In 2017, the SRB continued its engagement with EU and international actors towards establishing legislation for the orderly resolution of FMIs, which play an important role in European financial markets. The SRB continued to promote its positions and to share its expertise in the relevant international forums such as the FSB, which published guidance on the recovery and resolution of CCPs in July 2017, and among other European and international partners. The SRB always stressed the importance of establishing a CCP resolution framework, particularly in view of the interconnectedness of many banks under the SRB's remit with CCPs. The SRB will closely monitor the likely agreement on this file and will stand ready to contribute to the discussion, whenever invited.

3. EUROPEAN DEPOSIT INSURANCE SCHEME

The discussions around the introduction of a European deposit insurance scheme (EDIS) with the aim of establishing an increasingly centralised deposit guarantee system for all members of the euro area and completing the third pillar of Banking Union also continued at technical level in the Commission, the Parliament and the Council in 2017. The SRB, which supports the implementation of the third pillar, contributed to these technical debates by providing detailed comments on the overall design of EDIS as well as on the use of alternative measures and the importance of harmonising national insolvency laws.

In October 2017, the Commission outlined in its communication a more gradual approach towards the introduction of EDIS in an attempt to accelerate the ongoing discussions. The SRB will continue to stand ready to provide technical expertise and to support the progress on this important project, once the framework outlined in the Commission's communication has been further developed.

4. BACKSTOP PROVISIONS

In order to fulfil its legal mandate in the event of a resolution requiring access to the SRF, the SRB must have sufficient financial means at its disposal at all times. While the funding level of the SRF is building up through *ex ante* contributions and loan facility agreements (LFAs) have been already enacted, a common backstop could provide a remedy for potential funding shortfalls at all times and thus further support financial stability. It is important that the provider of the common backstop is able to provide financial assistance within a short timeframe and that the conditions around access are clear and simple, while also avoiding a duplication of tasks between the SRB and the backstop provider. Throughout 2017, the SRB worked together with regulatory bodies, the Central Bank and Member States in the context of the TFCA towards a viable solution regarding this initiative.

3. CRISIS MANAGEMENT

While resolution planning is one of the SRB's long-term tasks to ensure the resolvability of banks, it is also important to prepare for imminent crises. In this context, it must be noted that the SRB's crisis management process is dynamic and depends on the individual characteristics of each crisis case. In order to establish a consistent approach and to ensure the best preparation possible, also based on the lessons learnt from previous crisis situations, several horizontal initiatives across the directorates were undertaken.

3.1. Resolution decision and negative decisions

MAIN DEVELOPMENTS IN 2017

1. BANCO POPULAR

On 7 June 2017 the SRB adopted its first resolution decision ⁽²²⁾. The decision concerned Banco Popular Español S.A., the parent institution of the Banco Popular Group. The group was the sixth largest Spanish banking group, with total assets of EUR 147.11 billion, and 1 644 branches and 10 634 employees in Spain ⁽²³⁾. The business of the group was mostly concentrated in Spain, with a banking subsidiary in Portugal and some presence in non-EU third countries through subsidiaries, branches and representative offices. The business model of the group was particularly focused on the small and medium-sized enterprise (SME) market segment in Spain.

Due to its stressed liquidity situation, the European Central Bank declared Banco Popular 'failing or likely to fail' on 6 June 2017 and notified the SRB accordingly. The SRB decided in its Executive Session that resolution was in the public interest as it ensured the continuity of critical functions, namely by protecting household and non-financial corporate depositors of Banco Popular, lending to SMEs and the provision of payment and cash services and by avoiding adverse financial stability. The resolution action also met the other resolution objectives. The SRB decided that the sale of business tool for transferring shares to a purchaser best met the resolution objectives and instructed the Spanish NRA FROB to implement the decision. As a result, the shares, including the entire business of Banco Popular and its subsidiaries, were transferred to Santander Group with immediate effect, following the exercise of the power to write-down and convert Banco Popular's capital instruments.

The purchase price paid by Santander for the shares and capital instruments of Banco Popular was EUR 1. The resolution scheme entered into force following endorsement by the European Commission.

Regarding the effects of the resolution action, customers benefited from the adoption of the resolution scheme and the transfer of Banco Popular to a large and sound financial institution.

⁽²²⁾ <https://srb.europa.eu/en/node/315>

⁽²³⁾ Data as of end of first quarter 2017. See Banco Popular, 1st Quarter 2017 quarterly report, 2017 (<http://www.grupobancopopular.com/EN/INVESTORRELATIONS/FINANCIALINFORMATION/Paginas/InformesTrimestrales.aspx>).

The resolution action allowed for the continuation of the provision of critical functions and services to individuals and SMEs by Banco Popular, in particular its deposit-taking and lending services. Financial stability was preserved and the use of public funds was avoided.

In the aftermath of the decision, the non-confidential versions of the following documents related to the resolution action undertaken were made available by the SRB ⁽²⁴⁾:

- ▶ the resolution decision, i.e. the SRB decision of 7 June 2017 concerning the adoption of a resolution scheme in respect of Banco Popular;
- ▶ the valuation report and its annexes prepared by the independent expert, Deloitte, in the context of the resolution action (valuation 2);
- ▶ the valuation report prepared by the SRB to assess whether Banco Popular was failing or likely to fail (valuation 1);
- ▶ the FROB sale process letter dated 6 June 2017;
- ▶ the marketing decision, i.e. the SRB decision of 3 June 2017 concerning the marketing of Banco Popular; and
- ▶ the 2016 resolution plan drawn up in respect of Banco Popular.

In addition, FROB published its implementing order of 7 June 2017 ⁽²⁵⁾.

2. VENETO BANCA AND BANCO POPOLARE DI VICENZA

On 23 June 2017, following the decision by the European Central Bank to declare Banca Popolare di Vicenza S.p.A. and Veneto Banca S.p.A. 'failing or likely to fail', the SRB decided that resolution action by the SRB was not warranted for these banks ⁽²⁶⁾.

The SRB concluded that there were no alternative supervisory or private sector measures which could prevent the failure of the banks. In addition, upon careful consideration of whether resolution action was necessary and proportionate to safeguard the objectives set out in the resolution framework, the SRB concluded that resolution action was not in the public interest, since neither of the two banks provided critical functions and their failure was not expected to have a significant adverse impact on the financial stability of the Member State.

As a result, on the same day, the SRB communicated both decisions to Banca d'Italia, which as NRA put each bank into compulsory administrative liquidation (the regular Italian insolvency procedure for banks).

3. POST-MORTEM EXERCISE — EUROPEAN CENTRAL BANK-EUROPEAN COMMISSION-SRB

In the last quarter of 2017, the SRB intensified its exchange of views and cooperation with the Commission and the Central Bank in order to fine-tune various aspects of the Banking Union supervisory/resolution framework. These work streams will continue to carry out their respective activities in 2018.

²⁴ These documents, as well as other documents related with this resolution case can be found at <https://srb.europa.eu/en/content/banco-popular>

²⁵ http://www.frob.es/en/Lists/Contenidos/Attachments/419/ProyectedAcuerdoreducido_EN_v1.pdf

²⁶ <https://srb.europa.eu/en/node/341>

3.2. Projects to strengthen crisis preparedness

In order to be prepared for future events of crisis and resolution and to ensure orderly and timely resolvability with suitable tools at hand, the SRB is continuously striving to improve its toolkit and initiated a number of projects and exercises in 2017, taking into account feedback from stakeholders and NRAs as well as lessons learnt from previous crisis situations. These initiatives include a crisis readiness project and the development of a reliable valuation framework as well as the performance of regular dry-run exercises for simulation purposes.

MAIN ACHIEVEMENTS IN 2017

1. CRISIS READINESS PROJECT

In 2017, the SRB started to implement the crisis readiness project which intends to foster a common and consistent approach to crisis management. Measures for an efficient crisis management process are ongoing and relate to:

- ▶ the design of optimal step-by-step processes and workflows (leveraging on internal documentation and SRB experience in crisis cases);
- ▶ the analysis and proposal of necessary organisational and information and communications technology (ICT) arrangements;
- ▶ the mapping of existing supporting documents/tools and integrating new developments.

The crisis readiness project is built around three phases:

- (i) phase 1: stocktaking and gap analysis;
- (ii) phase 2: implementation of a roadmap; and
- (iii) phase 3: dry-run exercises to test the improvements.

The SRB executed phase 1 in the course of 2017 with the support of an external consultant company. The main activities included:

- ▶ the performance of documentation and practices stocktaking;
- ▶ the drafting of (i) SRB-internal operational steps with detailed optimal workflows and related processes and (ii) a proposal for a targeted SRB operational structure; and
- ▶ the identification of areas to be improved and the definition of a roadmap, with proposed actions.

Going forward, the results of phase 1 recommend to tackle key areas for ensuring high resolution standards at the SRB such as governance and organisation, documentation, knowledge and expertise as well as optimally tailored ICT solutions.



In order to reach these objectives, at the beginning of 2018 the SRB started to set up the resolution tactical team, an internal group of experts dealing with the aforementioned recommendations and standing ready to support future crisis cases. The team is to be operational in Q1 2018 and has the mandate to formalise organisational arrangements to be followed in the event of a crisis, as well as ensuring consistent and adequate interactions with SRB stakeholders when dealing with crisis cases.

2. VALUATION PROJECT

In early 2017 a tender procedure on advice and assistance on economic valuation was finalised and the external provider was awarded two specific contracts within the valuation project context.

Regarding the first contract, on advice and assistance in developing a SRB valuation framework, in October 2017 the external provider finalised, with the assistance and guidance of the SRB, a benchmarking report on valuation in resolution. This constituted the basis for further workshops with valuers under the guidance in the SRB, which led to the submission of the final draft valuation framework to the SRB in December 2017. The final draft will be discussed with a network of experts appointed by NRAs and is expected to be finalised in 2018.

The second contract concerned a fictional valuation of a G-SIB and a medium-sized bank. The main deliverables are expected to be the standardisation of data templates for valuation purposes. With work in progress, the project is expected to be finalised in 2018 as well.

3. DRY RUNS

(a) Cross-border resolution of global systemically important banks (2017 trilateral exercise)

As a follow-up to the top-level cross-border resolution exercise conducted in October 2016 between the United States, the United Kingdom and Banking Union authorities (involving resolution and supervisory authorities as well as central banks and treasuries), the 2017 work programme — the further trilateral work programme (FTWP) — was established in order to explore issues identified in the 2016 exercise and enhance cooperation on a trilateral basis. The participants from the Banking Union are the Single Resolution Board, the European Commission and the European Central Bank.

The main objectives of the 2017 further trilateral work included:

- ▶ fostering and developing a common understanding on G-SIB resolution and enhanced preparedness for a G-SIB resolution by continuing to identify and address barriers to G-SIB resolution; and
- ▶ developing playbooks to operationalise the major cross-border coordination points of a G-SIB resolution.

During the meetings of the different work streams, principles for coordinating and organising funding in resolution between home and host authorities of a cross-border G-SIB were agreed, areas of divergence regarding the different legal frameworks and operational arrangements in the different jurisdictions were identified and cross-border resolution playbooks for governance, internal TLAC and communications focusing on the interactions required as either a home or host authority during the different phases of a resolution process were prepared.

In three meetings (in February, July and November) senior staff members engaged in the ongoing work provided guidance and approved the proposed deliverables. The outcome of the 2017 FTWP was discussed between the principals of the United States, the United Kingdom and Banking Union authorities in Spring 2018. As a result, a tabletop exercise to test the effectiveness of the playbooks is envisaged in 2018 as well as a second tabletop exercise at the level of Principals in 2019.

(b) Interinstitutional dry run

In the summer of 2017 a technical dry run was carried out to test the technical systems of communication between the different players.

The main focus was on interaction with the Council, which would have to take a vote in case of disagreement between the SRB and the Commission.

The technical dry run was considered an overall success.

4. THE SINGLE RESOLUTION FUND

4.1. Contributions

According to Article 69 SRMR, by the end of an initial period of 8 years from 1 January 2016, the SRF shall reach at least 1 % of the amount of covered deposits of all credit institutions authorised in all of the participating MS. The contributions referred to in Articles 69, 70 and 71 SRMR shall be raised from entities under the scope of the SRMR by the NRAs and transferred to the SRF in accordance with the intergovernmental agreement on the transfer and mutualisation of contributions to the SRF.

In June 2017, the NRAs transferred to the SRF EUR 6.6 billion of 2017 *ex ante* contributions, calculated under the SRMR by the SRB (including irrevocable payment commitments (IPCs)).

MAIN ACHIEVEMENTS IN 2017

1. LIST OF CONTRIBUTING INSTITUTIONS

At the start of each contribution cycle, the SRB coordinates with the NRAs to update the list of institutions that are under the scope of the SRF. For the 2017 cycle, this process started in October 2016, when the SRB provided the list of institutions to NRAs. NRAs were asked to inform the SRB of any changes before the intermediate deadline of 15 December 2016 and the final deadline of 15 January 2017.

2. DATA REPORTING FORM

It is essential for an effective data collection and calculation process to ensure regular maintenance of the data reporting form regarding updates and coherence with the calculation methodology. During the summer of 2017, the SRB worked in close collaboration with the NRAs to update the data reporting form for the 2018 contribution cycle, approved by the SRB's Plenary Session in September 2017. At that point in time, based on a comprehensive analysis of data availability, the SRB's Executive Session decided to include the Liquidity Coverage Ratio as a new risk indicator in the risk adjustment methodology in accordance with Commission Delegated Regulation (EU) 2015/63.

3. DATA COLLECTION

In 2017, the SRB introduced a new data collection portal, the Contribution Collection System (CCS). The portal allows NRAs to upload templates in Excel or XBRL format. After uploading, Excel templates are converted into XBRL format, allowing checks to be performed against a set of predefined rules. Reports violating this set of rules are automatically rejected and the portal produces an error message explaining the rejection. These automated checks significantly enhanced the quality of the data received.

4. DATA VERIFICATION

Thorough checks in close cooperation with the NRAs resulted in the correction of various clerical mistakes, so that at the moment of calculation all the data points institutions were required to report were available. In addition, the data reported by institutions was cross-checked with Central Bank supervisory data.

Following the practice established in 2016, the Executive Session of the Board decided on 9 November 2016 that institutions belonging to groups directly supervised by the Central Bank needed to provide additional assurance on data that had not already been reported under the supervisory or accounting frameworks. NRAs were left with the discretion to extend the scope of institutions and the data covered by the additional assurance at their discretion. In addition, institutions could choose to opt for confirmation by an auditor on specific data points ('agreed-upon-procedure') or a sign-off by the executive body on the full 2017 template ⁽²⁷⁾. Institutions subject to a lump-sum payment were exempted from the additional assurance requirement.

5. CALCULATION OF CONTRIBUTIONS

In 2017, the SRB implemented a new calculation engine (the financial accounting system, FAS) to compute the *ex ante* contributions. The calculation methodology was implemented in FAS in the period from October to December 2016. The following approach was used for the implementation:

⁽²⁷⁾ Compared to last year, the scope of the agreed-upon-procedure was extended to include the deductions for Institutional Protection Schemes (together with covered deposits and derivative adjustment as well as intragroup and promotional loans deductions).

- ▶ verifying that the steps of the calculations are in line with the applicable legal framework and the relevant Board internal preparatory acts;
- ▶ cross-checking the results of the different steps of the calculations with those obtained by the SRB using its internal tools.

In addition, the Joint Research Centre (JRC) of the European Commission provided technical support by performing an independent calculation of *ex ante* contributions. The JRC developed an algorithm in line with the applicable legal framework and the relevant SRB internal preparatory acts. The algorithm was tested on the anonymised input data provided via secure communication channels to the JRC by the SRB. The results of the JRC's independent calculation matched the results the SRB obtained using its own tools.

Finally, the Central Bank, the NCAs and the NRAs were formally consulted on the 2017 *ex ante* contributions.

6. COLLECTION OF CONTRIBUTIONS

The SRB — together with the NRAs — worked on harmonising the way institutions were notified of the contribution amounts. This effort resulted in two achievements.

- ▶ The 2017 'master calculation decision'. This decision aimed at explaining the methodology used to calculate the 2017 *ex ante* contributions. It transposed the preparatory acts regarding the calculation taken by the SRB in earlier stages. The NRAs sent this decision to all institutions together with their notifications.
- ▶ An individual 'harmonised annex' for each institution. This document provided institutions with the key input data used in the calculation, the intermediate calculation values and the final contribution. It was developed in close cooperation with the NRAs.

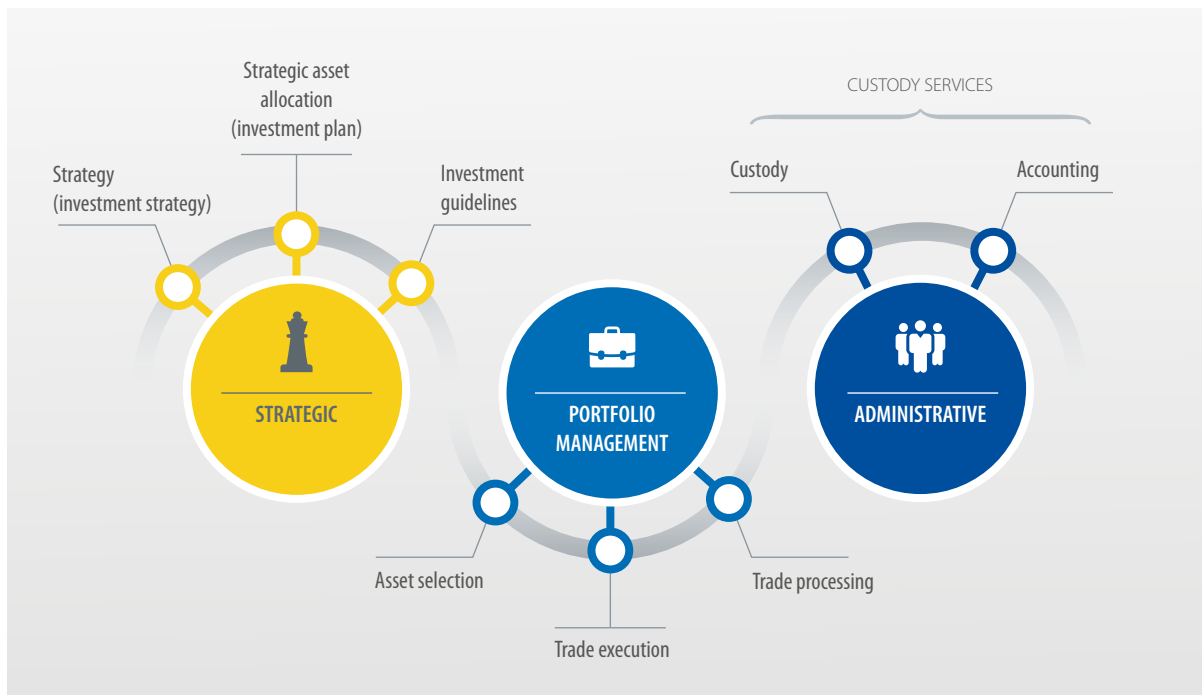
4.2. Investments

In accordance with Article 75 SRMR, the SRB is responsible for the investment of the *ex ante* contributions raised. At the end of 2017 the amount held in the SRF came to EUR 17.4 billion. This amount comprises over EUR 15 billion in cash and roughly EUR 2 billion in IPCs. It is currently being held in cash accounts with five central banks of the Eurosystem, in line with the provision laid out in Article 17 of Commission Delegated Regulation (EU) 2016/451.

MAIN ACHIEVEMENTS IN 2017

- ▶ **First investment plan formally adopted.** The Board adopted the first investment plan in its Executive Session in October 2017. The investment plan operationalises the investment strategy, which was reviewed by the Board in its Plenary Session in January 2018. The legal basis for the investment strategy is provided by Commission Delegated Regulation (EU) 2016/451. The investment plan defines the structure, composition and characteristics of the SRB's portfolio, i.e. its strategic asset allocation. The investment plan is adopted for a period of 1 year and must be reviewed annually. It aims at meeting the SRB's investment objectives to satisfy liquidity needs and protect the value of the amounts held in the SRF. Under the current challenging market circumstances with a negative interest rate environment for perceived safe and liquid investments, satisfying liquidity needs whilst protecting the value of the SRF constitutes a challenge given the constraints set out in the delegated regulation

Figure 5: Workflow for the implementation of the investment policy



and the SRB's risk appetite. Satisfying liquidity needs in order to be ready for resolution is the SRB's priority. Therefore, a high proportion of the collected amounts will be further held as cash reserve.

- ▶ **Procedure to select outsourcing partner moving towards completion.** In 2017 a procedure was held to select an outsourcing partner for portfolio management and custody services. This procedure was finalised in Q1 2018. Investment management activities (i.e. portfolio management and custody services) will be outsourced to the fullest extent possible. Strategic decisions will remain with the SRB, whereas portfolio management and administrative tasks will be outsourced. Monitoring and risk management are integral to all steps in this workflow and are embedded throughout. The SRB has adopted a risk governance framework along the three lines of defence risk governance model.
- ▶ **An outsourcing model with multiple portfolio managers and a single custodian is envisaged.** The contracting of portfolio managers will be sequential, with a single portfolio manager being contracted first and others being added subsequently. Investment tasks may be outsourced only to bodies governed by public law, banks of the European System of Central Banks (ESCB), international institutions established under public international law or EU law institutions. The SRB approached 22 selected public institutions with a request to participate and it assessed their ability and willingness to provide portfolio management services to the SRB. Out of those, four potential outsourcing institutions were shortlisted and invited to tender. By the end of 2017 the finalisation of the contract commenced with the highest scoring institution during the tender procedure.
- ▶ **Amounts kept in the SRF were held in cash accounts.** Throughout 2017, term deposits with central banks did not constitute a financially attractive alternative to cash accounts therefore the amounts were held entirely in central bank accounts subject to the Central Bank deposit rate.

4.3. Funding

The SRF is responsible for the operationalisation of the use of the SRF by ensuring the efficient use of the available funding sources and the potential alternative funding means when the amounts raised through *ex ante* contributions and extraordinary *ex post* contributions are not immediately accessible or do not cover the expenses incurred by the use of the SRF in relation to resolution actions.

MAIN ACHIEVEMENTS IN 2017

- ▶ Operationalisation of the use of SRF. In 2017, the SRF intensified its work to operationalise the use of the SRF by preparing the necessary steps to use the instruments described in Article 76(1) SRMR.
- ▶ Public bridge financing arrangement. In 2017, the SRB completed the process of signing the LFAs with the 19 participating MS. The LFA arrangements cover — as a last resort — temporary financing shortfalls for pre-financing the collection of *ex post* contributions to the SRF to the extent of the national compartment of the Member States involved in the resolution action.

5. THE SRB AS AN ORGANISATION

In 2017, the SRB renewed its commitment to be a modern, competent and professional organisation with effective and efficient processes, which supports the implementation of the SRB's mandate and its priorities.

5.1. Information and communications technology

An ICT Steering Committee was set up early in 2017 with the mission of supervising the ICT activities and endorsing the main ICT deliverables. In 2017, the SRB's ICT function was structured along three different areas: ICT operations, ICT strategy and development and ICT security. Significant progress has been made to achieve a reliable, robust and safe ICT environment.

MAIN ACHIEVEMENTS IN 2017

- ▶ During 2017 the focus of the ICT operations team shifted from the initial setup mode towards a more operational model. Its main activities consisted of a combination of managing the running infrastructure, implementation of important new projects (like the CCS and LDT) and finally scaling up the infrastructure for the huge increase of staff members. During Q4 2017, the team started the necessary activities to launch a disaster recovery datacentre which will be operational by Q4 2018.
- ▶ Within the ICT strategy and development area, ICT governance and the ICT strategy were fully developed by middle of 2017.
- ▶ SRB also started a fruitful collaboration with the Central Bank to develop a system to automate the main resolution planning processes called the Resolution Information Management System project. This project entered into a pilot phase in May 2018 and it will be fully operational by the end of 2018. Likewise, collaboration with the EBA started in November 2017 to identify how to optimise the collection of financial data within the SRM.
- ▶ An enhanced system for electronic document and record management was launched in November 2017. The system will be finalised in Q4 2018.
- ▶ A temporary system to cover the SRB's administrative contribution collection was delivered in December 2017 to cover the collection of contributions in 2018.
- ▶ In terms of ICT security, during 2017 all the ICT security policies that ensure the confidentiality, integrity and availability of the information managed through the SRB ICT systems were created and intensively promoted among staff members.

5.2. Communications

The SRB is committed to delivering informed, reliable and transparent public relations services based on best practice and a real understanding of the issues that affect the SRB and its stakeholders through its Communications Unit. The outcomes produced by the Communications Unit contribute directly and positively to the achievement of the SRB's overall objectives as set out in its mission statement.

MAIN ACHIEVEMENTS IN 2017

- ▶ Spreading the SRB's key messages to stakeholders by organising the second SRB conference, 'Building bank resolvability together', held in September 2017 with a variety of stakeholders and by supporting Board Members and Heads of Unit in external events.
- ▶ Organisation of the second SRB press breakfast and press conference in January 2017.
- ▶ In 2017 the SRB website received a new design which links to SRB policies, the specialised resolution topics including the first resolution decision(s) and thus reflecting the SRB's ongoing work.
- ▶ SRB's publications in 2017 included the SRB Annual Report 2016, the 2017 SRB Work Programme, the 2018 Multiannual Work Programme and the document on the SRB's 2017 MREL policy.
- ▶ Further strengthening of internal and interinstitutional communication during both regular processes and crisis situations.

5.3. Management of resources

5.3.1. Human resources

From a human resources (HR) perspective, the recruitment of highly qualified staff to provide a solid basis for the new organisation remained at the core of the HR activities in 2017. HR has continued its endeavours to progress with recruiting and integrating new staff in both operational and support areas.

Work on the completion of the SRB's HR legal framework and service provision (e.g. administration, learning and career development) progressed with a view to ensuring adequate support for a young, fast-growing organisation.

MAIN ACHIEVEMENTS IN 2017

- ▶ **Staffing.** the SRB continued developing, adopting and implementing HR policies and systems, and recruited intensively to cover its medium to long-term staffing needs, enabling the organisation to fulfil its mandate efficiently and to implement the recommendations of the 2017 report by the Court of Auditors.

- ▶ **Intensive recruitment.** the SRB continued to recruit from existing reserve lists and finalised 19 new selections for temporary agents in 2017, largely covering needs in both operational and horizontal areas. These intensive recruitment activities allowed the SRB to welcome 113 newcomers in 2017. Excluding Board Members, the SRB staff level amounted to 255 posts (55 % increase in comparison with 2016) ⁽²⁸⁾. 7 staff members left the service. The turnover rate for the year amounted to 2 %.
- ▶ **HR policies.** In 2017, the SRB further completed the legal framework in the HR area by adopting the implementing rules on the prevention of harassment in the workplace. Also, specific HR policies reflecting the needs of the SRB were developed, namely contract duration and renewal policies as well as the policy on internal mobility. Moreover, the learning and development strategy covering technical, general, IT and linguistic skills was adopted to cover the initial staff training and development needs of the SRB.

5.3.2. Budgetary and financial management

This section covers the activities related to the general financial management of the SRB and to its financial planning and reporting. It also covers the supervision and safeguarding of correct budget implementation operations, as well as accounting and treasury operations. In addition, the finance and procurement team manages and delivers advice on the preparation, initiation, reporting and publication of SRB procurement actions.

On the revenue side, the amount of EUR 99 738 000 has been recognised as income up to the level of the 2017 expenses.

On the expenditure side, according to the budget implementation table, more than EUR 39 million was attributed to staff, approximately EUR 13 million to other administrative expenses (rent, ICT support, etc.) and almost EUR 47 million to operational expenses (see Annex 3).

INCOME

In accordance with the SRMR, the SRB is financed through contributions from the entities under its remit.

The contributions to the administrative budget of the SRB for 2017 were governed by Commission Delegated Regulation (EU) No 1310/2014 on the provisional system of contributions.

On 8 January 2018, Commission Delegated Regulation (EU) No 2361/2017 of 14 September 2017 on the final system of contributions to the administrative expenditures of the SRB came into force. This delegated regulation replaces the provisional system.

Under the final system, all credit institutions established in the Banking Union must contribute to the administrative expenditure of the SRB. This also applies to all parent undertakings (including financial holding and mixed financial holding companies), investment firms and financial institutions that are covered by the consolidated supervision of the European Central Bank.

The SRB successfully collected administrative contributions amounting to EUR 83 004 442.12 in 2017.

⁽²⁸⁾ For more details on the planned/approved versus actual posts for 2016 and 2017, please see Annex 3.

EXPENDITURE

Budget expenditure includes payments made during the year as well as the carry-forward of budgetary appropriations. The following paragraphs summarise the implementation of appropriations by title. A more detailed breakdown is provided in Annex 3.

The SRB established 304 budget commitments amounting to a total of EUR 70 625 897.28 in PART I and EUR 55 306 079.84 in PART II, and processed 2 221 payments amounting to a total of EUR 42 238 195.05 in PART I ⁽²⁹⁾ and EUR 50 021 383.63 in PART II ⁽³⁰⁾. From the payment appropriations carried forward, 343 payments were processed, amounting to EUR 7 840 901.58. The budget implementation rate is 70.81 % for commitment appropriations and 42.35 % for payment appropriations. The amount carried forward to 2018 is EUR 28 387 702.23 and the carry-forward rate is 40.19 % of the committed appropriations. Out of the total amount carried forward to 2018, approximately EUR 21 700 000 is related to SRB contingencies.

TITLE 1: STAFF EXPENDITURE

The adopted budget for Title 1 in 2017 was EUR 39 546 000, of which EUR 27 034 478 was committed. The final amount of used payment appropriations was EUR 25 928 493.58, which corresponds to an implementation rate of 65.57 %.

The main reasons behind the low budget implementation are the partial implementation of the recruitment plan, the entry into to the payroll of several newcomers later than planned, and the reduced expenses that are ancillary to the staff number, allowances, training, medical expenses, school and nurseries (crèches).

TITLE 2: INFRASTRUCTURE EXPENDITURE

The adopted budget for Title 2 in 2017 was EUR 13 397 000. During the year, EUR 10 917 737.89 was committed, which corresponds to an implementation rate of 81.49 %. The final amount of used payment appropriations was EUR 7 959 271.14, which corresponds to an implementation rate of 59.41 %.

The main areas of expenditure were IT infrastructure and the rental, security and maintenance of the building.

⁽²⁹⁾ For more details on the main categories of expenditure, please see Annex 3.

⁽³⁰⁾ The committed amount for negative interest rates was EUR 55 301 638.04 and EUR 4 441.80 for bank fees and charges. The payments amounted to a total of EUR 50 017 635.23 for negative interest rates and EUR 3 748.40 for bank fees and charges.

TITLE 3: OPERATIONAL EXPENDITURE

Title 3 is exclusively for operational expenditure related to the implementation of the SRMR. The adopted budget for 2017 was EUR 46 795 000.

During the year, the amount of EUR 32 673 680.82 was committed, which corresponds to an implementation rate of 69.82 %. The final amount of used payment appropriations was EUR 8 350 430.33, which corresponds to an implementation rate of 17.84 %.

The main areas of expenditure relate to the studies and consultancy (e.g. SRB contingencies) for implementing the SRB's work programme, followed by ICT development and maintenance, in particular to support resolution planning, decisions activities and the administration of the SRF.

BUDGET OUTTURN

The budget outturn ⁽³¹⁾ is EUR 30 371 897.59 and will be entered in the budget based on the approval by the Plenary Session in September 2018.

MAIN ACHIEVEMENTS IN 2017

- ▶ Amending the budget. The budget was amended twice in 2017 in order to inscribe EUR 9 million in the contingency budget line (3031) and then the accumulated budget surplus of 2016, which was EUR 12 767 564.35.
- ▶ The successful invoicing and collection of 2017 administrative and *ex ante* contributions for the SRF.
- ▶ Correct closure of the 2017 accounts.
- ▶ Prudent budget and liquidity management.
- ▶ Establishment of procedures for the collection of administrative contributions under the final Commission delegated regulation (EU) 2361/2017.

5.3.3. Final accounts 2017

The final accounts of 2017 reflect the financial position of the SRB at 31 December 2017, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with its financial regulation and with accounting rules adopted by the Commission's accounting officer. Therefore, at the end of the 2017 cycle of collecting *ex ante* contributions and IPCs by the SRF, there was a significant increase in the total assets/liabilities from EUR 10.83 billion to EUR 17.46 billion.

The *ex ante* contributions to the SRF collected in 2017 gave rise to revenues of EUR 5.96 billion. After deduction of the associated eligible expenditure of maintaining these funds in the national central banks' accounts, the financial result of the year 2017 was EUR 5.91 billion, which increased the SRB's net assets to EUR 15.35 billion. The net assets from SRF activities are expected to accumulate over time and represent the resources entrusted to the SRB that are to be safeguarded and used where necessary to ensure the efficient application of resolution tools and the exercise of the resolution powers conferred to the SRB by the SRMR.

⁽³¹⁾ Details of the budget outturn/budget result can be found in the final accounts 2017, which will be available on the SRB website in the third quarter of 2018.

On the administrative side of the final accounts 2017, the SRB invoiced and collected from the banking institutions EUR 83 million and also decided to make use of unspent funds accumulated in previous financial periods amounting to EUR 16.73 million. In order to balance the total administrative and operational expenses of the year, the revenues from administrative contributions recognised in 2017 were EUR 53.89 million. Therefore, there are no net assets arising from the SRB's administrative activities.

Of the administrative expenditure, 45 % of the SRB's costs were linked to staff while 20 % were related to other administrative expenses (rent, IT support and other non-IT services).

The operational expenses registered an important increase, reaching 30 % by the end of year, while in 2016 they represented only 10 % of total costs. This variation could be explained by the steep increase of litigation costs as well as of expenses linked to studies and consultancy (like financial valuation) regarding potential banks in resolution.

The IPCs amounting to EUR 2.03 billion, which represent an alternative to cash payments in the context of the *ex ante* funding for the SRF, have been presented in the SRB financial statements as follows:

- ▶ a contingent asset for the obligation of paying under the IPCs;
- ▶ cash held at a bank (in a distinct bank account) versus a long-term liability (both linked with the cash collateral backing-up the commitment under the IPC).

The 'Statement of financial position' as at 31 December 2017 and the 'Statement of financial performance' for 2017 can be found in Annex 6.

The SRB financial statements of 2017 will be available on the SRB website in the third quarter of 2018.

5.3.4. Procurement

The annual procurement plan for the year 2017 was prepared in accordance with the financial regulation applicable to the general procurement of the EU. The reporting period of this procurement ‘screening’ ⁽³²⁾ is from 1 January to 31 December 2017. The actual screening of the SRB’s procurement sector carried out in 2017 confirmed the importance of the SRB’s policy to further concentrate on operational activities in priority policy areas, with the aim of achieving efficiency gains. The SRB has successfully procured all necessary services and goods during 2017, as requested by the different units. An analytical presentation of the 2017 procurement procedures can be found in Annex 7.

MAIN ACHIEVEMENTS IN 2017

- ▶ Initiation and *ex ante* verification was carried out on all legal commitments. Approximately 250 files were created and verified by procurement and 51 low-value, mid-value and special negotiated procurement procedures were prepared and launched. Also 21 re-openings of competition were carried out under the framework contract for the provision of advice on economic and financial valuation and legal advice, and the SRB made extensive use of the Commission framework contracts.
- ▶ Additionally, numerous MoUs, service level agreements and CoAgs prepared by the procurement team were signed with the Commission and other public entities.
- ▶ Furthermore, the business units requested that an open tender for the provision of legal advice be launched in 2017 and substantial efforts were put into the execution of the procedure for portfolio management and custody services.

5.3.5. Facilities

The key objective of the Facilities Unit is to provide proactive support to the SRB by ensuring the smooth running of its facilities and the acquisition of goods and services, in accordance with the EU public procurement rules and procedures and by ensuring the safety and security of SRB staff and visitors.

MAIN ACHIEVEMENTS IN 2017

- ▶ The Facilities Unit has concluded a major renovation and moved in-house to facilitate the speedy growth of SRB directorates.
- ▶ A large number of services have been put in place to improve the working environment, such as water fountains, additional furniture, the SRB cafeteria and coffee corners equipped for the staff.
- ▶ The Facilities Unit has achieved a stronger working relationship with the Commission, striving to optimise the safety and security of SRB staff and external visitors.

⁽³²⁾ Identification of needs within SRB.

5.4. Governance

5.4.1. Internal legal advice and litigation

The tasks of the SRB Legal Service can be divided into two main areas: (i) the provision of internal legal advice; and (ii) dealing with litigation proceedings. The main tasks performed in 2017 are outlined below.

MAIN DEVELOPMENTS IN 2017

- ▶ In 2017 the SRB Legal Service provided internal legal advice regarding resolution-planning activities, resolution-related matters and in particular resolution cases; matters regarding the SRF and various support tasks in areas such as procurement, finance and HR and other legislative initiatives.
- ▶ In 2017, 99 legal actions concerning the resolution of Banco Popular were brought by former shareholders and creditors of the bank to the Court of Justice of the European Union. Two of them have been already declared inadmissible by the Court.
- ▶ In 2017, six new legal actions concerning 2016 and 2017 *ex ante* contributions to the SRF were brought by banks against the SRB and are still pending. As regards the litigation proceedings concerning 2016 *ex ante* contributions initiated before the Court of Justice of the European Union in 2016, one of them has been withdrawn and one other (a request for interim measures) has been dismissed. The remaining legal actions initiated in 2016 are still pending.

5.4.2. Corporate Secretariat

The Corporate Secretariat (CS) supports the Board in performing its tasks. This includes, but is not limited to, supporting the SRB in the identification of matters that require the attention of decision-making bodies and organising the decision-making process, including its timeliness and accuracy, so that decisions are valid and legally binding.

The Board operates and takes decisions in two different compositions: the Executive and Plenary Sessions with separate tasks and exclusive competencies. The Plenary Sessions are held approximately six times a year and the Executive Sessions are held on a monthly basis. The SRMR provides for the participation of the relevant NRAs in the deliberations of the Executive Sessions, when deliberating on an entity, group of entities or on a cross-border group established in their participating Member States.

MAIN ACHIEVEMENTS IN 2017

- ▶ The CS coordinated five Plenary Sessions, along with one additional Plenary Session with a particular focus on the budget and the work programme. In addition, one conference call was held on the multiannual work programme and two conference calls were held on MREL.
- ▶ 12 Executive Sessions were organised, along with twenty-one Extended Executive Sessions dedicated to the decision-making process related to resolution plans for 2017 as well as country-specific sessions.

- ▶ 85 written procedures were launched in 2017; most of these written procedures replaced the decision-making process in physical meetings.
- ▶ Furthermore, the CS was involved in the resolution of Banco Popular and enhanced further internal procedures to refine decision-making processes and addressed governance issues as well as in the planning of and advice on the resolution planning cycle for 2017.

5.4.3. Compliance

The SRB underwent significant structural enhancements in 2017, including the recruitment of qualified staff members, the creation of new units, and the development of new business practices. In this context, the Compliance Team continued its regular activities, inter alia by providing advice on ethical matters, and monitored and managed the reporting obligations of staff members.

MAIN ACHIEVEMENTS IN 2017

- ▶ Presentation of the Compliance Annual Report 2017 to the Executive and Plenary Sessions. It was also made available in the compliance space on the SRB intranet.
- ▶ Continuous provision of advice and information as well as raising awareness on compliance-related matters among all staff members, but particularly newcomers, in the form of training and awareness-raising campaigns.
- ▶ Preparation for the adoption of various new SRB compliance policies and guidelines on key topics implementing the code of ethics, which are available to all SRB staff members in the compliance space on the SRB intranet.

5.4.4. Internal Audit

In line with the internal audit charter, Internal Audit provides risk-based and objective assurance, advice and insight. Through its reports and recommendations, Internal Audit helps the SRB accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

MAIN ACHIEVEMENTS IN 2017

In the first full year of audit, Internal Audit performed:

- ▶ assurance audits on procurement and the *ex ante* contributions to the SRF;
- ▶ a consulting engagement on ICT governance; and
- ▶ a risk-assessment on document management.

The resulting recommendations were transformed into action plans.

In addition, Internal Audit hired a second staff member to reinforce the team.

5.4.5. External Audit

The Court of Auditors reports on the annual accounts of the SRB each financial year, which includes producing a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. In 2017, the Court of Auditors published its audit report on the annual accounts of the SRB for the financial year of 2016. The findings concentrated on topics such as:

1. the validation of the SRB's accounting system;
2. the implementation rate of the budget;
3. the carry-forwards of committed appropriations (in Titles II and III);
4. the provision of legal expenses in the budget and annual work programme;
5. the impact of negative interest to the amount of contributions for future resolutions;
6. recruitment procedures.

In addition, the Court of Auditors may undertake performance audits that result in special reports. In 2017, the Court of Auditors published a performance audit report on the SRB with a focus on the set up and readiness to manage a bank resolution, which is explained further in Chapter 7.

In 2017, the Court of Auditors also published a special report on contingent liabilities ⁽³³⁾ with recommendations on setting up accounting guidance on contingent liabilities and introducing a process/IT system to record and monitor all kinds of contingent liabilities including those of the NRAs. Since this report was published on 21 December 2017, all actions to address the recommendations were planned for 2018 (accounting guidance) and 2019 (process/IT system).

⁽³³⁾ European Court of Auditors Report pursuant to Article 92 (4) of Regulation (EU) No 806/2014 on any contingent liabilities (whether for the Single Resolution Board, the Council, the Commission or otherwise) arising as a result of the performance by the Single Resolution Board, the Council and the Commission of their tasks under this Regulation for the financial year 2016, Publications Office of the European Union, 2017 (https://www.eca.europa.eu/Lists/ECADocuments/SRB_2016_contingent_liabilities/SRB_2016_contingent_liabilities_EN.pdf).

In addition, the annual accounts are audited by an independent external auditor. In 2017, the external auditor published its audit report on the reliability of the SRB 2016 final annual accounts.

The findings focused on:

1. the documentation of financial procedures;
2. obtaining assurance on the calculation of *ex ante* fund contributions;
3. uniform financial reporting on contingent liabilities from NRAs.

5.4.6. Internal control standards

The SRB internal control framework was adopted by the Executive Session of the Board on 23 December 2016. The internal control standards (ICS) specify the expectations and requirements for building an effective system of internal controls that would provide reasonable assurance on the achievement of the SRB's objectives. These control standards were developed along the lines of the Commission's ICS, which are based on the international Committee of Sponsoring Organizations standards. The standards cover the areas of mission and values, HR, planning and risk management processes, operations and control activities, information and financial reporting and evaluation and audit. Each standard is made up of a number of requirements to be met. Due to the rapidly growing size of the organisation, continuous development of the framework is targeted.

MAIN ACHIEVEMENTS IN 2017

- In October 2017, the Internal Control Officer performed a stocktaking exercise in order to verify the implementation status of each ICS in the SRB. The framework covers 16 ICS which are indispensable in order to define the internal control framework, foster clear accountability of the management, and ensure oversight of the internal control system by the Board.

6. APPEAL PANEL

The SRB Appeal Panel operates according to Article 85 SRMR with a competence for deciding on appeals submitted against decisions made by the SRB in certain matters, as specified further in the catalogue of Article 85(3) SRMR (inter alia administrative contributions, decisions relating to access to documents or MREL decisions). The Appeal Panel is composed of five members and two alternates.

The Appeal Panel Secretariat is organisationally separate and independent from the SRB's other functions, and in 2017 consisted of two members and one assistant (each on a part-time basis). The Secretariat supports the Appeal Panel in its communication with the appellants, access to files, the application of the Appeal Panel's procedural orders, translations and transmission and custody of documents, as well as the organisational matters of the Appeal Panel in general and the Chair and Rapporteur(s) in particular.

MAIN DEVELOPMENTS IN 2017

- ▶ In the aftermath of the resolution of Banco Popular, 74 appeals concerning the resolution were submitted to the Appeal Panel. Of these 74 appeals, 61 have been already decided upon by the Appeal Panel (54 appeals have been declared inadmissible) whilst 13 of these 74 appeals are still pending. Several of these appeals are against SRB decisions to refuse access to documents.
- ▶ The Appeal Panel Secretariat continued to support the work of the Appeal Panel, assuming its newly defined conceptual role and tasks, as outlined in the Appeal Panel Secretariat concept established in 2017.

7. SPECIAL REPORT 23/2017 BY THE EUROPEAN COURT OF AUDITORS

In addition to the Court of Auditors audit report on the SRB's annual accounts for the financial year of 2016 and the special report on contingent liabilities, the Court of Auditors undertook a performance audit with a focus on the set-up and readiness to manage a bank resolution, which resulted in the publication of Court of Auditors special report No 23 ⁽³⁴⁾, which was published on 19 December 2017 and which included a set of recommendations.

The SRB provided formal replies to the report's findings and these have already been included in the Court of Auditors report. Most of the recommendations were accepted and have either already been implemented or have been determined as priorities for the 2018 work programme and the multiannual programme (MAP) ⁽³⁵⁾. In line council conclusions on the Court of Auditors special report ⁽³⁶⁾, which invite the SRB to relate in its annual report the concrete steps it has taken or will take to implement the recommendations set out, the following section will take up this recommendation.

SUMMARY OF THE COURT OF AUDITORS' RECOMMENDATIONS ⁽³⁷⁾ AND SRB'S REPLY

1. COMPLETION OF RESOLUTION PLANNING

Regarding resolution planning, the Court of Auditors recommends to determine a completion date for fully compliant resolution plans for each bank under its remit, which include in every resolution plan a specific statement on resolvability and an assessment of the feasibility and credibility of the selected resolution strategy.

- ▶ While the SRB already uses a prioritised approach in resolution planning to ensure preparedness for riskier banks, the MAP foresees a gradual approach, which progressively improves all resolution plans until their completion in 2020. The identification of substantive impediments will commence in 2018, while the work on resolvability assessment has started (in 2018) and the SRB aims at finalising respective policy by mid-2018. Detailed assessments on the resolvability of each bank should be finalised in Q1 2019.

2. FINALISATION OF THE SYSTEM OF RULES FOR RESOLUTION PLANNING

With a view to finalising the system for resolution planning, the Court of Auditors report recommends to prepare clear and consistent policies on MREL and substantive impediments

⁽³⁴⁾ European Court of Auditors, *Special report No 23, Single Resolution Board: Work on a challenging Banking Union task started, but still a long way to go*, Publications Office of the European Union, 2017 (https://www.eca.europa.eu/Lists/ECADocuments/SR17_23/SR_SRB-BU_EN.pdf).

⁽³⁵⁾ SRB, *SRB multi-annual planning and work programme 2018*, Publications Office of the European Union, 2017 (https://srb.europa.eu/sites/srb/files/srb_multi-annual_planning_and_work_programme_2018_final.pdf).

⁽³⁶⁾ <http://www.consilium.europa.eu/media/33737/st07769-en18.pdf#page=9>

⁽³⁷⁾ The full Court of Auditors recommendation can be obtained from the Special Report, starting on page 43.

which should be implemented in all resolution plans. Moreover, the resolution planning manual should be updated at least once per year and should provide guidance for all resolution scenarios.

- ▶ The SRB's MREL policy for the 2017 planning cycle was adopted in October 2017. The policy on removal of substantive impediments will be prepared in 2018 to be included in the 2018 resolution planning cycle. In this context, the update of the resolution planning manual for 2018 has been set as a key performance indicator in the MAP.

3. ACCELERATION OF RECRUITMENT EFFORTS

The Court of Auditors report recommended that recruitment efforts for adequate staffing levels should be accelerated until June 2018 hand in hand with an appropriate staffing level in the HR department.

- ▶ In 2017 the SRB undertook significant efforts by publishing two major selection procedures for bank resolution experts and bank resolution officers, so that the shortcomings, particularly in 2016, have been overcome and the target levels for staffing in the SRB's HR department and the SRB as a whole could be reached in 2018. The MAP emphasises the focus on recruitment activity for the SRB's HR function in 2018.

4. IMPROVING COOPERATION WITH NRAS

The Court of Auditors recommends to improve cooperation with NRAs by clarifying the operational distribution of tasks and responsibilities with NRAs, by ensuring appropriate staffing of IRTs and by regularly conducting dry-run exercises with the full involvement of the NRAs.

- ▶ The SRB has recently adopted a target operating model, which allocates roles and tasks within the SRM, including the operation of IRTs. The revision of the CoFra, where these improvements shall be reflected, is a key deliverable for 2018, as stated in the MAP. The SRB plans to discuss with NRAs the integration of more NRA staff within the IRTs, while the SRB can only ensure appropriate staffing of IRTs in terms of SRB staff. Two dry-run exercises have already been planned for 2018.

5. IMPROVING COOPERATION WITH THE EUROPEAN CENTRAL BANK

In order to ensure that SRB receives all the necessary information for its resolution function, the Court of Auditors recommends that the MoU with the Central Bank be updated by March 2018.

- ▶ The MoU was adopted on 30 May 2018. The MoU and the corresponding annex ⁽³⁸⁾ in this document were published on 6 June 2018.

6. ENGAGE WITH LEGISLATORS WITH REGARD TO THE CHALLENGING LEGISLATIVE FRAMEWORK

In view of the ongoing revisions of the legislative framework for resolution, the Court of Auditors special report recommends that the SRB get involved in the legislative process in order to address technical issues of relevance to the SRB, such as the alignment of the mandates of supervisor and resolution authority regarding cross-border LSIs, the flow of information and the establishment of a moratorium tool in resolution.

- ▶ As described in sections 2.5 and 2.6, in 2017 the SRB engaged intensively with the co-legislators for level 1 legislation as well as on level 2 policies, and actively advocated the efforts to reinforce the resolution framework in the relevant fora. It will continue to do so in 2018.

⁽³⁸⁾ https://srb.europa.eu/sites/srbsite/files/mou_with_the_single_resolution_board_on_cooperation_and_information_exchange_2018_.pdf

8. DECLARATION OF ASSURANCE

I, the undersigned, Elke König, Chair of the Board and Manager of the Single Resolution Board, in my capacity as authorising officer:

Declare that the information contained in this report gives a true and fair view ⁽³⁹⁾.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

Confirm that I am not aware of anything not reported here which could harm the interests of the Single Resolution Board.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment and *ex post* control verifications performed during the year.

Brussels, 21 June 2018

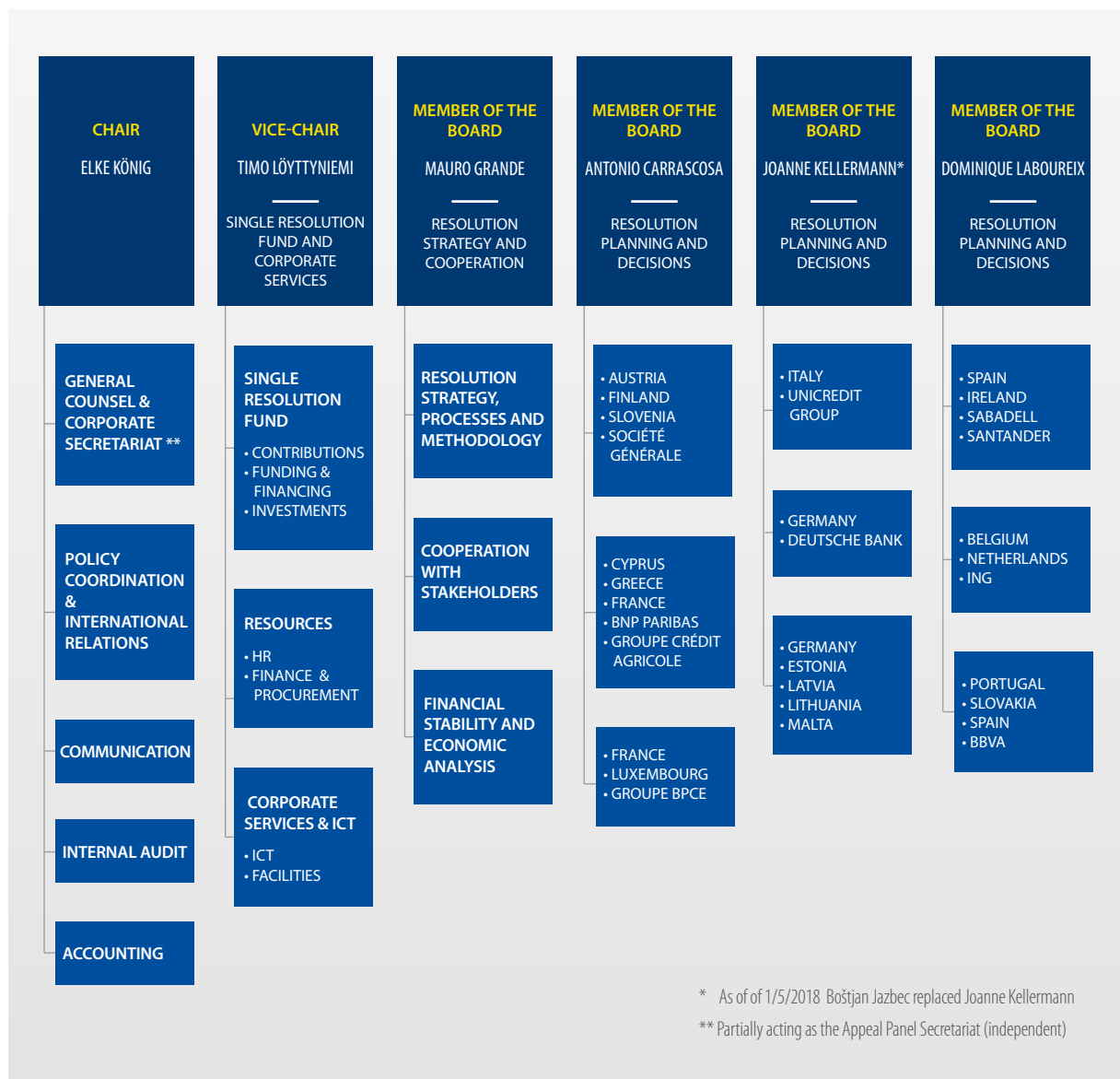
Elke König

Chair of the Single Resolution Board

⁽³⁹⁾ Fair view in this context means a reliable, complete and correct view on the state of affairs in the service.

ANNEXES

Annex 1: Organisational chart



Annex 2: Annual report on public access to documents in 2017

This annual report on access to documents is drawn up in accordance with Article 17(1) of Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents (the transparency regulation) ⁽⁴⁰⁾. It covers the period from 1 January 2017 to 31 December 2017 and is based on the statistical data summarised below.

The SRB is subject to the transparency regulation when handling applications for public access to documents held by it, pursuant to Article 90(1) of Regulation (EU) No 806/2014. The practical arrangements for the application of the transparency regulation by the SRB are laid down in the SRB decision of 9 February 2017 on public access to the Single Resolution Board documents (SRB/ES/2017/01) ⁽⁴¹⁾, adopted in accordance with Article 90(2) of Regulation (EU) 806/2014 ⁽⁴²⁾.

Initial applications received by the SRB are dealt with by the Head of the Corporate Secretariat. The SRB either grants full access to the requested document(s), partial access, or refuses access. The latter two are based on the exceptions provided under Article 4 of the transparency regulation. In the event of a total or partial refusal of public access to a document at the initial stage, the applicant may submit a confirmatory application asking the SRB to reconsider its position. Confirmatory applications are handled by the Board in its Executive Session. In the event of a total or partial refusal of a confirmatory application, the applicant may file an appeal with the SRB's Appeal Panel. Subsequently, a complaint may be lodged with the European Ombudsman or proceedings may be brought before the General Court.

ACCESS TO SRB DOCUMENTS IN 2017

In 2017, the SRB received 169 initial requests and 27 confirmatory applications concerning some 48 documents. It should be noted that many of these requests were identical, and/or the same law firm requested access to documents on behalf of various clients.

The vast majority of these requests related to the SRB's decision concerning the resolution of Banco Popular Español, S.A. The SRB also received some requests relating to the SRB's decision not to take resolution action in respect of Veneto Banca S.p.A. and Banca Popolare di Vicenza S.p.A.

In all these cases, the SRB granted partial access to the documents as the disclosure of certain information would have undermined the interests protected under Article 4 of the transparency regulation.

⁽⁴⁰⁾ OJ L 145, 31.5.2001, p. 43.

⁽⁴¹⁾ https://srb.europa.eu/sites/srb-site/files/srb-es-2017-01_decision_public_access_to_the_srb_documents.pdf

⁽⁴²⁾ Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, OJ L 225, 3.07.2014, pp.1-90.

Partial access and refusals were in the vast majority of cases based on the following exceptions to the disclosure of documents provided for in the transparency regulation:

- ▶ protection of the public interest as regards the financial, monetary or economic policy of the EU or a Member State (Article 4(1)(a)(fourth indent) transparency regulation);
- ▶ protection of commercial interests of a natural or legal person, including intellectual property (Article 4(2)(first indent) transparency regulation);
- ▶ protection of privacy and the integrity of the individual (Article 4(1)(b) transparency regulation);
- ▶ protection of the purpose of inspections, investigations and audits (Article 4(2)(third indent) transparency regulation); and
- ▶ protection of the decision-making process (Article 4(3) transparency regulation).

It should also be noted that some requested documents were non-existent or not held by the SRB.

In 2018, the SRB established an electronic public register of documents, accessible on its website ⁽⁴³⁾. The available documents are accessible to the extent possible taking into account the exceptions of Article 4 of the transparency regulation.

⁽⁴³⁾ <https://srb.europa.eu/en/public-register-of-documents>

Annex 3: 2017 Budget implementation

TITLE I: STAFF EXPENDITURE

Budget line	Budget line description	Commitment appropriation transaction amount (1)	Executed commitment amount (2)	Committed % (2)/(1)	Payment appropriation transaction amount (3)	Executed payment amount (4)	% Paid (4)/(3)	Carried forward RAL (c8)(2)-(4)	Cancelled (1)-(2)
A0100	Basic salaries	21 256 867.20	15 678 838.56	73.76 %	21 256 867.20	15 678 838.56	73.76 %	0.00	5 578 028.64
A0101	Family allowances	2 399 000.00	1 257 179.52	52.40 %	2 399 000.00	1 257 179.52	52.40 %	0.00	1 141 820.48
A0102	Expatriation and foreign residence allowances	3 065 000.00	1 881 006.76	61.37 %	3 065 000.00	1 881 006.76	61.37 %	0.00	1 183 993.24
A-110	Sum:	26 720 867.20	18 817 024.84	70.42 %	26 720 867.20	18 817 024.84	70.42 %		
A0111	Seconded national experts	1 260 000.00	815 355.98	64.71 %	1 260 000.00	815 355.98	64.71 %	0.00	444 644.02
A0112	Trainees	139 132.80	76 623.10	55.07 %	139 132.80	76 623.10	55.07 %	0.00	62 509.70
A-111	Sum:	1 399 132.80	891 979.08	63.75 %	1 399 132.80	891 979.08	63.75 %		
A01130	Insurance against sickness	730 000.00	529 514.01	72.54 %	730 000.00	529 514.01	72.54 %	0.00	200 485.99
A01131	Insurance against accidents and occupational disease	107 000.00	59 579.17	55.68 %	107 000.00	59 579.17	55.68 %	0.00	47 420.83
A01132	Unemployment insurance	317 000.00	176 473.39	55.67 %	317 000.00	176 473.39	55.67 %	0.00	140 526.61
A01133	Constitution or maintenance of pension rights	4 030 000.00	2 740 139.84	67.99 %	4 030 000.00	2 740 139.84	67.99 %	0.00	1 289 860.16
A-113	Sum:	5 184 000.00	3 505 706.41	67.63 %	5 184 000.00	3 505 706.41	67.63 %		
A01140	Childbirth grants and death allowances	5 000.00	793.24	15.86 %	5 000.00	793.24	15.86 %	0.00	4 206.76
A01141	Travel expenses for annual leave	350 000.00	239 475.17	68.42 %	350 000.00	239 475.17	68.42 %	0.00	110 524.83
A-114	Sum:	355 000.00	240 268.41	67.68 %	355 000.00	240 268.41	67.68 %		
A01150	Overtime	40 000.00	0.00	0.00 %	40 000.00	0.00	0.00 %	0.00	40 000.00
A-115	Sum:	40 000.00	0.00	0.00 %	40 000.00	0.00	0.00 %		
A01200	Recruitment expenses	300 000.00	212 004.04	70.67 %	300 000.00	117 954.00	39.32 %	94 050.04	87 995.96
A01201	Installation, resettlement, daily subsistence allowances, removal and travel expenses	1 470 000.00	576 370.99	39.21 %	1 470 000.00	576 370.99	39.21 %	0.00	893 629.01
A-120	Sum:	1 770 000.00	788 375.03	44.54 %	1 770 000.00	694 324.99	39.23 %		

Budget line	Budget line description	Commitment appropriation transaction amount (1)	Executed commitment amount (2)	Committed % (2)/(1)	Payment appropriation transaction amount (3)	Executed payment amount (4)	% Paid (4)/(3)	Carried forward RAL (C8)(2)-(4)	Cancelled (1)-(2)
A01300	Missions, duty, travel expenses and ancillary expenditure	45 000.00	5 066.64	11.26 %	45 000.00	3 293.14	7.32 %	1 773.50	39 933.36
A-130	Sum:	45 000.00	5 066.64	11.26 %	45 000.00	3 293.14	7.32 %		
A01400	Restaurants and canteens	1 000.00	1 000.00	100.00 %	1 000.00	0.00	0.00 %	1 000.00	0.00
A-140	Sum:	1 000.00	1 000.00	100.00 %	1 000.00	0.00	0.00 %		
A01410	Medical service	270 000.00	37 000.00	13.70 %	270 000.00	6 459.58	2.39 %	30 540.42	233 000.00
A-141	Sum:	270 000.00	37 000.00	13.70 %	270 000.00	6 459.58	2.39 %		
A01420	Social contacts between staff	15 000.00	10 602.58	70.68 %	15 000.00	9 773.93	65.16 %	828.65	4 397.42
A01421	Special allowances for disabled and assistance grants	5 000.00	0.00	0.00 %	5 000.00	0.00	0.00 %	0.00	5 000.00
A01422	Early childhood centres and schooling	1 049 000.00	705 000.00	67.21 %	1 049 000.00	268 992.82	25.64 %	436 007.18	344 000.00
A-142	Sum:	1 069 000.00	715 602.58	66.94 %	1 069 000.00	278 766.75	26.08 %		
A01500	Further training and language courses for staff	650 000.00	211 862.78	32.59 %	650 000.00	134 159.31	20.64 %	77 703.47	438 137.22
A-150	Sum:	650 000.00	211 862.78	32.59 %	650 000.00	134 159.31	20.64 %		
A01600	Administrative assistance from Community institutions	530 000.00	521 375.75	98.37 %	530 000.00	405 242.49	76.46 %	116 133.26	8 624.25
A01601	Interim services	1 500 000.00	1 298 217.05	86.55 %	1 500 000.00	950 711.65	63.38 %	347 505.40	201 782.95
A-160	Sum:	2 030 000.00	1 819 592.80	89.64 %	2 030 000.00	1 355 954.14	66.80 %		
A01700	Representation expenses	12 000.00	1 000.00	8.33 %	12 000.00	556.93	4.64 %	443.07	11 000.00
A-170	Sum:	12 000.00	1 000.00	8.33 %	12 000.00	556.93	4.64 %		
TOTAL TITLE 1		39 546 000.00	27 034 478.57	68.36 %	39 546 000.00	25 928 493.58	65.57 %	1 105 984.99	12 511 521.43

TITLE II: ADMINISTRATIVE EXPENDITURE

Budget line	Budget line description	Commitment appropriation transaction amount (1)	Executed commitment amount (2)	Committed % (2)/(1)	Payment appropriation transaction amount (3)	Executed payment amount (4)	% Paid (4)/(3)	Carried forward RAL (C8)(2)-(4)	Cancelled (1)-(2)
A02000	Rental costs	2 955 277.20	2 955 277.20	100.00 %	2 955 277.20	2 955 277.20	100.00 %	0.00	0.00
A-200	Sum:	2 955 277.20	2 955 277.20	100.00 %	2 955 277.20	2 955 277.20	100.00 %		
A02010	Insurance	6 000.00	5 574.05	92.90 %	6 000.00	5 016.65	83.61 %	557.40	425.95
A-201	Sum:	6 000.00	5 574.05	92.90 %	6 000.00	5 016.65	83.61 %		
A02020	Maintenance and cleaning	730 000.00	496 453.31	68.01 %	730 000.00	417 071.23	57.13 %	79 382.08	233 546.69
A-202	Sum:	730 000.00	496 453.31	68.01 %	730 000.00	417 071.23	57.13 %		
A02030	Water, gas, electricity, heating	150 000.00	149 342.50	99.56 %	150 000.00	134 408.25	89.61 %	14 934.25	657.50
A-203	Sum:	150 000.00	149 342.50	99.56 %	150 000.00	134 408.25	89.61 %		
A02040	Fitting out premises	175 000.00	133 548.13	76.31 %	175 000.00	55 192.50	31.54 %	78 355.63	41 451.87
A-204	Sum:	175 000.00	133 548.13	76.31 %	175 000.00	55 192.50	31.54 %		
A02050	Security and surveillance of the building	1 000 000.00	855 624.27	85.56 %	1 000 000.00	501 561.67	50.16 %	354 062.60	144 375.73
A-205	Sum:	1 000 000.00	855 624.27	85.56 %	1 000 000.00	501 561.67	50.16 %		
A02100	ICT equipment — hardware and software	1 837 855.03	1 516 431.98	82.51 %	1 837 855.03	1 199 658.08	65.27 %	316 773.90	321 423.05
A02101	ICT maintenance	790 000.00	762 857.61	96.56 %	790 000.00	312 303.45	39.53 %	450 554.16	27 142.39
A02103	Analysis, programming, technical assistance and other external services for the administration of the SRB	2 730 000.00	2 351 962.59	86.15 %	2 730 000.00	1 333 487.79	49.58 %	998 474.80	378 037.41
A02104	Telecommunications equipment	575 000.00	106 137.50	18.46 %	575 000.00	105 126.29	18.28 %	1 011.21	468 862.50
A-210	Sum:	5 932 855.03	4 737 389.68	79.85 %	5 932 855.03	2 970 575.61	50.07 %		
A02200	Technical equipment and installations	400 000.00	359 061.00	89.77 %	400 000.00	271 237.18	67.81 %	87 823.82	40 939.00
A-220	Sum:	400 000.00	359 061.00	89.77 %	400 000.00	271 237.18	67.81 %		
A02210	Furniture	333 284.78	333 284.75	100.00 %	333 284.78	244 645.74	73.40 %	88 639.01	0.03
A-221	Sum:	333 284.78	333 284.75	100.00 %	333 284.78	244 645.74	73.40 %		

Budget line	Budget line description	Commitment appropriation transaction amount (1)	Executed commitment amount (2)	Committed % (2)/(1)	Payment appropriation transaction amount (3)	Executed payment amount (4)	% Paid (4)/(3)	Carried forward RAL (c8)(2)-(4)	Cancelled (1)-(2)
A02350	Documentation and library expenditure	463 644.00	244 498.13	52.73 %	463 644.00	218 653.00	47.16 %	25 845.13	219 145.87
A-225	Sum:	463 644.00	244 498.13	52.73 %	463 644.00	218 653.00	47.16 %		
A02300	Stationary and office supplies	100 000.00	44 832.21	44.83 %	100 000.00	40 348.99	40.35 %	4 483.22	55 167.79
A-230	Sum:	100 000.00	44 832.21	44.83 %	100 000.00	40 348.99	40.35 %		
A02320	Bank and other financial charges	2 000.00	1 000.00	50.00 %	2 000.00	362.98	18.15 %	637.02	1 000.00
A-232	Sum:	2 000.00	1 000.00	50.00 %	2 000.00	362.98	18.15 %		
A02330	Legal expenses	250 000.00	0.00	0.00 %	250 000.00	0.00	0.00 %	0.00	250 000.00
A-233	Sum:	250 000.00	0.00	0.00 %	250 000.00	0.00	0.00 %		
A02350	Miscellaneous insurance	6 000.00	925.39	15.42 %	6 000.00	925.39	15.42 %	0.00	5 074.61
A02351	Administrative translations and interpretation cos	12 000.00	7 905.00	65.88 %	12 000.00	5 580.00	46.50 %	2 325.00	4 095.00
A02352	Transportation and removal expenses	60 000.00	29 510.00	49.18 %	60 000.00	9 742.75	16.24 %	19 767.25	30 490.00
A02353	Business consultancy	381 356.00	329 758.00	86.47 %	381 356.00	10 050.00	2.64 %	319 708.00	51 598.00
A02354	General meetings expenditure	10 000.00	1 573.81	15.74 %	10 000.00	761.75	7.62 %	812.06	8 426.19
A02355	Publications	10 000.00	6 000.00	60.00 %	10 000.00	721.99	7.22 %	5 278.01	4 000.00
A02356	Other administrative expenditure	16 438.02	2 132.23	12.97 %	16 438.02	736.95	4.48 %	1 395.28	14 305.79
A-235	Sum:	495 794.02	377 804.43	76.20 %	495 794.02	28 518.83	5.75 %		
A02400	Postage and delivery charges	70 000.00	36 750.00	52.50 %	70 000.00	27 344.92	39.06 %	9 405.08	33 250.00
A-240	Sum:	70 000.00	36 750.00	52.50 %	70 000.00	27 344.92	39.06 %		
A02410	Telecommunication charges	333 144.97	187 298.23	56.22 %	333 144.97	89 056.39	26.73 %	98 241.84	145 846.74
A-241	Sum:	333 144.97	187 298.23	56.22 %	333 144.97	89 056.39	26.73 %		
	TOTAL TITLE 2	13 397 000.00	10 917 737.89	81.49 %	13 397 000.00	7 959 271.14	59.41 %	2 958 466.75	2 479 262.11

TITLE III: OPERATIONAL EXPENDITURE

Budget line	Budget line description	Commitment appropriation transaction amount (1)	Executed commitment amount (2)	Committed % (2)/(1)	Payment appropriation transaction amount (3)	Executed payment amount (4)	% Paid (4)/(3)	Carried forward RAL (C8)(2)-(4)	Cancelled (1)-(2)
B03000	Plenary and Executive Sessions of the Board	40 000.00	29 428.61	73.57 %	40 000.00	16 503.42	41.26 %	12 925.19	10 571.39
B03001	Appeal Panel	1 505 000.00	591 813.84	39.32 %	1 505 000.00	104 342.96	6.93 %	487 470.88	913 186.16
B03002	Communication, publication, translation	2 615 000.00	794 257.58	30.37 %	2 615 000.00	645 243.32	24.67 %	149 014.26	1 820 742.42
B3-00	Sum:	4 160 000.00	1 415 500.03	34.03 %	4 160 000.00	766 089.70	18.42 %		
B03010	Operational mission expenses	1 480 000.00	804 302.55	54.34 %	1 480 000.00	635 076.98	42.91 %	169 225.57	675 697.45
B03011	Operational meeting expenses	75 000.00	67 427.31	89.90 %	75 000.00	54 864.93	73.15 %	12 562.38	7 572.69
B3-01	Sum:	1 555 000.00	871 729.86	56.06 %	1 555 000.00	689 941.91	44.37 %		
B03020	IT Tools	2 975 000.00	1 995 016.08	67.06 %	2 975 000.00	341 259.65	11.47 %	1 653 756.43	979 983.92
B3-02	Sum:	2 975 000.00	1 995 016.08	67.06 %	2 975 000.00	341 259.65	11.47 %		
B03030	Support activities to the SRF	2 575 000.00	926 531.00	35.98 %	2 575 000.00	756 621.00	29.38 %	169 910.00	1 648 469.00
B03031	Studies and consultancy	35 500 000.00	27 454 903.85	77.34 %	35 500 000.00	5 788 798.13	16.31 %	21 666 105.72	8 045 096.15
B3-03	Sum:	38 075 000.00	28 381 434.85	74.54 %	38 075 000.00	6 545 419.13	17.19 %		
B03041	Crisis contingency	30 000.00	10 000.00	33.33 %	30 000.00	7 719.94	25.73 %	2 280.06	20 000.00
B3-04	Sum:	30 000.00	10 000.00	33.33 %	30 000.00	7 719.94	25.73 %		
	TOTAL TITLE 3	46 795 000.00	32 673 680.82	69.82 %	46 795 000.00	8 350 430.33	17.84 %	24 323 250.49	14 121 319.18
	TOTAL SRB BUDGET PART I 2017	99 738 000.00	70 625 897.28	70.81 %	99 738 000.00	42 238 195.05	42.35 %	28 387 702.23	29 112 102.72

**BUDGET IMPLEMENTATION 2017- PART II-SINGLE RESOLUTION FUND
BUDGET EXECUTION/FUND SOURCE R0-ASSIGNED REVENUE-2017**

BL	Budget line description	CD/CND	Commitment appropriations	Commitments established	Com %	Payment appropriations	Payments executed	Pay %	Carried forward commitment appropriations	Carried forward payment appropriations
B04010	Investments	CND	15 348 726 693.32	0.00	0 %	15 348 726 693.32	0.00	0.0 %	15 348 726 693.32	15 348 726 693.32
B04011	Investment returns	CND	55 302 969.08	55 301 638.04	100 %	55 302 969.08	50 017 635.23	90.4 %	1331.04	5285333.85
B04031	Bank fees and charges	CND	5 653.70	4 441.80	79 %	5 653.70	3 748.40	66.3 %	1211.90	1905.30
B04901	Refunds	CND	0.00	0.00	0 %	0.00	0.00	0.0 %	0.00	0.00
	TOTAL SRB BUDGET PART II		15 404 035 316.10	55 306 079.84	0.36 %	15 404 035 316.10	50 021 383.63	0.3 %	15 348 729 236.26	15 354 013 932.47

INSCRIPTION TITLE IX-BUDGETARY RESULT OF YEAR N (SRB FINANCIAL REGULATION ARTICLE 18)

BL	Budget line description	CD/CND	Commitment appropriations	Commitments established	Com %	Payment appropriations	Payments executed	Pay %	Carried forward commitment appropriations	Carried forward payment appropriations
B09000	BALANCING FROM THE RESERVE	CND	12 767 564.35	0.00	0 %	12 767 564.35	0.00	0.0 %	12 767 564.35	12 767 564.35

Annex 4: 2017 establishment plan

The number of temporary agents increased by 55 % from 164 in 2016 to 255 in 2017. This corresponds to 72.8 % of the planned total of 350 staff.

Category and grade	2017		2016	
	TA planned	Actual	TA planned	Actual number
AD 16	0	0	0	0
AD 15	0	0	0	0
AD 14	0	0	0	0
AD 13	0	0	0	0
AD 12	8	5	7	5
AD 11	6	0	3	0
AD 10	12	12	9	7
AD 9	20	9	15	2
AD 8	70	35	62	32
AD 7	32	24	14	1
AD 6	90	81	80	68
AD 5	40	34	10	22
AD Total	278	200	200	137
AST 11	0	0	0	0
AST 10	0	0	0	0
AST 9	0	0	0	0
AST 8	0	0	0	0
AST 7	2	0	0	0
AST 6	2	0	1	0
AST 5	4	0	2	0
AST 4	6	8	4	0
AST 3	32	22	28	18
AST 2	2	1	5	1
AST 1	4	5	0	5
AST total	52	36	40	24
AST-SC 3	10	0	6	0
AST-SC 2	5	2	0	3
AST-SC 1	5	17	9	0
AST-SC total	20	19	15	3
Grand total	350	255	255	164
CA	0	0	6	0
SNE	25	15	25	12

AD Administrator
AST Assistant
SC Secretarial Clerical
CA Contract Agent
SNE Seconded National Expert

Annex 5: Staff numbers by nationality and gender

The gender balance is close to even: the SRB employed 128 female and 127 male temporary agents on 31/12/2017.

Grade/Gender	%		Number		
	Female	Male	Female	Male	Total
AD 12	0 %	100 %	0	5	5
AD 10	17 %	83 %	2	10	12
AD 9	67 %	33 %	6	3	9
AD 8	37 %	63 %	13	22	35
AD 7	50 %	50 %	12	12	24
AD 6	46 %	54 %	37	44	81
AD 5	35 %	65 %	12	22	34
AST 4	88 %	13 %	7	1	8
AST 3	68 %	32 %	15	7	22
AST 2	100 %	0 %	1	0	1
AST 1	100 %	0 %	5	0	5
AST-SC2	100 %	0 %	2	0	2
AST-SC1	94 %	6 %	16	1	17
Total	50.2 %	49.8 %	128	127	255

On 31.12.2017, the SRB employed 25 EU nationalities:

Nationality	2017		2016	
	Number of staff	Percentage of staff	Number of staff	Percentage of staff
BE	36	14.1 %	22	13.4 %
BG	8	3.1 %	4	2.4 %
CZ	1	0.4 %	1	0.6 %
DK	1	0.4 %	0	0 %
DE	20	7.8 %	12	7.3 %
IE	2	0.8 %	1	0.6 %
EL	20	7.8 %	12	7.3 %
ES	30	11.8 %	25	15.2 %
FR	26	10.2 %	19	11.6 %
HR	7	2.7 %	2	1.2 %
IT	31	12.2 %	18	11.0 %
CY	2	0.8 %	1	0.6 %
LV	3	1.2 %	2	1.2 %
LT	3	1.2 %	2	1.2 %
HU	3	1.2 %	3	1.8 %
MT	2	0.8 %	1	0.6 %
NL	9	3.5 %	10	6.1 %
AT	5	2.0 %	2	1.2 %
PL	12	4.7 %	9	5.5 %
PT	6	2.4 %	6	3.7 %
RO	19	7.5 %	6	3.7 %
SK	1	0.4 %	1	0.6 %
FI	3	1.2 %	1	0.6 %
SE	1	0.4 %	1	0.6 %
UK	4	1.6 %	3	1.8 %
Total	255	100.0 %	164	100.0 %

Annex 6: Final accounts 2017

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (EUR)

Description	2017	2016	Variation
NON-CURRENT ASSETS	5 016 421.09	4 912 166.35	104 254.74
Intangible Fixed assets	1 590 389.00	1 143 422.52	446 966.48
Tangible Fixed assets	3 426 032.09	3 768 743.83	-342 711.74
Long-term pre-financing	-	-	-
Long-term receivables	-	-	-
CURRENT ASSETS	17 453 972 513.21	10 826 285 025.13	6 627 687 488.08
Short-term pre-financing	45 000.00	-	45 000.00
Short-term receivables	7 667 972.39	5 735 071.91	1 932 900.48
Cash and Cash equivalents	17 446 259 540.82	10 820 549 953.22	6 625 709 587.60
TOTAL ASSETS	17 458 988 934.30	10 831 197 191.48	6 627 791 742.82
NET ASSETS	15 348 724 427.05	9 434 893 538.11	5 913 830 888.94
Accumulated Reserves	9 434 893 538.11	-	9 434 893 538.11
Economic outturn of the year (Fund)	5 913 830 888.94	9 434 893 538.11	-3 521 062 649.17
Economic outturn of the year (administrative)	-	-	-
NON-CURRENT LIABILITIES	2 092 723 977.40	1 379 929 703.41	712 794 273.99
Provisions for risks and charges	-	-	-
Long-term liabilities from SRB specific activities (IPC)	2 029 688 572.45	1 345 273 276.00	684 415 296.45
Other long-term liabilities	63 035 404.95	34 656 427.41	28 378 977.54
CURRENT LIABILITIES	17 540 529.85	16 373 949.96	1 166 579.89
Provisions for risks and charges (short-term)	-	-	-
Accounts payable	17 540 529.85	16 373 949.96	1 166 579.89
TOTAL RESERVES AND LIABILITIES	17 458 988 934.30	10 831 197 191.48	6 627 791 742.82

STATEMENT OF FINANCIAL PERFORMANCE FOR 2017 (EUR)

Description	2017	2016	Variation
OPERATING REVENUES	6 019 807 052.62	9 496 350 565.13	-3 476 543 512.51
Non-exchange revenues from SRF contributions	5 965 919 312.41	9 462 380 991.80	-3 496 461 679.39
Other non-exchange revenues from administrative contributions	53 885 631.77	33 958 659.68	19 926 972.09
Other exchange operating revenue	2 108.44	10 913.65	-8 805.21
OPERATING EXPENSES	-53 788 735.44	-33 903 299.54	-19 885 435.90
Administrative expenses	-37 279 433.11	-30 623 854.76	-6 655 578.35
All Staff expenses	-24 044 906.10	-16 377 298.06	-7 667 608.04
Fixed-asset related expenses	-1 104 981.86	-860 298.43	-244 683.43
Other administrative expenses	-12 129 545.15	-13 386 258.27	1 256 713.12
Operational expenses	-16 509 302.33	-3 279 444.78	-13 229 857.55
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	5 966 018 317.18	9 462 447 265.59	-3 496 428 948.41
Financial revenues	7 362.81	39 112.47	-31 749.66
Financial expenses	-52 194 791.05	-27 592 839.95	-24 601 951.10
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES	5 913 830 888.94	9 434 893 538.11	-3 521 062 649.17
Extraordinary gains	-	-	-
Extraordinary losses	-	-	-
SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS	-	-	-
ECONOMIC RESULT OF THE YEAR	5 913 830 888.94	9 434 893 538.11	-3 521 062 649.17

Annex 7: Procurement procedures launched in 2017

SUMMARY TABLE REGARDING PROCUREMENT ACTIVITIES IN 2017

Types of procurement procedures launched in 2017	No
Open	1
Restricted	0
Low-value and mid-value negotiated procedures (1 000 > 135 000)	39
Special negotiated procedure under Article 134(1)(a) to (f) and (i)	12
Article 81	1
Reopening procedures under the SRB framework contract OP12015, lots 1-3	Lots 1 — 2 Lots 2 — 11 Lots 3 — 8
ARTICLE 81 procedure	1

DETAILED PRESENTATION OF THE 2017 PROCUREMENT PROCEDURES

OPEN PROCEDURE

CONTRACT NUMBER	SUBJECT	STATUS	AMOUNT AWARDED
SRB/OP/5/2017	PROVISION OF LEGAL SERVICES	Evaluation ongoing	

LOW-VALUE AND MID-VALUE NEGOTIATED PROCEDURES

	CONTRACT NUMBER	NEGOTIATED PROCEDURE JUSTIFICATION	SUBJECT	STATUS	AMOUNT AWARDED
EUR 15 000 > 135 000	SRB/NEG/9/2017	136.A RAP	FINANCIAL BENCHMARKS	Evaluation ongoing	
	SRB/NEG/42/2017	136.A RAP	PROVISION OF ACCESS TO FINANCIAL DATA THROUGH A DATA VENDOR	Evaluation ongoing	
	SRB/NEG/47/2017	137.3 RAP	INTERACTIVE & COMMUNICATIVE DE- VELOPMENT ACTIVITY FOR SRB STAFF	Awarded	25 900.00

SPECIAL NEGOTIATED PROCEDURES

	CONTRACT NUMBER	NEGOTIATED PROCEDURE JUSTIFICATION	SUBJECT	STATUS	AMOUNT AWARDED
Article 134(1)(a) to (f) and (i)	SRB/NEG/2/17	134.1.h	PROVISION OF PROFESSIONAL LEGAL SERVICES FOR LITIGATION	Awarded	250 000.00
	SRB/NEG/3/17	134.1.h	PROVISION OF PROFESSIONAL LEGAL SERVICES FOR LITIGATION	Awarded	200 000.00
	SRB/NEG/8/17	134.1.h	PROVISION OF PROFESSIONAL LEGAL SERVICES FOR LITIGATION	Awarded	60 000.00
	SRB/NEG/8/17	134.1.h	PROVISION OF PROFESSIONAL LEGAL SERVICES FOR LITIGATION	AWARDED	150 000.00
	SRB/NEG/15/17	134.1.i	PROVISION OF LEGAL ADVICE	AWARDED	850 000.00
	SRB/NEG/16/17	134.1.i	ADVICE & ASSISTANCE ON ECONOMIC & FINANCIAL VALUATION	AWARDED	2 020 250.00
	SRB/NEG/22/17	134.1.i	ADVICE & ASSISTANCE ON ECONOMIC & FINANCIAL VALUATION	AWARDED	1 245 000.00
	SRB/NEG/23/17	134.1.h	PROVISION OF PROFESSIONAL LEGAL SERVICES FOR LITIGATION	AWARDED	350 000.00
	SRB/NEG/24/17	134.1.h	PROVISION OF PROFESSIONAL LEGAL SERVICES FOR LITIGATION	AWARDED	125 000.00
	SRB/NEG/25/17	134.1.h	PROVISION OF PROFESSIONAL LEGAL SERVICES IN THE PREPARATION OF JUDICIAL PROCEEDINGS	AWARDED	200 000.00
	SRB/NEG/31/17	134.1.h	PROVISION OF PROFESSIONAL LEGAL SERVICES FOR LITIGATION	AWARDED	9 500 000.00
	SRB/NEG/33/17	134.1.h	PROVISION OF PROFESSIONAL LEGAL SERVICES FOR LITIGATION	AWARDED	125 000.00

OPEN PROCEDURE

TENDER REFERENCE	SUBJECT	STATUS	AMOUNT AWARDED
SRB/Art81/2017/1	PROVISION OF PORTFOLIO MANAGEMENT & CUSTODY SERVICES	Evaluation ongoing	

REOPENING OF COMPETITION RELATED TO RESOLUTION

CONTRACT NUMBER	SUBJECT	STATUS	AMOUNT AWARDED
SRB/OP/1/2015 LOT 1	PROVISION OF ANALYSIS OF FINANCIAL STATEMENTS & ACCOUNTING ADVICE — SC 2	Discontinued	
SRB/OP/1/2015 LOT 1	PROVISION OF ANALYSIS OF FINANCIAL STATEMENTS & ACCOUNTING ADVICE — SC 4	Discontinued	
SRB/OP/1/2015 LOT 2	PROVISION OF ADVICE & ASSISTANCE FOR ECONOMIC AND FINANCIAL VALUATION — SC 2	Awarded	165 000.00
SRB/OP/1/2015 LOT 2	PROVISION OF ADVICE & ASSISTANCE FOR ECONOMIC AND FINANCIAL VALUATION — SC 3	Awarded	385 000.00
SRB/OP/1/2015 LOT 2	PROVISION OF ADVICE & ASSISTANCE FOR ECONOMIC AND FINANCIAL VALUATION — SC 4	Awarded	1 980 000.00
SRB/OP/1/2015 LOT 2	PROVISION OF ADVICE & ASSISTANCE FOR ECONOMIC AND FINANCIAL VALUATION — SC 5	Awarded	1 248 500.00
SRB/OP/1/2015 LOT 2	PROVISION OF ADVICE & ASSISTANCE FOR ECONOMIC AND FINANCIAL VALUATION — SC 6	Awarded	1 248 500.00
SRB/OP/1/2015 LOT 2	PROVISION OF ADVICE & ASSISTANCE FOR ECONOMIC AND FINANCIAL VALUATION — SC 7	Cancelled	
SRB/OP/1/2015 LOT 2	PROVISION OF ADVICE & ASSISTANCE FOR ECONOMIC AND FINANCIAL VALUATION — SC 8	Awarded	3 300 000.00
SRB/OP/1/2015 LOT 2	PROVISION OF ADVICE & ASSISTANCE FOR ECONOMIC AND FINANCIAL VALUATION — SC 9	Cancelled	
SRB/OP/1/2015 LOT 2	PROVISION OF ADVICE & ASSISTANCE FOR ECONOMIC AND FINANCIAL VALUATION — SC 10	Awarded	1 650 000.00
SRB/OP/1/2015 LOT 2	PROVISION OF ADVICE & ASSISTANCE FOR ECONOMIC AND FINANCIAL VALUATION — SC 11	Awarded	2 200 000.00
SRB/OP/1/2015 LOT 2	PROVISION OF ADVICE & ASSISTANCE FOR ECONOMIC AND FINANCIAL VALUATION — SC 12	Launched	
SRB/OP/1/2015 LOT 3	PROVISION OF LEGAL ADVICE — SC 4	Awarded	220 000.00
SRB/OP/1/2015 LOT 3	PROVISION OF LEGAL ADVICE — SC 5	Awarded	132 000.00
SRB/OP/1/2015 LOT 3	PROVISION OF LEGAL ADVICE — SC 6	Awarded	1 650 000.00
SRB/OP/1/2015 LOT 3	PROVISION OF LEGAL ADVICE — SC 7	Awarded	2 200 000.00
SRB/OP/1/2015 LOT 3	PROVISION OF LEGAL ADVICE — SC 8	Cancelled	
SRB/OP/1/2015 LOT 3	PROVISION OF LEGAL ADVICE — SC 9	Awarded	1 650 000.00
SRB/OP/1/2015 LOT 3	PROVISION OF LEGAL ADVICE — SC 10	Awarded	1 100 000.00
SRB/OP/1/2015 LOT 3	PROVISION OF LEGAL ADVICE — SC 11	Awarded	1 650 000.00

Annex 8: Summary of the Key Performance Indicators from the 2017 SRB work programme

Number	The SRB's Key Performance Indicators for 2017 *	Target	Value	Comment
RESOLUTION-RELATED ACTIVITIES				
1	For banks with 2016 resolution plans, progress in bringing resolution plans to the next level	100 %	94 %	The SRB made progress for the majority of banks within its remit in 2017 despite the need to allocate resources to address crisis cases and further develop the build-up of the institution. Out of the 92 groups with a plan in 2016, progress has been made in 83 of them.
2	Develop transitional resolution plans for the remaining banking groups in the remit of the SRB	95 % of SRB's banks	89 %	The SRB prioritised its efforts on the riskiest and most complex banks in 2017, also excluding cases where material changes in the bank structure are to be reflected in future iterations of the planning cycle. (at the end of 2017, 106 plans were drafted while 119 groups are under the SRB's remit).
3	Develop and refine MREL targets for major banking groups in the remit of the SRB	Yes	Yes	The SRB set binding MREL targets for the majority of the largest and most complex banks in the Banking Union. Most other banks are subject to an informative MREL target at consolidated level.
4	Develop MREL for material entities within all major banking groups in the remit of the SRB and identification of quality and location	Yes	No	The SRB focused on the setting of binding MREL target at consolidated level and will strive to determine MREL for material entities in the 2018 planning cycle.
5	Develop benchmarking tools and test them on a sample of resolution plans	Yes	Yes	Benchmarking activities have been developed on MREL, critical functions and access to FMI and the SRB horizontal functions conducted necessary assessment to identify, monitor and improve consistency of resolution planning activities.
6	Conduct dry-run exercises	2	1	A technical crisis simulation exercise (dry-run) involving the Commission and the Council with a strong focus on interaction with the Council was successfully held on 12 July 2017. Moreover, in the context of FTWP, progress has been made on cross-border resolution readiness for G-SIBs in four work streams involving United Kingdom, United States and Banking Union Authorities. The work undertaken in 2017 should support the organisation of practical dry-run exercises in the future.
7	Number of training events held by the SRB with NRAs	3	4	The SRB organised four external training courses targeted to, inter alia, Banking Union NRAs. The training activity in the SRB (for SRB staff) increased in 2017 with a total of 25 internal training courses organised during the year.
8	Launch SRM ICT Platform for resolution activities	Yes	Yes	The SRM ICT Platform for resolution activities has been developed and is ready for use 2018.
SINGLE RESOLUTION FUND				
9	Indicate to the NRAs the amounts for all 2017 <i>ex ante</i> contributions for the SRF by 1 May 2017	100 %	100 %	The SRB calculated the 2017 <i>ex ante</i> contributions based on the information reported by the institutions. The NRAs were informed in two steps: (1) preliminary results were notified to the Central Bank, NCAs and NRAs in mid-March 2017; (2) final results were communicated to the NRAs by mid-April 2017.
10	Investment strategy fully implemented	Q3 2017	In progress	Investments in securities commenced in Q2 2018. In 2017, the selection process for an outsourcing partner lasted longer than originally planned due to the complexity and demands of the related selection/procurement process.
11	Establish an IT system for the collection of data for the <i>ex ante</i> contributions	Q2 2017	Q2 2017	The SRB developed the CCS based on XBRL IT language. The CCS is composed of two main modules: the portal, from which the NRAs upload the templates received from institutions; and FAS, the engine for computing the calculations.

Number	The SRB's Key Performance Indicators for 2017 *	Target	Value	Comment
POLICY AND COOPERATION				
12	Effectively contribute to the relevant EU and international regulatory activity	Yes	Yes	Within the FSB, in 2017 the SRB actively contributed to the published guidance on the internal TLAC of G-SIBs, on CCP resolution and resolution planning and on continuity of access to FMI, as well as to the published consultations on the principles of bail-in execution and on the funding strategy elements of an implementable resolution plan. Also in 2017, the SRB was a regular member in all eight meetings of the Council AHWP on EDIS and provided four non-papers for discussion; in the TFCA, the SRB participated in 13 meetings to discuss the implementation of a common backstop; SRB representatives regularly interacted with the Parliament in public hearings and provided expertise on resolution matters if required; cooperation with the Central Bank, the EBA and NRAs continued to be very close.
13	Set up European resolution colleges for non-EU G-SIBs (Article 89 BRRD)	100 %	33 %	Out of three non-EU G-SIB groups for which the SRB chairs the European resolution college, one has been launched in 2017, and two are to be organised in the first half of 2018 in order to be aligned with the dates of the crisis management groups.
14	Number of industry dialogues held by the SRB	2	2	In 2017, the SRB organised two industry dialogues which brought together representatives from EU-level and national banking federations from Banking Union countries, representatives from national resolution authorities, the European Parliament, the European Commission and the European Central Bank. The industry dialogue on 31 January 2017 was devoted to LDT and FMI, while the second industry dialogue on 22 November focused on resolution planning, MREL, critical functions and administrative contributions.
THE SRB AS AN ORGANISATION				
15	Staff turnover (number of departures within a year/average number of employees during the year)	<10 %	2 %	The turnover rate amounted to 2 %.
16	Number of comments and/or qualified/adverse opinions from the Court of Auditors	0	0	No qualified/adverse opinions were issued by the Court of Auditors in 2017.
17	Carry-over rate (of committed funds) of operational budget	<30 %	52 %	Approximately EUR 24 million was carried forward to 2018, which represents a carry-forward rate of 52 % of the committed appropriations in Title III. This rate is driven largely by the fact that 90 % (EUR 21 million) of the carry-forward is for the SRB contingencies, of which EUR 9.5 million is for litigation costs (project of 3 years) and EUR 11.5 million is for consultancy and advice for potential resolution cases. The final deliverables and final payments are expected to be made in the course of 2018.
18	Each request for legal advice will have an initial response within 2 weeks	80 %	81 %	Requests for legal advice addressed to the Legal Service as well as the duration for an initial response were thoroughly recorded and evaluated.

* https://srb.europa.eu/sites/srbsite/files/srb_2016.5419_work_programme_2017_web.pdf

Annex 9: Members of the Plenary Session

Role	Name	Authority
Chair	Elke KÖNIG	SRB
Vice-Chair	Timo LÖYTTYNIEMI	SRB
Full-time Board Member	Mauro GRANDE	SRB
Full-time Board Member	Antonio CARRASCOSA	SRB
Full-time Board Member	Joanne KELLERMANN	SRB
Full-time Board Member	Dominique LABOUREIX	SRB
Member appointed by participating MS representing the NRA	Romain STROCK	Luxembourg — Commission de Surveillance du Secteur Financier
Member appointed by participating MS representing the NRA	Frank ELDERSON	Netherlands — De Nederlandsche Bank
Member appointed by participating MS representing the NRA	Dana MEAGER	Slovakia — Slovak Resolution Council
Member appointed by participating MS representing the NRA	Aldo GIORDANO	Malta — Malta Financial Services Authority
Member appointed by participating MS representing the NRA	Riin HEINASTE	Estonia — Finantsinspeksioon (Estonian Financial Supervision and Resolution Authority)
Member appointed by participating MS representing the NRA	Klaus KUMPFMÜLLER	Austria — Austrian Financial Market Authority
Member appointed by participating MS representing the NRA	Tuija TAOS	Finland — Finnish Financial Stability Authority
Member appointed by participating MS representing the NRA	Thorsten PÖTZSCH	Germany — Bundesanstalt für Finanzmarktstabilisierung
Member appointed by participating MS representing the NRA	Luis Augusto Maximo DOS SANTOS	Portugal — Banco de Portugal
Member appointed by participating MS representing the NRA	Marko BOSNJAK	Slovenia — Banka Slovenije
Member appointed by participating MS representing the NRA	Olivier JAUDOIN	France — Autorité de contrôle prudentiel et de résolution
Member appointed by participating MS representing the NRA	Jaime PONCE HUERTA	Spain — FROB (Spanish Executive Resolution Authority)
Member appointed by participating MS representing the NRA	Pierre WUNSCH	Belgium — National Bank of Belgium
Member appointed by participating MS representing the NRA	Michalis STYLIANOU	Cyprus — Central Bank of Cyprus
Member appointed by participating MS representing the NRA	Maurice MCGUIRE	Ireland — Central Bank of Ireland
Member appointed by participating MS representing the NRA	Tomas GARBARAVIČIUS	Lithuania — Bank of Lithuania
Member appointed by participating MS representing the NRA	Maria MAVRIDOU	Greece — Bank of Greece
Member appointed by participating MS representing the NRA	Enzo SERATA	Italy — Banca d'Italia — Resolution Unit
Member appointed by participating MS representing the NRA	Jelena LEBEDEV	Latvia — Financial and Capital Market Commission
Observer in accordance with Article 3.2 of RoP of Plenary Session	JESUS SAURINA	Spain — Banco de España — Spanish Preventive Resolution Authority
Observer	Ignazio ANGELONI	European Central Bank
Observer	Olivier GUERSENT	European Commission — DG Financial Stability, Financial Services and Capital Markets Union
Observer	Spyridon ZARKOS	European Banking Authority

Annex 10: Glossary

resolution colleges	Established according to Article 88 BRRD to coordinate the work between the group-level resolution authorities (GLRAs) and the NRAs of non-participating Member States.
internal resolution teams (IRTs)	Established according to Article 37 SRMR, to better coordinate the drafting of resolution plans and to ensure a smooth exchange of information among NRAs. IRTs were created for all banking groups that comprised legal entities incorporated in at least two Banking Union countries.
resolvability assessment process (RAP)	A process conducted annually in respect of all G-SIBs to promote adequate and consistent reporting on resolvability at global level and to determine what should be done to address material recurring issues with respect to resolvability. The RAP is conducted in crisis management groups.
minimum requirements for own funds and eligible liabilities (MREL)	Minimum requirements of own funds and eligible liabilities to be set by the resolution authority to ensure the effective application of the bail-in tool, i.e. the write-down or conversion of equity and debt.
no creditor worse off (NCWO)	Defined by Article 34(1)(g) BRRD on general principles of resolution, NCWO requires that no creditor incur greater losses than would have been incurred under the normal insolvency proceedings. Similarly, Article 34(1)(i) BRRD requires that resolution actions be taken in accordance with the safeguards included in this directive (and one of the safeguards is the NCWO principle).
common backstop	A mechanism to be developed during the transition period of the SRF, which will allow and facilitate borrowing by the SRF in situations when the SRF is not sufficiently funded by the banking sector. The system would be available as a last resort and in full compliance with State aid rules. The banking sector will ultimately be liable for repayment by means of levies in all participating Member States, including <i>ex post</i> contributions.
liability data template (LDT)	Template developed by the SRB to collect data concerning the liabilities of banks in order to inform the resolution plan and MREL determination.
phase-2 resolution plan	Plans that were drafted following the first resolution planning experience from 2015, i.e. based on transitional resolution plans. These plans typically do not include binding MREL target levels, but include informal MREL discussions.

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