

# ANNUAL REPORT 2018



Single  
Resolution Board

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Print	ISBN 978-92-9475-173-7		doi:10.2877/961807	FP-AA-19-001-EN-C
PDF	ISBN 978-92-9475-180-5	ISSN 2467-3242	doi:10.2877/948549	FP-AA-19-001-EN-N

More information on the European Union is available on the Internet (<http://europa.eu>).

Luxembourg: Publications Office of the European Union, 2019

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SINGLE RESOLUTION BOARD

**ANNUAL REPORT 2018**

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# CONTENTS

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<b>FOREWORD</b>	<b>4</b>
<b>ABBREVIATIONS</b>	<b>6</b>
<b>INTRODUCTION</b>	<b>7</b>
<b>EXECUTIVE SUMMARY</b>	<b>9</b>
<b>1. STRENGTHENING THE RESOLVABILITY OF SRB BANKS AND LESS SIGNIFICANT INSTITUTIONS</b>	<b>11</b>
1.1. Resolution plans for SRB banks	11
1.2. SRB oversight for resolution planning and decisions for less significant institutions	15
<b>2. RESOLUTION FRAMEWORK</b>	<b>17</b>
2.1. Tools and policies	17
2.2. Data for resolution planning	20
2.3. Interactions with banks	22
2.4. Financial Stability Analysis	23
2.5. Cooperation with national authorities, European institutions and non-European Union authorities	23
2.6. International relations	27
2.7. Regulatory activity/legislative process of relevant files	29
<b>3. CRISIS MANAGEMENT</b>	<b>31</b>
3.1. Resolution decision and negative decisions	31
3.2. Projects to strengthen crisis preparedness	32
<b>4. THE SINGLE RESOLUTION FUND</b>	<b>35</b>
4.1. Contributions	35
4.2. Investments	37
4.3. Funding	38
<b>5. THE SINGLE RESOLUTION BOARD AS AN ORGANISATION</b>	<b>39</b>
5.1. Information and communications technology	39
5.2. Communications	40

<b>5.3. Management of resources</b>	<b>40</b>
5.3.1. Human resources	40
5.3.2. Budgetary and financial management	41
5.3.3. Final accounts 2018	43
5.3.4. Procurement	44
<b>5.4. Governance</b>	<b>45</b>
5.4.1. Internal legal advice and litigation	45
5.4.2. Corporate secretariat	46
5.4.3. Compliance	46
5.4.4. Internal audit	46
5.4.5. External audit	47
5.4.6. Internal control standards	48
<b>6. APPEAL PANEL</b>	<b>49</b>
<b>7. DECLARATION OF ASSURANCE</b>	<b>50</b>
<b>ANNEXES</b>	<b>51</b>
Annex 1: Organisation chart	51
Annex 2: Annual report on public access to documents in 2018	52
Annex 3. 2018 Budget implementation	54
Annex 4. 2018 establishment plan	60
Annex 5. Staff numbers by nationality and gender	61
Annex 6. Final accounts 2018	63
Annex 7. Procurement procedures launched in 2018	64
Annex 8. Summary of the Key Performance Indicators from the 2018 SRB work programme	66
Annex 9. Members of the Plenary Session	69
Annex 10. Glossary	71

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# FOREWORD

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The 2018 period marked another successful year for the Single Resolution Board (SRB) as we continued to develop our core business of resolution planning, as well as other areas of relevance. We started a new cycle of resolution planning and continued to contribute to the work on ongoing legislative files, providing expertise and advice to policymakers. This work focused on risk reduction, the Common Backstop to be provided by the European Stability Mechanism (ESM) to the Single Resolution Fund (SRF) of the SRB and liquidity in resolution. So far, it has led to the adoption of the Risk Reduction Package, implementing in particular the total loss-absorbing capacity (TLAC) standard into the EU resolution framework.

Work on more than 100 resolution plans for banks under the SRB's remit progressed in close collaboration with national resolution authorities (NRAs). In the course of the resolution planning cycle 2018, we ensure aligned and proportionate treatment of all banks regarding the minimum requirement for own funds and eligible liabilities (MREL) and other areas of resolution planning that require bank compliance. The ultimate goal is to make banks resolvable. To this end, we decided to differentiate between banks active entirely in the Banking Union, i.e. banks without a resolution college, and the most complex, internationally active banks, i.e. banks with resolution colleges, for which the planning cycle reaches well into 2019. In order to support our work and to be fully transparent we published a detailed MREL policy in 2018.

The SRB envisages reaching a steady state with fully-fledged resolution plans for all banking groups under our remit by 2020. However, this is of course not the end of the journey. As banks and the banking sector evolve, so must our plans. We are always ready to analyse, challenge and, where necessary, update and refine our plans to reflect the current state of play.

In 2018, the SRB actively contributed its policy expertise to its engagement with partners at both European and international level. Transparency and good governance are also cornerstones of the SRB's principles. To this end, we launched a comprehensive 'right to be heard' procedure in relation to the SRB's first resolution case.

The SRF further built up its capacity. Discussions about the Common Backstop to the SRF were concluded at political level; now it needs to be put in place. Last but not least, the SRB progressed towards achieving its target staffing level.

With most resolution policies adopted, the focus going forward will be on implementation and making banks truly resolvable. The SRB's policies are now compiled in a Resolution Planning Manual that serves as guidance for the SRB's internal resolution teams (IRTs). In addition, we are working on detailed guidance addressed to banks that we will publish this summer. After all, it is first and foremost up to banks to address concerns about resolvability and to make themselves resolvable, as they know their business structure and how to address possible impediments best. We guide and monitor them in this process and, only in the case that banks do not make adequate progress, we would start formal procedures in line with the Single Resolution Mechanism Regulation (SRMR). Work is also continuing on less significant institutions (LSIs). Here the SRB monitors progress made by NRAs and ensures a level playing field within the Single Resolution Mechanism (SRM).

With regard to a stable resolution framework, the co-legislators agreed on BRRD2 and SRMR2 earlier this year. It is now for the SRB to implement the legislation. Building on its achievements so far, the SRB has no doubt that it can integrate the revised framework and that it will further strengthen resolvability, in particular through the requirements regarding the quantity and quality of MREL. However, there is a high degree of complexity in the revised rules that need to be translated into a workable and consistent practice across the SRM. This pertains inter alia to an effective and balanced distribution of MREL within cross-border groups. These issues will have to be carefully assessed going forward.

A variety of issues will have to be addressed by the new Commission, including those set out in its recent report <sup>(1)</sup>. The Commission must also make progress on other significant topics: a fully harmonised European deposit insurance scheme is of crucial importance in completing the Banking Union framework, as well as other files such as the Common Backstop to the SRF and liquidity in resolution. In addition, we continue to strive for the harmonisation of the insolvency regimes for banks, leading to consistent and effective rules in Europe. The status quo is not good enough if we want to definitively tackle the issues identified during the last crisis.

Finally, I would like to thank all SRB staff members and board members, as well as our partners at national, European and international level for their hard work, dedication and excellent cooperation in achieving our common goal. I look forward to continuing in this spirit in 2019 and beyond, so that we can make resolvability of banks a reality, continue to promote financial stability and protect the taxpayer.

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<sup>(1)</sup> [https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/190430-report-bank-recovery-resolution\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190430-report-bank-recovery-resolution_en.pdf)

# ABBREVIATIONS

<b>BPE</b>	Banco Popular Español S.A.	<b>MoU</b>	memorandum of understanding
<b>BRRD</b>	Bank Recovery and Resolution Directive	<b>MREL</b>	minimum requirement for own funds and eligible liabilities
<b>CCP</b>	central counterparty	<b>NCWO</b>	no creditor worse off
<b>CIR</b>	Commission Implementing Regulation (EU) 2018/1624 of 23 October 2018	<b>NRA</b>	national resolution authority
<b>CMG</b>	crisis management group	<b>RTT</b>	Resolution Tactical Team
<b>CoAg</b>	cooperation agreement	<b>SNE</b>	seconded national expert
<b>EBA</b>	European Banking Authority	<b>SRB</b>	Single Resolution Board
<b>ECA</b>	European Court of Auditors	<b>SRF</b>	Single Resolution Fund
<b>ECB</b>	European Central Bank	<b>SRM</b>	Single Resolution Mechanism
<b>ECON Committee</b>	European Parliament Committee on Economic and Monetary Affairs	<b>SRMR</b>	Single Resolution Mechanism Regulation
<b>EDIS</b>	European deposit insurance scheme	<b>SSM</b>	Single Supervisory Mechanism
<b>FMI</b>	financial market infrastructure (e.g. CCPs)	<b>TFCA</b>	Task Force on Coordinated Action
<b>FSB</b>	Financial Stability Board	<b>TLAC</b>	total loss-absorbing capacity
<b>G-SIB</b>	global systemically important bank		
<b>ICS</b>	internal control standard(s)		
<b>ICT</b>	information and communications technology		
<b>IMAS</b>	information management system		
<b>IMF</b>	International Monetary Fund		
<b>IPC</b>	irrevocable payment commitment		
<b>IRT</b>	internal resolution team		
<b>LDR</b>	liability data report		
<b>LFA</b>	loan facility agreement		
<b>LSI</b>	less significant institution		
<b>MEP</b>	Member of the European Parliament		



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# INTRODUCTION

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In accordance with Article 50 of the SRMR, this document presents the SRB Annual Report 2018, describing the activities and performance of the SRB in 2018. The work carried out during the previous year was aimed at achieving and implementing the SRB's vision, mission and mandate.

## **(A) THE SINGLE RESOLUTION BOARD'S VISION**

The SRB strives to be 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 NRAs of participating Member States it forms the SRM. The SRB works closely with the NRAs, the European Commission (the Commission), the European Central Bank (ECB), the European Banking Authority (EBA) and national competent authorities. 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 Member States 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 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 (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 Member States, the Council, the Commission and the European Court of Auditors (ECA).

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 Member States may also submit reasoned observations on the annual report to which the SRB will reply.

The SRB is held accountable for the implementation of the SRMR 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 (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 Member State may also invite the chair to participate in an exchange of views regarding the resolution of entities in the relevant Member State.

With regard to the Parliament, in 2018 the chair attended three public hearings held by the ECON Committee, the latest of which was held on 10 December 2018 and at which the chair presented the SRB work programme for 2019.

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 2018 MREL policy, and by conducting industry dialogues and holding the third 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.

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# EXECUTIVE SUMMARY

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The year 2018 marked the fourth year of service of the SRB as an agency, and saw considerable progress in the further development and build-up of the SRB as the European resolution authority in the Banking Union.

As such, the SRB made significant progress in strengthening the resolution framework, further operationalising resolution tools and the corresponding resolution planning policies, refining the MREL policy, enhancing crisis readiness, further operationalising the SRF, strengthening and contributing to international and regulatory cooperation and further developing internal processes. As in 2017 and as outlined in the Work Programme for 2018, the SRB focused its work on the following main operational areas:

- (I) strengthening resolvability for SRB entities and 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 2018 have largely been reached, and the SRB's main achievements were the following.

- ▶ In pursuing its mission to ensure resolvability for significant institutions, the SRB continued its close and successful cooperation with the NRAs through internal resolution teams (IRTs) to draft 109 resolution plans for the 2018 resolution planning cycle, which has been split into two waves, as described in the SRB Work Programme for 2018. The first wave consists of simpler banks with no activity in other non-Banking Union Member States while the second wave comprises the more complex, internationally active banks. Moreover, the SRB contributed to five host plans drafted by other EU group-level resolution authorities. Moreover, regarding its LSI oversight function, which aims at ensuring consistent resolution approaches within the Banking Union, the SRB received from NRAs notifications for 1 189 draft resolution plans, which marks a sizable increase compared to 2017.
- ▶ Regarding resolution planning, the SRB updated its resolution planning manual which incorporates the latest array of tools and policies, a public version of which shall eventually be published focusing on expectations towards banks. The MREL policy for 2018 was published in two waves in line with the prioritised two-wave approach for resolution planning. Moreover, in 2018 the SRB further intensified its communication with the banks under its remit in numerous presentations, workshops and industry dialogues in order to present clearly what is expected from banks in order to be considered resolvable on the basis of the SRB policies. Certain challenges such as data quality at firm level, the complexity of operationalising instruments through playbooks and further progress on the removal of impediments to resolvability will have to be addressed further in 2019.

- ▶ Regarding international cooperation, the SRB continued to contribute its expertise to regulatory discussions both in the EU legislative process and in international regulatory bodies. In particular, the SRB continued to provide its technical expertise to the European co-legislators during the negotiations on the Risk Reduction Package and the Common Backstop, for which a political agreement was reached in December 2018 and whose effective implementation will prove crucial. Moreover, in 2018, the SRB concluded four bilateral cooperation arrangements — with the Central Bank of Brazil, the National Bank of Serbia, the Bank of Albania and Mexico's Institute for the Protection of Bank Savings.
- ▶ Concerning crisis preparedness, the SRB continued its internal work on important projects such as the valuation project and the creation of a dedicated Resolution Tactical Team (RTT) in order to optimise crisis processes and workflows. From a practical perspective, three dry-run exercises in different configurations were successfully carried out.
- ▶ In 2018, the SRF collected EUR 7.5 bn of *ex ante* contributions, as calculated by the SRB, in order to achieve the readjusted target level. The amounts held in the SRF currently reach a total of EUR 24.9 bn. The NRAs are expected to further build up the SRF by transferring the 2019 contributions by 27 June 2019. Moreover, the SRF successfully implemented its 2018 investment strategy with the selected outsourcing partners for portfolio management and custody services and started investing in securities and the operationalisation of the SRF was further carried forward.
- ▶ In its efforts to further develop its organisational structure, the SRB improved many internal processes and structures, such as the information and communications technology (ICT) infrastructure for resolution planning and crisis management, but most importantly continued its recruitment activities with the number of staff increasing by 24% as compared to the previous year. This will facilitate the full staffing capacity can be achieved, after the target was refined in 2018.



SRB Board Members in 2018

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

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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 2018 there were 129 banks in the SRB's remit, at the end of the year the number slightly decreased to 126 banks. Five banks left the SRB's remit, due to loss of significant institution status (two cases), merger and acquisition (two cases) and liquidation. Two new banks entered the SRB's remit due to the restructuring of their respective groups, one of these being a global systemically important bank (G-SIB) relocating to the EU.

The graph and table below provide an overview of the number of banks under SRB remit and the state of resolution planning by Member State<sup>(?)</sup>.



<sup>(?)</sup> Table 1 displays the SIs in each Member State; cross-border LSIs are only counted in the Member States in which their headquarters are located.

**Table 1.** Detailed overview of resolution planning activity by Member State <sup>(3)</sup>

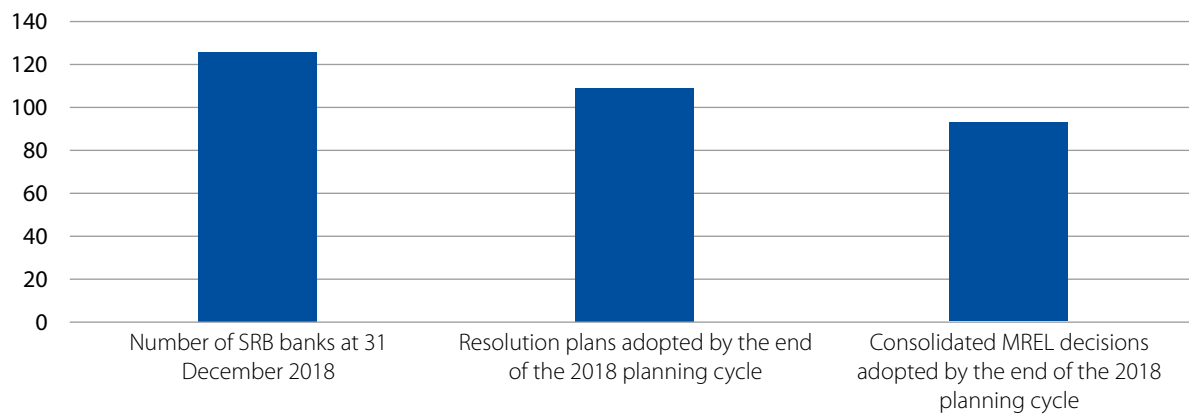
Member State	Number of SRB banks at 1 January 2018	Number of SRB banks at 31 December 2018	Resolution plans to be adopted by the end of the 2018 planning cycle		MREL decisions to be adopted by the end of the 2018 planning cycle	
			Total number	Of which simplified obligations	Consolidated	Individual <sup>(4)</sup>
BE	8	8	7	0	6	9
DE	23	23	20	1	16	22
EE	2	3	1	0	0	0
IE	6	5	5	1	4	9
EL	4	4	4	0	4	8
ES	12	12	12	0	12	9
FR	12	12	11	1	9	111
IT	12	12	11	0	9	36
CY	5	4	2	0	2	1
LV	5	4	1	0	1	0
LT	3	3	0	0	0	0
LU	5	5	5	0	5	6
MT	3	3	2	0	2	0
NL	7	7	7	2	4	11
AT	9	8	8	0	8	24
PT	5	4	5	0	4	3
SI	3	3	3	0	3	0
SK	3	3	2	0	2	0
FI	2	3	3	1	2	0
<b>Total:</b>	<b>129 <sup>(5)</sup></b>	<b>126 <sup>(5)</sup></b>	<b>109</b>	<b>6</b>	<b>93</b>	<b>249</b>

- ▶ 109 plans + five host cases
- ▶ 30 groups with colleges + six groups with European resolution colleges
- ▶ 114 IRTs
- ▶ 8 crisis management groups (CMGs) chaired by the SRB

<sup>(3)</sup> As explained further in the text, resolution plans and MREL decisions to be adopted by the end of the 2018 planning cycle might take place in 2019 and even after the publication of this Annual Report for the second wave of banks in the 2018 current planning cycles.

<sup>(4)</sup> These numbers are based on estimations made on 12 November 2018 for the SRB work programme for 2019 and could be subject to change until the end of the 2018 resolution planning cycle, in particular when it comes to the scope of subsidiaries covered by MREL decisions in application of the SRB policy and the applicable legislation. These figures do not pre-empt the formal decision-making process of the SRB, including the joint decisions with resolution authorities of non-participating Member States. The SRB will revise this table in upcoming publications, taking into account the bank-specific decisions taken by the Extended Executive Sessions.

<sup>(5)</sup> These banks are part of 111 Banking Union banking groups and five non-Banking Union groups, for which resolution plans must be drafted.

**Figure 1.** Resolution planning at a glance

## MAIN ACHIEVEMENTS IN 2018

### 1. PLANNING CYCLE AND NUMBER OF RESOLUTION PLANS

Under the 2018 planning cycle, resolution plans have been split into two waves, as described in the SRB work programme for 2018. The first wave consists of simpler banks with no activity in other non-Banking Union Member States while the second wave comprises the more complex, internationally active banks. The majority of decisions on the first wave of plans were finalised in the second quarter (Q2) of 2019, while for the second wave of plans, for which the cycle started in September 2018, decisions are expected in Q4 2019, after the end of the 4-months joint-decision process, required by the bank recovery and resolution directive (BRRD).

Going forward, the SRB intends to further align the cycles for all categories of banks in its remit. The establishment of timeline and objectives introduced in previous cycles served as an effective solution to deal with the expansion of the scope of banks covered by resolution plans with the most advanced policies available in a proportionate manner, ensuring a continuous progress on resolvability. This distinction will continue in 2019, in particular regarding the second wave of banks for which the cycle is spread over 2018 and 2019. However, with the ongoing legislative changes brought by the Risk Reduction Package and the entry into a steady state for resolution planning, the SRB envisages realigning the planning cycles for all types of banks from 2020 onwards with a view to uniformly applying the new legislation.

**Table 2.** Resolution planning cycles 2015-2018

Planning cycle	2015	2016	2017	2018 <sup>(*)</sup>
Resolution plans drafted by the IRTs	36	92	106	109
Host plans	0	6	5	5

<sup>(\*)</sup> The figures include the resolution plans to be adopted in 2019 for the second wave of banks, in line with the current design of the planning cycles.

## 2. CONTENT OF RESOLUTION PLANS

Since almost all banks under the SRB's remit are now covered by resolution plans an increasing focus is now put on further operationalising the existing plans, which benefit from more numerous and more comprehensive internal SRB policies. The most recent plans cover almost every aspect of planning, including the choice of resolution tools, resolvability assessment, public interest assessment or the use of simplified obligations. These updates complement the policies that were already available in 2017. Moreover, with each iteration the progress on the resolvability assessment can be observed. Besides, it should be noted that in the upcoming cycle the entities not making sufficient progress might be - subject to the Board's approval - targeted by the impediments procedure.

The SRB continues to follow a gradual and modular approach, under which in the 2018 cycle two waves of plans have been identified, with some differences in the scope and methodologies applied, which are in line with the overarching principle of proportionality. The final goal of the SRB, to have full plans drafted for all the entities under its remit by 2020, remains intact. The dual approach adopted for 2018 was also in line with the recommendations of the 2017 special report by the ECA.

## 3. DECISIONS ON MINIMUM REQUIREMENT 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 detailed analyses of banks' specific risk profiles and resolution strategies, as well as information exchange and coordination with multiple stakeholders such as NRAs, competent authorities, other resolution college members or banks. In the course of 2018 some decisions on MREL were finalised under the 2017 cycle and extensive work on the following cycle. While under the 2017 cycle binding MREL targets were set for the majority of the largest banking groups, under the current cycle MREL targets at consolidated level will cover most banks under the SRB's remit: 93 binding decisions at consolidated level and 249 binding decisions at individual level are expected to be adopted by the end of the planning cycle.



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

While the NRAs are directly responsible for LSIs<sup>(7)</sup>, the SRB performs an oversight role for resolution planning and decisions for LSIs, aimed at ensuring the effective and consistent functioning of the SRM.

In 2018, NRAs were responsible for resolution planning for a total of 2,301 LSIs in the Banking Union (figure as notified by the NRAs).

### MAIN ACHIEVEMENTS IN 2018

#### 1. ASSESSMENT OF DRAFT MEASURES

As part of its oversight role, in 2018 the SRB received from NRAs notifications of 1 189 draft resolution plans, of which 1 152 provided MREL setting. In addition, three draft decisions to place an entity under liquidation were notified.

The notified, 1189 draft resolution plans (see **Table 3** for a breakdown by country) covered 51.7% of 2 301 LSIs for which resolution planning is required. This constitutes a sizeable increase in comparison to 2017, when resolution planning covered only 17.6% of LSIs. Out of the aggregate number of draft resolution plans for LSIs, 31 (2.6%) envisaged resolution as the preferred course of action.

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

The SRB relies on tools and procedures developed to ensure the smooth performance of its LSI oversight role. Pursuant to the provisions of the Cooperation Framework Agreement between the SRB and NRAs, the SRB maintains an LSI Early Warning System with information on LSIs facing signs of financial deterioration. This tool allows the SRB to closely monitor and prepare for the timely assessment of possible draft crisis measures. To this end, in 2018, the SRB and NRAs intensified their cooperation aiming at ensuring timely updates and high-quality information.

In 2018, the SRB hosted a LSI workshop with NRAs to discuss and share common best practices on LSI resolution planning and crisis management, as well as to ensure their coherent application in a transparent manner.

The fully deployed Resolution Platform for Information Management System (IMAS) facilitated the notification process of LSI resolution planning and crisis management decisions in this regard.

<sup>(7)</sup> Except for cross-border LSIs, which, provided by Article 7(2)(b) SRMR, are entities under the SRB's direct remit.

**Table 3.** Breakdown of the draft resolution measures notified in 2018  
(from 1 January to 31 December 2018)

Member State	Resolution Planning		Crisis Management
	Resolution plans	<i>Of which providing MREL setting (binding or indicative*)</i>	Decisions to place an entity into liquidation
BE	13	13	
DE	603	601	1
EE	2	2	
IE	9	9	
EL	4	4	
ES	19	19	
FR	28	28	
IT	24	-	1
CY	-	-	
LV	4	-	
LT	2	2	
LU	26	26	
MT	4	1	1
NL	19	19	
AT	416	416	
PT	5	1	
SI	5	5	
SK	1	1	
FI	5	5	
<b>Total</b>	<b>1,189</b>	<b>1,152</b>	<b>3</b>

\* Indicative MREL targets are not to be considered as formal decisions adopted by NRAs

## 2. RESOLUTION FRAMEWORK

One of the SRB's key priorities is to achieve a strong resolution framework. Therefore, the SRB is eager to contribute to this mission in a twofold manner: first, by continuous cyclical improvements of the resolution planning and the plans themselves, and second by cooperating and exchanging closely with EU bodies, national authorities and key international players in resolution matters. The quality of operationalisation and the consistency of resolution plans and of potential resolution actions are underpinned by the continuous development of new SRB policies that serve as guidance for the IRTs.



### 2.1. Tools and policies

#### MAIN ACHIEVEMENTS IN 2018

##### 1. RESOLUTION PLANNING MANUAL

The year of 2018 saw the continuous development of new SRB policies that serve as guidance for the IRTs in the planning and execution phases of the operationalisation of resolution tools, with particular reference to the work on the choice of tools. The work undertaken focused on the resolvability assessment and on further developing the policy for the determination of MREL. All these policies will feed into a revised version of the SRB resolution planning manual. In addition, the SRB will publish a document setting out what is expected from banks in order to be considered resolvable on the basis of the SRB policies.

### BOX 1. POLICIES ADOPTED IN 2018

In 2018 the SRB adopted resolution policies in the following areas:

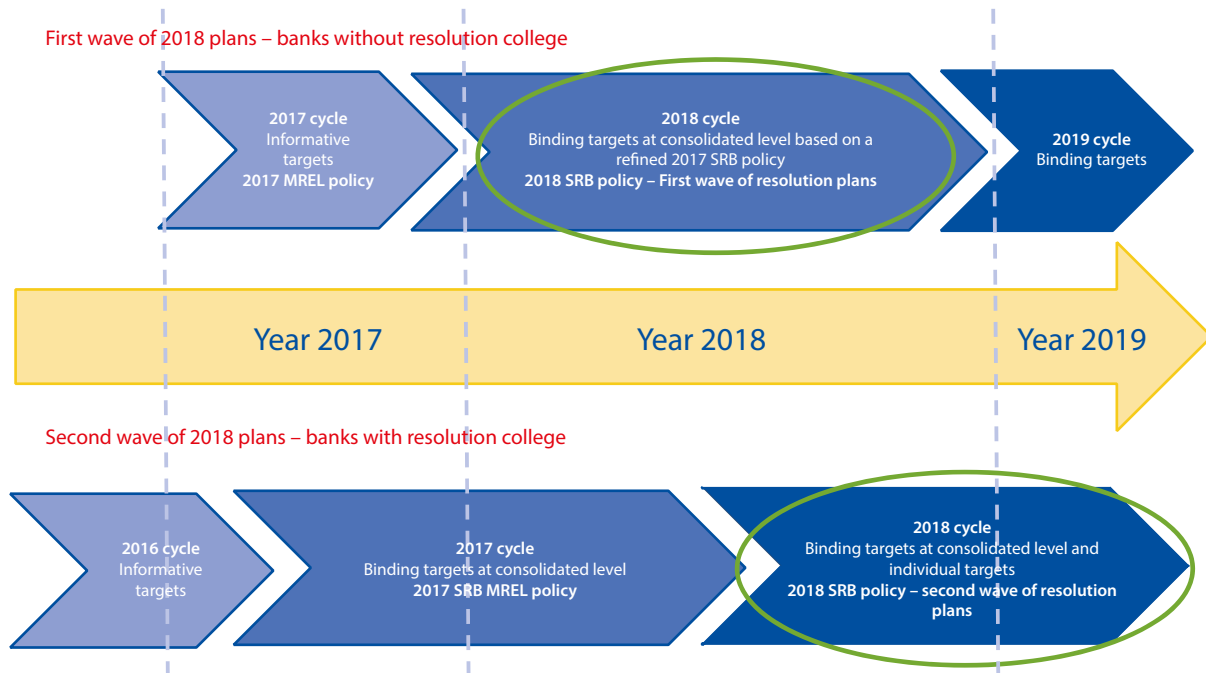
- Access to FMI
- Asset separation tool
- Bail-in tool
- Choice of resolution tools
- Critical Functions
- Failing or likely to fail
- MREL for the first wave of resolution plans, including transfer strategies
- MREL 2018 for second wave of resolution plans
- Public Interest Assessment
- Recovery plan assessment
- Resolvability Assessment
- Sale of Business tool
- Simplified Obligations

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

### (a) General provisions

MREL corresponds to the minimum requirement of own funds and eligible liabilities. The international standard of total loss-absorbing capacity (TLAC) developed by the Financial Stability Board (FSB) pursues the same objective. The TLAC standard needs to be met with subordinated instruments in principle. However, the TLAC standard only covers G-SIBs while MREL applies to all institutions within the EU as laid down in Directive 2014/59/EU.

The SRB foresaw a transitional two-step approach to the MREL-setting process for the 2018 planning cycle. In particular, considering the need to address the specificities of the most complex groups with more detail, the SRB split the cycle for resolution planning into two waves. The first started in January 2018 to allow for the banks that did not have binding targets in 2017 to be addressed first - based on an MREL policy largely following the 2017 approach. For the more complex banks, an enhanced policy on MREL was developed.

**Figure 2.** MREL policy road map**(b) Development of 2018 policies**

The SRB published two policy statements on MREL: a first one on 20 November 2018 setting requirements for the first wave of banks and building upon previous policy stances applicable in 2017 with the introduction of bank-specific adjustments related to the use of resolution strategy not relying primarily on the bail-in tool; and a second one on 19 January 2019 revising the policy applicable for the second wave of banks with increased subordination requirements, new provisions related to the location of MREL issuances and the introduction of binding decisions at individual level. These key elements aim to improve banks' resolvability.

The 2018 policies, both first and second wave, cater for all resolution tools. When the strategy relies primarily on a transfer tool (sale of business – share or asset deal, bridge institution and/or asset separation), the SRB will adjust the recapitalisation amount by applying a scaling factor as a proxy to reflect the change in recapitalisation needs, in particular due to assets which would be transferred and/or liquidated under normal insolvency proceedings. This approach is an interim step towards a more tailored approach. The SRB intends to refine its policy on MREL for transfer strategies in order to reflect the perimeter of assets and liabilities likely to be transferred or sold in a resolution scenario and the different uses and combinations of tools.

Progressing from the consolidated approach counting all liabilities issued from entities of the same resolution group in the 2017 policy, for the more complex banks a point-of-entry approach now applies for liabilities other than own funds instruments. Only liabilities issued directly by the resolution entity will be considered eligible to meet consolidated targets on the ground that resolution tools will be applied only to this entity as the point of entry for the resolution strategy.

As regards subordination requirements, in 2018 the SRB moved for the more complex banks from informative benchmarks towards binding minimum subordination requirements at increased levels in order to improve resolvability by contributing to address no-creditor-worse-off (NCWO) risk and to support banks in effectively planning their funding needs; for less complex banks informative targets still apply.

With a view to ensuring a sufficient amount of loss absorbing capacity in all parts of the resolution group, for the more complex banks in 2019 the SRB will start issuing binding targets at the individual or sub-consolidated level to subsidiaries of banking groups, prioritising the most relevant entities. Calibration of individual targets generally follows the methodology for consolidated targets, taking into account the applicability of individual components of prudential requirements of the default formula (pillar-2 requirements, buffer components) at individual level, as well as specificities in subsequent adjustments.

## 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 timely on an ad hoc basis and in a standardised format. In order 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 financial market infrastructure (FMI) template, which expand the standard reporting templates envisaged by the EBA.

### MAIN ACHIEVEMENTS IN 2018

#### 1. LIABILITY DATA TEMPLATE

The SRB continued improving on the efficiency of its liability data collection process, in line with the 2018 work plan. Two essential outcomes of this were the initiation of a collaboration with the EBA aiming to harmonise resolution reporting, and the announcement of exclusive XBRL reporting to the SRB as of 2019.

Concerning the collaboration with the EBA, the aim was to reduce the reporting burden of banks by formulating a single data request where similarities existed between the resolution reports implementing technical standards being developed by the EBA and the existing SRB resolution reports (Liability Data Report (LDR), critical functions, FMI). As a result of this exercise, the minimum requirements of four out of 15 ITS reports were incorporated into the SRB reports, which represents a reduction of four reports to be created by banks for the SRB as of the 2019 data collection. The collaborative effort also resulted in the decision to apply a sequential approach to reporting for banks under the SRB remit: from banks — to NRAs — to the SRB — to the EBA. This simplifies data collection and transmission for NRAs as the SRB will be responsible for communicating resolution reports to the EBA.

Regarding the data reporting format, the SRB announced in 2018 that as of 2019 the LDR would be reported exclusively in XBRL format by NRAs and as of 2020 by banks. The main advantages of this evolution are that they encourage banks to automate their reporting processes, increase the banks' and NRAs' capacity to increase data reporting frequency as needed and automate data checks, and in doing so improve overall data quality for MREL calibration and resolution planning. On the SRB side, the ICT developments are well under way to enable these changes as of the 2019 data collection cycle. Communication on these changes is ensured through the various committees and networks in which NRAs are convened as well as via publications on the SRB website.

## 2. CRITICAL FUNCTIONS TEMPLATE

Resolution authorities need up-to-date information on whether institutions are providing critical functions. If 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.

In 2018, the SRB collected the self-assessments of critical functions of the banks under its remit via the critical functions report. The SRB and NRAs reviewed the reports 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, for example, authorities' assessments as to whether it might be appropriate to put the banks in resolution if they were to fail.

The SRB critical functions report is aligned with the definitions of the Commission Implementing Regulation (EU) 2018/1624 of 23 October 2018 (the CIR) and fully incorporates the reporting requirements under the CIR. As a consequence in 2019 institutions only need to submit the SRB critical functions report, whilst the respective CIR template will be automatically populated (see SRB webpage<sup>(9)</sup> and guidance note for banks for further details). The content of the template did not materially change since last year; any modifications were mostly driven by the need to align with the CIR. The EBA will integrate the additional data points required by the SRB in its data point model 2.9, which was published in May 2019.

## 3. FINANCIAL MARKET INFRASTRUCTURE TEMPLATE

Whenever an institution fails, resolution authorities need to have comprehensive information on the FMI service providers (FMIs 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 FMI report. This template builds upon the relevant CIR template. As a consequence, in 2019 institutions only need to submit the SRB FMI report, whilst the respective CIR template will be automatically populated (see SRB webpage and Guidance on the FMI report for banks for further details).

The template is used to collect data in Excel format and to prepare the relevant chapters in the strategic business analysis of resolution plans. Compared to 2017, some qualitative fields (e.g. on membership requirements, substitutability or consequences of resolution) were removed from the template, with the understanding that banks would be asked to provide such information through more appropriate means, whilst one data point, on central counterparty (CCP) default fund contributions, was added. The EBA will integrate the additional data points required by the SRB in its data point model 2.9 as well.

<sup>(9)</sup> <https://srb.europa.eu/en/content/critical-functions-report>

## 2.3. Interactions with banks

While the SRB is making continuous progress with resolution planning activities, it is first and foremost up to the banks themselves to become resolvable and build up their MREL. The SRB continued to interact closely with the industry and stakeholders, in order to give information on and discuss adopted policies and planned initiatives, in order to ensure that banks are aware and can take appropriate measures in time.

### MAIN ACHIEVEMENTS IN 2018:

#### 1. WORKSHOPS WITH BANKS

Workshops with banks are an occasion both for the IRTs to gather more information from the banks and for the banks to better understand the resolution planning process and to ask relevant questions to the IRTs. The banks are given an opportunity to positively influence the planning process and to better comprehend the expectations of the resolution authority. The workshops cover various subjects, including the identification of critical functions or discussions on the time needed for closing the gap with regard to MRELS. The number of workshops per bank may differ, depending on the particular needs, but usually at least one workshop is organised for each cycle.

#### 2. RIGHT TO BE HEARD PROCESS

To increase transparency and to make sure all the banks have had a possibility to comment on the applicable MREL decisions, the SRB introduced the right to be heard process for the 2018 resolution cycle. Before any final decision is made, every bank can express its stance on the proposed requirement, which is an additional step to all the earlier interactions between the IRTs and the entities and provides an improved possibility for the banks to anticipate binding decisions and prepare themselves in advance.

#### 3. INDUSTRY DIALOGUE

The SRB continued to work closely with the industry in 2018. In addition to bilateral meetings and workshops with banks, the SRB organised a boardroom meeting with the European Banking Federation on 12 June 2018, and its seventh industry dialogue on 10 December 2018, which brought together representatives from EU-level and national banking federations and their associates from Banking Union Member States, representatives from NRAs, the European Commission, European Parliament and the ECB. On this occasion the SRB presented the components of the 2018 MREL policy and the SRB approach to the resolvability assessment.

#### 4. BREXIT

In order to ensure resolvability of all banks in anticipation of the United Kingdom leaving the EU, the SRB in November 2018 published a position paper<sup>(9)</sup>, in which it clearly expressed its expectations towards Banking Union banks, which are either banks with significant activities in third countries or Banking Union subsidiaries of third country banking groups. to meet a specific set of resolvability conditions. These concrete expectations focused on six main areas: MREL eligibility, internal loss absorbency, operational continuity, access to FIMs, governance and

<sup>(9)</sup> [https://srb.europa.eu/sites/srbsite/files/brexit\\_position\\_paper.pdf](https://srb.europa.eu/sites/srbsite/files/brexit_position_paper.pdf)



management information systems. At the same time the SRB has cooperated closely with the ECB, with a special focus on banks relocating their activities into the Banking Union.

## 2.4. Financial Stability Analysis

The public interest assessment is an important element when deciding whether it is in the public interest and whether resolution is a preferred outcome as compared to liquidating the institution under normal insolvency proceedings. The impact on financial stability is one of the factors, which has to be considered in the public interest assessment. Therefore, a dedicated horizontal unit further advanced its work on this important topic.

### MAIN ACHIEVEMENTS IN 2018

#### 1. UNDERSTANDING AND EVALUATING RISKS

In the course of 2018, the SRB strengthened its approach to the assessment of the financial stability in resolution and in resolution planning phase as well as its approach to monitoring risks and vulnerabilities in the banking and financial sectors relevant from a resolution perspective. In line with the legislation, the financial stability assessment looks at the systemic relevance of an institution, its potential for direct and indirect contagion as well as its impact on the real economy. Discussions on further topics related to financial stability have been initiated in the course of 2018. Moreover, in order to also support data-driven financial stability analysis, a dedicated data management function has been established within the SRB.

#### 2. FINANCIAL STABILITY EXPERT NETWORK

The SRB also strengthened its regular dialogue on financial stability issues within the SRM. A dedicated financial stability expert network was set up in 2018, with the aim of joining forces across the SRM for developing the tools and methods for financial stability assessment in resolution. The network consists of financial stability experts from the NRAs as well as European bodies, such as the ECB and the Commission.

## 2.5. Cooperation with national authorities, European institutions and non-European Union authorities

In 2018, the SRB also continued its cooperation with relevant stakeholders such as the European institutions, national authorities from Banking Union Member States and from Member States outside the Banking Union and non-EU countries and authorities 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 ability to add its perspective on international debates.

## MAIN DEVELOPMENTS IN 2018

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

On 17 December 2018, the SRB in its Plenary Session adopted an amended 'Framework for the practical arrangements for the cooperation within the single resolution mechanism between the Single Resolution Board and national resolution authorities' (cooperation framework). The decision was adopted on the basis of Articles 31(1) and 50(1)(q) SRMR and entered into force on the day of its adoption.

The cooperation framework further develops and specifies the cooperation between the SRB and the NRAs, including relevant procedures, thereby ensuring the effective and consistent functioning of the SRM. Among the main amendments in comparison to the 2016 text are the following:

- ▶ clarification on the language arrangements between the SRB and NRAs;
- ▶ clarification of the process for the adoption of guidelines and general instructions as well as the introduction of a specific provision on guidance notes for IRTs; and
- ▶ confirmation of IRTs as the single points of contact for the respective entities and groups under the SRB's remit.

The cooperation framework is published on the SRB website <sup>(10)</sup>.

<sup>(10)</sup> [https://srb.europa.eu/sites/srbsite/files/decision\\_of\\_the\\_srb\\_on\\_cofra.pdf](https://srb.europa.eu/sites/srbsite/files/decision_of_the_srb_on_cofra.pdf)

## 2. COOPERATION WITH THE EUROPEAN INSTITUTIONS AND AGENCIES

### (a) European Parliament

In line with the SRB's obligation regarding public accountability, the SRB chair attended three public hearings in the European Parliament during 2018. The chair presented the Annual Report 2017 during a public hearing of the ECON Committee on 11 July, and the SRB work programme for 2019 in a public hearing on 10 December. The SRB continued its close contact and exchange with the Members of the European Parliament and the secretariat of the ECON Committee on all matters related to its mandate and replied to parliamentary questions in a timely and comprehensive manner. The SRB continued to closely monitor the legislative process and committee meetings on relevant legislative files, particularly the adoption of the risk reduction package.

In its annual reports on the Banking Union 2017 and 2018, the European Parliament called inter alia for cooperation and an exchange of information between supervisory and resolution authorities (the SRB and ECB had concluded a memorandum of understanding (MoU) on 30 May 2018; for details see Section 2.5.2(d). Additional calls for action included the publication of information on litigation, access for the European Parliament to key documents reporting resolution decisions and access to documents (regarding public and informal in camera hearings see above; for access to documents see Section 6 and Annex 2). In a letter <sup>(1)</sup> to Member of the European Parliament Giegold, the SRB pointed out the obstacles to resolvability encountered in national or European legislation as called upon by the Banking Union Annual Report. Further topics included increased recruitment efforts (more details in Section 5.3) and *ex ante* contributions to the SRF (more details in Section 4.1).



### (b) European Commission

In 2018, the SRB continued its close cooperation with the relevant directorates-general of the Commission, in particular with the Directorate-General for Financial Stability, Financial Services and Capital Markets Union and the Directorate-General for Competition, at all levels on various aspects which are relevant to the SRB's work and functions. Equally, the Commission attended as an observer the SRB's plenary and executive sessions and the meetings of the internal committees of the SRB. In the context of this continuous exchange the SRB aimed to provide expertise and technical support in order to facilitate the compromise-finding process of the risk reduction package and in advancing the legislative work on deposit insurance. Technical discussions on the MoU to formalise the mutual interaction between the Commission and the SRB were finalised in December 2018. The formal adoption of the MoU is envisaged for 2019.



### (c) Council of the European Union

Similarly, the SRB maintained its close ties and cooperation with the Council in many areas and held regular exchanges with the Bulgarian and Austrian 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 TLAC standard, the strengthening of the resolvability framework and deposit insurance. Moreover, the SRB provided technical support and presentations on these topics during the meetings of the ad hoc working party on the European deposit insurance scheme (EDIS), of which it is a permanent member, and to the Council Working Party on Financial Services when invited. Furthermore,



<sup>(1)</sup> [https://srb.europa.eu/sites/srbsite/files/20171121\\_srb\\_response\\_mep\\_giegold.pdf](https://srb.europa.eu/sites/srbsite/files/20171121_srb_response_mep_giegold.pdf)

in 2018 the SRB continued to provide technical expertise in order to support the negotiations about the introduction of a Common Backstop to the SRF in the context of the Task Force on Coordinated Action (TFCA).

#### **(d) European Central Bank**

In 2018, the SRB continued its close cooperation and exchange of information with the ECB and the Single Supervisory Mechanism (SSM) at all levels both on operational and policy issues during the year in line with the appropriate regulations and MoU. In 2018 the revision of the latter took place, with the enhanced MoU signed and published on the website on 6 June 2018. The main aim was to widen the information exchange, which corresponded to a key recommendation in the ECA's special report of 2017. The 2018 MoU revision addressed the lessons learnt in the exchange of information since the signing of the MoU in 2015, including information exchange in crisis cases. The scope of automatic information exchange between the SRB and the ECB has been broadened for the preparatory phase as well as for crisis management and resolution purposes. 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.



#### **(e) European Banking Authority**

In 2018, the SRB cooperated closely with the EBA with a strong focus on the functioning of the resolution colleges and the application of the BRRD framework. Among others, the SRB contributed to the work on the valuation handbook and the report on the functioning of the resolution colleges. Moreover, the SRB also followed-up on other relevant resolution topics, such as the guidelines on outsourcing or on the retail holdings of debt that can be bailed in.



In the EBA's Resolution Committee the SRB played a key role. The Committee is chaired by a full-time SRB board member, who also attends the EBA Board of Supervisors meetings as an observer. The SRB, in line with the regulatory framework, reported to the EBA the first set of binding MREL decisions. It also cooperated as regards the banks' reporting for resolution planning purposes. Much effort has been made to align the reporting frameworks in order to increase efficiency and to ease the burden on banks.

### **3. COOPERATION WITH NON-EUROPEAN UNION AUTHORITIES**

#### **(a) Bilateral resolution cooperation arrangements**

In 2018, the SRB concluded four bilateral cooperation arrangements — with the Central Bank of Brazil (19 July 2018), the National Bank of Serbia (25 July 2018), the Bank of Albania (3 October 2018) and Mexico's Institute for the Protection of Bank Savings (4 October 2018). They add to the two cooperation arrangements already concluded in 2017 with the US Federal Deposit Insurance Corporation and the Canada Deposit Insurance Corporation. Negotiations continued with the Australian Prudential Regulation Authority, the Hong Kong Monetary Authority, Japan's Financial Services Authority and the Swiss Financial Market Supervisory Authority with the objective of concluding the bilateral arrangements in 2019. 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.

### **(b) Cooperation agreements for crisis management groups on global systemically important banks for which the Single Resolution Board is the home authority**

The signatories of these cooperation agreements for CMGs 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 US Securities and Exchange Commission, the Mexican Institute for the Protection of Bank Savings, Bank of Mexico, Mexico's Securities Commission and the Central Bank of Brazil. In 2018, the SRB finalised the extensive negotiations with the signatories and opened the accession procedure for them.

In addition, for the CMGs in which the SRB is the host authority, in 2018, the SRB acceded to cooperation agreements for CMGs on UK G-SIBs hosted by the Bank of England, as well as to a cooperation arrangement for a CMG on a French CCP clearing house. Moreover, the SRB conducted negotiations on the accession to the cooperation agreements on CMGs hosted by the Canadian, Swiss and US resolution authorities with the objective of finalisation in 2019.

### **(c) Assessment of the professional secrecy and confidentiality regimes of non-European Union 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 therefore adopted opinions on the equivalence of the professional secrecy and confidentiality regimes of the Bank of Albania, the Australian Prudential Regulation Authority, the Central Bank of Brazil, Canada's Office of the Superintendent of Financial Institutions, Mexico's Institute for the Protection of Bank Savings, the National Bank of Serbia, the Monetary Authority of Singapore, the Swiss Financial Market Supervisory Authority, US Office of the Comptroller of the Currency and the Commonwealth of Massachusetts Division of Banks. In total, the number of SRB opinions on the confidentiality equivalence increased to 15. Moreover, assessments of 10 further authorities were launched and will be finalised and progressively adopted in 2019.

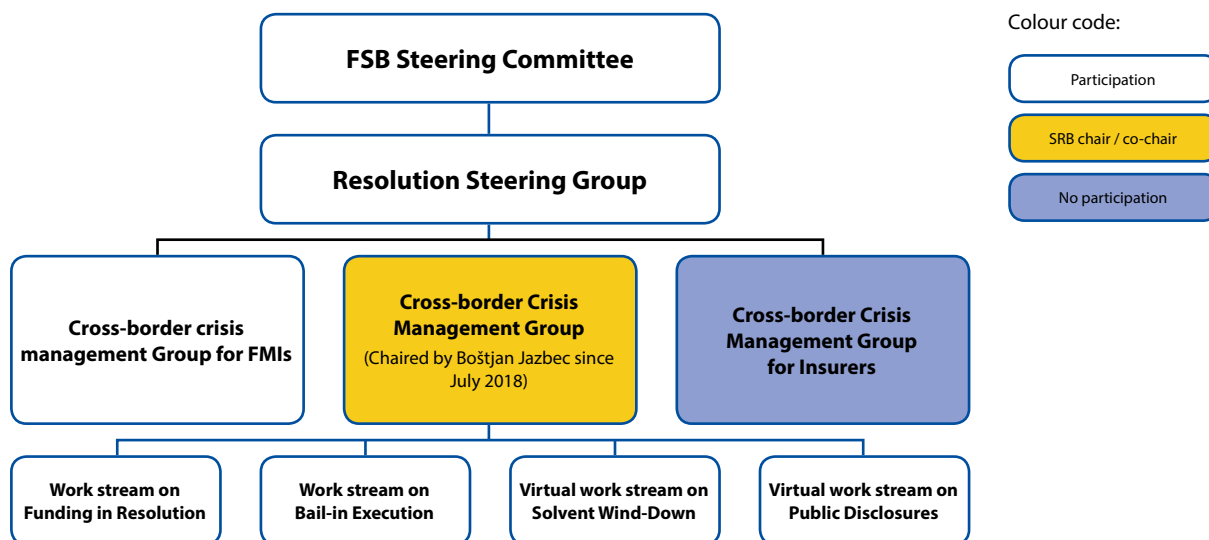
## 2.6. International relations

The FSB and other intergovernmental organisations play an important role in promoting convergence and providing advice and guidance 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 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 2018**

#### **1. FINANCIAL STABILITY BOARD**

The Resolution Steering Group is the encompassing committee that addresses resolution matters within the FSB. In addition to the Resolution Steering Group, the SRB engaged in all the relevant resolution-related groups and work streams of the FSB, particularly in the Cross-Border Crisis Management Group for banks, chaired by a board member of the SRB since July 2018, and in the Cross-Border Crisis Management Group focusing on issues of relevance for financial market infrastructures. Figure 3 provides an overview of the main FSB committees that are relevant to the SRB's activities.

**Table 3.** FSB committees, groups and work streams in the domain of resolution

As regards the bank resolution framework of the FSB, the SRB supported the FSB in its efforts to further operationalise its key elements, notably contributing to the development of guidance documents on bail-in execution<sup>(12)</sup> and on funding strategy elements of an implementable resolution plan<sup>(13)</sup>, both published in June 2018. Within the Cross-Border Crisis Management Group, the SRB has contributed to further work on public disclosures on resolution planning and resolvability, and on the solvent wind-down of the derivative and trading book activity, which are subject to public consultation in 2019. In addition, the SRB, together with the Commission and the NRAs, has provided feedback regarding the implementation of the TLAC standard, which will be published ahead of the 2019 G20 summit. Moreover, the SRB contributed to the FSB's third thematic peer review on resolution regimes, which examines the implementation of requirements for resolution planning and resolvability assessments in FSB jurisdictions and the steps taken by authorities and firms to develop and maintain credible and robust resolution plans. Finally, in the context of the FSB's yearly resolvability assessment process in 2018 the SRB submitted individual letters for the G-SIBs under its remit, presenting the progress made and the remaining challenges towards enhancing resolvability.

## 2. INTERNATIONAL MONETARY FUND (IMF)

The main focus of the SRB cooperation with the International Monetary Fund (IMF) in 2018 was related to the euro-area financial sector assessment programme, which started in late 2017. Together with the Commission and the ECB, the SRB, as the resolution authority for the euro area, was deeply involved in this exercise during the first half of 2018. During this period, the SRB provided the IMF with detailed information regarding the specificities of the functioning of the SRM, the resolution planning process for significant institutions and overall progress in developing respective guidance and methodologies in the area of resolution. Some NRAs were also involved in this exercise by providing information on national specificities or recent crisis management experience. The IMF euro-area financial sector assessment programme was finalised with the publication of the financial system stability assessment for the euro area on 19 July 2018.

<sup>(12)</sup> See FSB, *Principles on Bail-in Execution*, 2018 (<http://www.fsb.org/wp-content/uploads/P210618-1.pdf>)

<sup>(13)</sup> See FSB, *Funding Strategy Elements of an Implementable Resolution Plan*, 2018 (<http://www.fsb.org/wp-content/uploads/P210618-3.pdf>)

## 2.7. Regulatory activity/legislative process of relevant files

In 2018, 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 2018

#### 1. RISK REDUCTION PACKAGE

Throughout 2018, the SRB engaged extensively with EU legislators in the so-called banking package. The package entailed the legislative review of BRRD, SRMR, and the Capital Requirements Regulation and Directive, with the aim of, among others, implementing TLAC and Basel III standards in the EU legislative framework. In line with ECA recommendation No 6 of 2017 ECA report No 23, the SRB strove to convey to legislators the experience and expertise acquired while implementing the existing legal framework for resolution and resolution planning. Upon legislators' requests, the SRB produced presentations on specific topics, as well as quantitative estimates, and invested dedicated resources to provide analyses and an array of feedback to the Parliament, Commission, or different Council formations. Legislators reached a political agreement on the banking package in December 2018. In a forward-looking manner, the SRB closely followed the finalisation of the rules and kicked off the preparation for their future entry into force and application.

#### 2. FINANCIAL MARKET INFRASTRUCTURE RESOLUTION

In 2018, the SRB continued its engagement with those involved from the EU and internationally 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 in November 2018 published a discussion paper on the financial resources to support CCP resolution and the treatment of CCP equity, and among other European and international partners. The SRB has consistently stressed the importance of establishing a resolution framework for CCPs, particularly in view of the interconnectedness of many banks under the SRB's remit with CCPs. The SRB will closely monitor the progress 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 with the aim of establishing an increasingly centralised deposit guarantee system for all members of the euro area and completing the third pillar of the Banking Union also continued at technical level in the European institutions in 2018. The SRB considers the implementation of the third pillar a prerequisite to completing the Banking Union and contributed to these technical debates by providing detailed comments on the overall design of EDIS, the use of alternative measures and the characteristics of potential alternative designs of EDIS. Also in the context of the new High-Level Working Group on EDIS, created by Eurogroup members in December 2018, the SRB will strive to provide technical expertise and to support the progress on this important project.

#### 4. SRF BACKSTOP PROVISIONS

In order to fulfil its legal mandate in the event of a resolution requiring access to the SRF, it is essential for the SRF to have sufficient financial means at its disposal at all times. While the funding level of the SRF continued to further build up in 2018 through *ex ante* contributions and loan facility agreements (LFAs) have been already enacted, a common backstop could provide an effective remedy as a last resort to implement the resolution strategy at all times and thus further support financial stability.

Throughout 2018, the SRB continued its close cooperation with regulatory bodies and Member States in the context of the TFCA, which led eventually to a political agreement on the introduction of a common backstop during the Economic and Financial Affairs Council on 4 December 2018. This important agreement requires still further clarification on the operationalisation of the terms of reference governing decision-making and conditionality in case the common backstop is activated.

This entails even closer future cooperation and exchange with the ESM in order to avoid any duplication of roles when activating the common backstop and to allow for a fast decision-making during a resolution.



## 3. CRISIS MANAGEMENT

One of the SRB's core tasks is to be prepared in case of a crisis. Therefore, the SRB continued its work on crisis preparedness in 2018, conducted a valuation project and executed dry runs. In addition, the SRB took a negative resolution decision regarding ABLV Bank, AS and ABLV Bank Luxembourg S.A. Furthermore, the SRB continued to process the aftermath of the resolution of Banco Popular Español S.A. (BPE).

### 3.1. Resolution decision and negative decisions

#### MAIN DEVELOPMENTS IN 2018

##### 1. ABLV BANK, AS AND ABLV BANK LUXEMBOURG S.A.

On 23 February 2018, following the decision by the ECB to declare ABLV Bank, AS and its subsidiary ABLV Bank Luxembourg S.A. as 'failing or likely to fail', the SRB decided that resolution action was not warranted for these banks.

The SRB concurred with the ECB's assessment and concluded that there were no available supervisory or private sector measures which could prevent the failure of the banks. Upon careful consideration of whether resolution action was necessary and proportionate to safeguard the objectives set out in the EU resolution framework, the SRB concluded that for these two banks resolution action was not in the public interest. In particular, neither of these banks provided critical functions, and their failure was not expected to have a significant adverse impact on financial stability in the Member States.

The SRB communicated both decisions to the Financial and Capital Markets Commission and the Commission de Surveillance du Secteur Financier with the failures to be handled under the laws of Latvia and Luxembourg, respectively.

##### 2. BANCO POPULAR – FOLLOW UP

The SRB adopted its first resolution decision on 7 June 2017. The decision concerned BPE, the parent institution of the Banco Popular Group<sup>(14)</sup>. As a result of the entry into force of the resolution scheme, the shares in BPE, including the entire business of Banco Popular Group, were transferred to the Santander Group with immediate effect, after the power to write down and convert the capital instruments of BPE was exercised.

Following the implementation of the resolution scheme, which ensured the continuation of critical functions provided by the Banco Popular Group, preserved financial stability and avoided recourse to public funds, the SRB initiated the process legally required to conduct a valuation determining whether the shareholders and creditors affected by the resolution of Banco Popular

<sup>(14)</sup> <https://srb.europa.eu/en/node/315>

(affected shareholders and creditors) would have received better treatment if Banco Popular had entered into normal insolvency proceedings (Valuation 3). The outcome of this valuation is intended to inform the decision of the SRB as to whether compensation to the affected shareholders and creditors is required.

On 2 August 2018, following the submission of the Valuation 3 report from Deloitte, the SRB preliminarily decided that compensation was not required since there was no difference between the actual treatment of affected shareholders and creditors and the treatment that they would have received had the institution been subject to normal insolvency proceedings on the date of the resolution action. In addition, pursuant to Article 41(2)(a) of the Charter of Fundamental Rights of the European Union, the SRB launched the 'right to be heard' process. During this process, the affected shareholders and creditors fulfilling certain formal requirements were able to submit comments, which will eventually inform the final decision of the SRB as to whether compensation needs to be granted.<sup>(15)</sup>

In light of the high number of affected shareholders and creditors <sup>(16)</sup>, the SRB has allocated significant resources to ensure a smooth and efficient process. Around 12 000 individual parties initially registered to participate in the 'right to be heard' process. The window for those affected shareholders and creditors who were considered eligible to complete and send written comments closed on 26 November 2018. The SRB is currently reviewing and analysing the comments submitted.

With regard to requests for access to documents concerning the resolution of BPE, the SRB has continued publishing documents in the public register of documents in accordance with EU laws on transparency.<sup>(17)</sup>

In 2018, litigation related to the resolution of BPE continued before the EU courts. Additional information can be found in Section 5.4.1.

## 3.2. Projects to strengthen crisis preparedness

In order to enhance preparation for future crisis events and resolution action and to ensure orderly and timely resolvability with suitable tools, the SRB is continuously striving to improve its crisis management toolkit. A number of projects and exercises have been initiated, taking into account feedback from NRAs and other stakeholders as well as lessons learnt from previous crisis situations. These initiatives include the 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 2018

#### 1. CRISIS READINESS PROJECT

In 2018 the work of the crisis readiness project focused mainly on the implementation of a road map with recommendations to foster a common and consistent approach to crisis management. These measures for an efficient crisis management process relate to the setting up of an RTT, the development of handbooks and standardised templates and procedures, the organisation of

<sup>(15)</sup> Article 76(1)(e) SRMR.

<sup>(16)</sup> The number of affected shareholders and creditors is not exactly known, but is estimated to be around 300 000.

<sup>(17)</sup> Information on cases and decisions adopted by the appeal panel concerning BPE can be found in Chapter 6.

training programmes and the development of an ICT system to cope with crisis cases in a more efficient manner.

After the successful implementation of the road map in 2018, in 2019 the RTT will become a permanent team in order to build on the undertaken work and in particular to perform interinstitutional dry-run exercises to test processes and interactions with other institutions

## 2. VALUATION PROJECT

The objective of the framework for valuation, finalised in 2018 and published in February 2019, is to provide independent valuers and the general public with an indication of the SRB's expectations regarding the principles and methodologies for valuation reports as set out in the legal framework. This refers to the so-called Valuation 2 — either provisional or definitive, as the case may require — as well as Valuation 3.

The framework for valuation aims at reducing uncertainty for both the independent valuers and the SRB, providing indications that are necessary for achieving the goals of the valuation, and subsequently enhancing the comparability and consistency of valuations across future resolution cases. The framework describes the characteristics of valuation in resolution. It describes what is expected of the valuer, the characteristics of the valuation report, including explanations of certain assumptions or deviations thereof, and the relationship between the implementation of resolution tools and the characteristics of the valuation.

The SRB also considers this document useful for the banks under its remit. The ability of banks' management information systems to provide accurate and timely information in the context of resolution preparedness is crucial for the reliability and robustness of valuations. The availability of data in an accessible format and the reliability of the data are fundamental prerequisites for the performance of valuation work. Even though the SRB does not intend this document to develop or define a framework for information requirements, it does expect it to provide an indication of the information that the valuer may need to conduct valuations.

The European Banking Authority (EBA) and the SRB continue to make progress together to define expectations towards the provision of accurate and timely information for valuation. The SRB is committed not to impose unnecessary regulatory burden on supervised entities and shall avoid duplicating existing reporting requirements. As far as possible, the data request relies on already existing reported information.

## 3. DRY RUNS

### **(a) Cross-border resolution of global systemically important banks (2018 Trilateral Exercise)**

In 2018, the SRB enhanced its cooperation on a trilateral basis, being part of a trilateral collaboration project that started in 2015, with resolution and supervisory authorities from the USA, the UK and the Banking Union (the SRB, the Commission and the ECB), and the UK and US treasuries. As a follow-up to the top-level cross-border resolution exercise conducted in October 2016 among these three jurisdictions, the 2018 work programme committed to explore further technical details on the operationalisation of the US, UK and Banking Union frameworks and the coordination of international authorities in the area of cross-border resolution.

In line with the ongoing will to strengthen crisis readiness, trilateral work will continue in 2019 to enhance preparedness for a G-SIB resolution.

**(b) Inter-institutional dry-run**

In November 2018, the SRB organised its second crisis simulation exercise (dry run), based on a simplified, one-bank failure scenario, involving participants from the SRB, the Commission (Directorate-General for Competition and Directorate-General for Financial Stability, Financial Services and Capital Markets Union), the ECB and the French NRA at technical level.

The objective of the exercise was to test the deliverables of the RTT project (documents, processes and simulation tools) before the finalisation of the second phase of the crisis readiness project.

The exercise proved useful in identifying areas for improvement in documents and templates, as well as in providing input for future training exercises and organisational aspects to develop the fully-fledged institutional dry-run expected to take place at the end of 2019.

## 4. THE SINGLE RESOLUTION FUND

### 4.1. Contributions

Credit institutions and certain investment firms in the 19 participating Member States of the Banking Union contribute to the SRF. The SRF will be gradually built up during a transitional period of eight years (2016–2023) and is to reach at least 1% of the amount of covered deposits of all credit institutions authorised in all of the participating Member States at the end of this period.

In June 2018, the NRAs transferred to the SRF EUR 7.5 bn of 2018 *ex ante* contributions, calculated under the SRMR by the SRB (including the irrevocable payment commitments (IPCs)). After the collection of the 2018 *ex ante* contributions, the amounts held in SRF totalled EUR 24.9 bn.



## MAIN ACHIEVEMENTS IN 2018

### 1. DATA REPORTING FORM

During the summer of 2018, the SRB worked in close collaboration with the NRAs in order to simplify and update the data reporting form for the 2019 *ex ante* contribution cycle. The variable 'share of interbank loans and deposits in the European Union' was included as a new risk indicator in the risk adjustment methodology.

### 2. DATA COLLECTION

Throughout 2018 the SRB continued to use the contribution collection system developed in 2017 and updated its validation rules and taxonomy in cooperation with the NRAs.

### 3. DATA VERIFICATION

Through thorough checks with NRAs, it was ensured at the moment of calculation that all data points which institutions were required to report, were available and checks were performed against the ECB supervisory data. In addition, the institutions belonging to the SSM supervised group needed to provide additional assurance on data that has 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.

### 4. CALCULATION OF CONTRIBUTIONS

In the working group on calculations NRAs, the Commission, the ECB, the EBA and the SRB have discussed the details related to the calculation process. An independent calculation by the Joint Research Centre of the Commission matched the results the SRB obtained using its own tools. Finally, the ECB, the national competent authorities and the NRAs were formally consulted on the final amount to be paid by the institutions.

### 5. COLLECTION OF CONTRIBUTIONS

As in 2017 and envisaged by the 2018 work programme, also in 2018 the SRB in close cooperation with the NRAs further enhanced the harmonisation of the process notifying the institutions of the contribution amounts by a generic master calculation decision which described the methodology used and by a harmonised annex explaining the individual calculation and the final amount for each institution.

### 6. EX POST DATA VERIFICATION

In 2018, an additional data verification exercise was launched in order to verify and improve the quality of data reported by the institutions. A selected sample of institutions was requested to provide additional information to the SRB. The analysis showed that the data quality was very high.

### 7. IRREVOCABLE PAYMENT COMMITMENTS POLICY

Pursuant to Article 8(3) of Council Implementing Regulation (EU) 2015/81, which limits the target to between 15% and 30% of the total amount of annual contributions raised, the share of IPCs for 2018 was defined at 15% with cash as collateral.

## 8. DEVELOPING THE PROCESS FOR RAISING *EX POST* CONTRIBUTIONS IF NEEDED

In close cooperation with the NRAs, the SRB started in 2018 to design a process regarding the collection of additional *ex-ante* contributions and *ex post* contributions, which will continue in 2019.

## 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 December 2018, amounts held in the SRF totalled EUR 24.9 bn, composed of the SRB portfolio (EUR 22.1 bn) and IPCs (EUR 2.8 bn). The SRB portfolio contains a strategic cash balance of EUR 13.0 bn and investments in securities mandates of EUR 9.0 bn. The amounts are invested in accordance with Commission Delegated Regulation (EU) 2016/451.

### MAIN ACHIEVEMENTS IN 2018

#### 1. THE OUTSOURCING OF INVESTMENT TASKS WAS SUCCESSFULLY COMPLETED

The SRB has decided to outsource its investment management activities to the maximum extent possible. Investment tasks may be outsourced only to bodies governed by public-law central banks in the European System of Central Banks, international institutions established under public international law or EU law institutions. In early 2018 a procedure was completed resulting in the selection of a custodian as well as a first portfolio management service provider.

#### 2. INVESTMENTS IN SECURITIES COMMENCED ON 8 MAY 2018, IMPLEMENTING THE 2018 INVESTMENT PLAN

A first instalment of EUR 4.5 bn was gradually invested in May. Following the receipt of the *ex ante* contributions in June, a second instalment of EUR 4.5 bn was transferred to the outsourcing partner and invested as of 2 July 2018. The remuneration on cash balances held with central banks in the European System of Central Banks was the ECB deposit facility rate (throughout 2018 –0.4 %). Investments in securities added a positive value to the financial return. The total return of the SRB portfolio for 2018 was –0.16 % after fees.

#### 3. A THREE-LINES OF DEFENCE RISK GOVERNANCE MODEL WAS IMPLEMENTED

In early 2018 the SRB adopted a risk governance framework based on the three lines of defence model. The Single Resolution Fund unit forms the first line of defence. Independent risk management, for which an investment risk manager was appointed, forms the second line of defence. The internal audit forms the third line of defence.

#### 4. ADOPTION OF THE REVIEWED INVESTMENT STRATEGY AND 2019 INVESTMENT PLAN

The investment strategy was revised and adopted in late 2018 in order to incorporate further liquidity risk indicators. As part of the 2019 investment plan a decision was taken to start investing in corporate bonds to enhance sectorial diversification as required by the delegated regulation.

## 4.3. Funding

The funding team is responsible for the operationalisation of the SRF, by ensuring the efficient use of available funding sources and potential alternative funding means, in case 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 resolution actions.

### MAIN ACHIEVEMENTS IN 2018

#### 1. OPERATIONALISATION OF THE USE OF THE SRF

In 2018, the funding team designed an action tracking procedure analysing all the steps that will ensure a feasible operationalisation of the SRF. It serves as a guide in order to increase the understanding of the tasks and duties that will be performed when using the fund in a resolution case. The SRB tested the key steps by performing a dry run of a resolution case with the use of the SRF.

#### 2. PUBLIC BRIDGE FINANCING ARRANGEMENT

As part of the monitoring of the LFAs, the SRB informed the Member States about the available funding capacity that each Member State has available in its respective compartment. This information enhances the Member States' preparedness for possible disbursements under the LFA.



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## 5. THE SINGLE RESOLUTION BOARD AS AN ORGANISATION

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The SRB continued to finalise its set up in order to fulfil its mandate and commitment to be a modern, competent and professional organisation and to support the core business activities.

### 5.1. Information and communications technology

The SRB's ICT function has two main objectives: firstly, to support the SRB as an organisation and secondly, to deliver systems and services aiming to support resolution activities, risk analyses and collection of financial data from NRAs and other key stakeholders such as the EBA and the ECB. ICT works in close collaboration with the business units and an ICT Steering Committee, which supervises and monitors all ICT projects in order to enhance interoperability and avoid overlaps and duplications.

#### MAIN ACHIEVEMENTS IN 2018

- ▶ In April 2018, the **Valuation 3 hearing project** was launched to support the 'right to be heard' process for the affected parties of the Banco Popular resolution in 2017. The project came on top of the ICT work programme of 2018 and was given high priority due to urgency, in order to allow affected stakeholders to express their opinion on the resolution case. In Q3, through the new system, interested parties were able to submit their registration data and to introduce their comments on a digital platform. All submitted comments are currently reviewed and analysed by the SRB.
- ▶ The **ready for crisis** project was launched in July 2018 with the objective of building an ICT solution to support crisis management processes, from the detection of banks in crisis to a resolution action.
- ▶ The **resolution IMAS** project has been implemented in collaboration with the ECB as part of the IMAS platform. The project aims at standardising the drafting of the resolution plans by providing a secure and collaborative platform to manage the annual resolution planning cycle.
- ▶ The taxonomy of the **liability data report** was developed in collaboration with the EBA ensuring a common reporting framework for all resolution reporting data.
- ▶ In 2018, the ICT department started the set-up of a **disaster recovery centre** with the aim of continuing business-critical operations in the event of major disruptions. The disaster recovery centre will represent a significant reduction to the residual risk in case of a business continuity disruption. The SRB will have the possibility of operating standard operations

from the disaster recovery centre within a minimal timeframe. This initiative will continue in 2019.

- ▶ A **data warehouse** project was initiated in Q4. The architectural and data model analysis has started ensuring that XBRL and the data point model are the established standard for data management within SRB. Business stakeholders across the SRB have been actively engaged in the establishment of a central point of reference regarding bank entities.
- ▶ The SRB has completed the establishment of a mature **information security management system** with the aim of minimising ICT security risks (including to data in transit) and maximising the exchange of cyberthreat intelligence information between various stakeholders.

## 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 team. The communications team is a horizontal team, which is responsible for internal and external communication.

The communications team provides transparency and ensures that stakeholders are aware of the work being carried out by colleagues right across the SRB, thus cementing the reputation of the SRB as Europe's resolution authority and enhancing its visibility throughout the EU and beyond.

### MAIN ACHIEVEMENTS IN 2018

- ▶ Spreading the SRB's key messages to stakeholders by organising the third SRB conference <sup>(18)</sup>, '10 years after the crisis: are banks now resolvable?', held in October 2018. Over 500 stakeholders gathered in Brussels, with several high-level speakers and panel discussions.
- ▶ Organisation of a new day-long training seminar for journalists. This allowed for journalists across the EU to gain a deeper understanding of the workings of the SRB. It is set to become a regular feature of SRB communications work.
- ▶ Organisation of the annual SRB press breakfast and press conference aimed at the Brussels-based press corps in spring 2018 as well as numerous press technical briefings across a range of topics.

## 5.3. Management of resources

### 5.3.1. Human resources

From a human resources perspective, the recruitment of highly qualified staff to provide a solid work force basis for the SRB, in both the operational and support areas, remained at the core of the human resources activities in 2018 and was accompanied by policies and service provision in the areas of learning and career development.

<sup>(18)</sup> <https://srb.europa.eu/sites/srbsite/files/fp0418900enn.pdf>

## MAIN ACHIEVEMENTS IN 2018

- ▶ Intensive recruitment: Apart from recruiting from existing reserve lists, the SRB finalised 21 new selections for temporary agents in 2018 resulting in the processing of nearly 2 500 applications. This allowed the SRB to welcome 95 newcomers in 2018. Excluding the 6 permanent board members, the SRB staff level amounts to 315 posts (24% increase in comparison with 2017) and 19 seconded national experts (SNEs) (27% increase in comparison with 2017). The turnover rate for the year amounted to 7%.
- ▶ In 2018 the SRB offered to its staff 302 training sessions (classroom training, info sessions, workshops or brown bag seminars), amounting to 150 training days and covering technical, soft as well as ICT skills.
- ▶ In addition, the agency adopted the implementing rules on whistle-blowing constituting an important step in ensuring fraud identification, reporting and management through confidential and safe channels. Moreover, substantial work has been carried out on the implementation of the prevention of harassment policy.

### 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 104.1 m has been recognised as income up to the level of the 2018 expenses.

On the expenditure side, according to the budget implementation table and after transfers, EUR 42.6 m were attributed to staff, EUR 13.2 m to other administrative expenses (rent, ICT support, etc.) and EUR 48.4 m 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 2018 were governed by Commission Delegated Regulation (EU) 2017/2361<sup>(19)</sup> on the final system of contributions.

On 8 January 2018, a new regulation on the final system of administrative contributions came into force covering the running costs of the SRB (Commission Delegated Regulation (EU) 2017/2361). This regulation replaces the transitional system that had been in place since the board started its operations in November 2014 and outlines the permanent system for financing the SRB's administrative expenses.

Under the new system, all credit institutions established in the Banking Union have to contribute to the administrative expenditures of the SRB. The same holds true for all parent undertakings

<sup>(19)</sup> Commission Delegated Regulation (EU) 2017/2361 of 14 September 2017 on the final system of contributions to the administrative expenditures of the Single Resolution Board, OJ L 337, 19.12.2017, p. 6.

(including financial holdings and mixed financial holding companies), investment firms and financial institutions that are covered by the consolidated supervision of the ECB.

The SRB successfully collected administrative contributions amounting to EUR 91.4 m<sup>(20)</sup> from 2 727 institutions in 2018.

## EXPENDITURE

Budget expenditure includes payments made using appropriations of the current year and appropriations carried over from the previous financial year. The following paragraphs summarise the implementation of appropriations by title. A more detailed breakdown is provided in Annex 3.

In 2018, the SRB established 369 budget commitments amounting to a total of EUR 67.4 m in part I of the budget, and EUR 62.1 m in part II, and processed 2,386 payments amounting to a total of EUR 51.1 m in PART I and EUR 58.2 m in part II. 408 payments, amounting to EUR 14.7 m, were also processed using the payment appropriations carried over. The 2018 budget implementation rate is 64.7% for commitment appropriations and 49.1% for payment appropriations. The amount of appropriations carried forward to 2019 is EUR 16.3 m and the overall carry-over rate is 24.2% of the committed appropriations. Out of the total amount carried over to 2019, approximately EUR 6.2 m (38%) are related to SRB contingencies.

### TITLE 1: STAFF EXPENDITURE

The budget (after transfers) for Title 1 in 2018 was EUR 42.6 m, of which EUR 36.8 m were committed (implementation rate of 86.4%). The final amount of used payment appropriations was EUR 36.1 m, which corresponds to an implementation rate of 98.2% of the total committed.

The main area of expenditure was related to the SRB staff in active employment. EUR 33.7 m were spent on the payroll (basic salaries, family allowances, expatriation, installation and foreign residence allowances, insurance, pension rights, etc.). EUR 0.8 m were spent on interim services and EUR 0.4 m on training.

### TITLE 2: INFRASTRUCTURE EXPENDITURE

The budget (after transfers) for Title 2 in 2018 was EUR 13.2 m. During the year, a total of EUR 11.5 m was committed, which corresponds to an implementation rate of 87.6%. The final amount of used payment appropriations was just over EUR 9 m, which corresponds to an implementation rate of 78.9% of the total committed.

The main areas of expenditure were the rental of the premises (EUR 3 m), ICT infrastructure (EUR 3.3 m) and security and maintenance of the building (EUR 1.2 m).

### TITLE 3: OPERATIONAL EXPENDITURE

Title 3 is exclusively for operational expenditure related to the implementation of the SRMR. The adopted budget for 2018 was EUR 48.4 m.

<sup>(20)</sup> This amount takes into account the result of the budget of the latest financial year for which the final accounts have been published (Y-2).

During the year, the amount of EUR 19 m was committed, which corresponds to an implementation rate of 39.4%. The final amount of used payment appropriations was EUR 5.9 m, which corresponds to an implementation rate of 30.8% of the total committed.

The area where the budget implementation was lower concerned the fund due to the outsourcing contracts for investments that were initially budgeted for EUR 6 m but finally signed for a significantly lower amount of EUR 1.1 m.

The low budget implementation in SRB contingencies was due to low expenditure in consultancy as the SRB had to manage fewer potential resolution cases and litigations (than estimated). The nature of the contingencies' activities is such that implementation is less predictable than other items and, therefore, there is no annual target.

The areas of expenditure relate to the studies and consultancy (i.e. SRB contingencies) for implementing the SRB's work programme, legal services and litigation, ICT development and maintenance, in particular to support resolution planning and decision activities, and the outsourcing costs of the investments.

## BUDGET OUTTURN

The budget outturn<sup>(21)</sup> for 2018 is estimated to be EUR 50.4 m (EUR 30.4 m in 2017) and will be entered in the 2019 budget after approval by the board in its plenary session in September 2019.

## MAIN ACHIEVEMENTS IN 2018

- ▶ Finalisation of the new administrative contributions collection mechanism under the final system resulting in the successful invoicing and collection of the 2018 administrative budget from the 2 727 institutions in scope in 2018 (103 institutions in 2017).
- ▶ 98.7 % of payments were made on time, exceeding the 2018 key performance indicator with 'timely payment of invoices target 90 %'.

### 5.3.3. Final accounts 2018

The final accounts of 2018 reflect the financial position of the SRB at 31 December 2018, the results of its operations, its cash flows, and the changes in net assets for the year, in accordance with its financial regulation and with the EU accounting rules adopted by the Commission's accounting officer.

At the end of 2018, after the collection of *ex ante* contributions, administrative contributions and IPCs, there was a significant increase in the total assets/liabilities from EUR 17.46 bn to EUR 25.00 bn. The increase in assets is no longer reflected anymore in the volume of cash held at bank but mostly in the increase of available-for-sale financial assets to EUR 7.35 bn due to the launch of investment activities in May 2018.

The *ex ante* contributions to the SRF collected in 2018 gave rise to revenues of EUR 6.75 bn. After deduction of the associated eligible expenditure of maintaining these funds in the national central banks' accounts, the financial result of the year was EUR 6.70 bn, which increased the SRB's net assets to EUR 22.05 bn.

<sup>(21)</sup> Details of the budget outturn/budget result can be found in the final accounts for 2018 (see Annex 6). These will be published on the SRB website in the Q3 2019.

On the administrative side of the final accounts 2018, the SRB invoiced and collected from the banking institutions EUR 91.40 m after making use of unspent funds accumulated in previous financial periods amounting to EUR 12.77 m. In order to balance the total administrative and operational expenses of the year, the revenues from administrative contributions recognised in 2018 were EUR 59.79 m. Therefore, there are no net assets arising from the SRB's administrative activities.

On the administrative expenditure, 66% (2017:65%) of SRB administrative expenses were linked to staff while 24% (2017: 18%) were related to other significant administrative expenses (rent and ICT support).

While in 2017 the operational expenses represented 30% of total costs, in 2018 they registered an important decrease to 15% of the total costs. This variation is attributed to the steep reduction in expenses related to costs for studies and consultancy (like financial valuation) for potential resolution and legal cases.

The 'statement of financial position' as at 31 December 2018 and the 'statement of financial performance' for 2018 can be found in Annex 6.

The SRB financial statements of 2018 will be available on the SRB website in Q3 2019.

#### 5.3.4. Procurement

The SRB's annual procurement plan for the year 2018 was prepared in accordance with the general procurement provisions contained in the EU financial regulation.



The main focus of the procurement procedures launched in 2018 was to ensure that the operational activities meet the needs of the SRB and achieve efficiency gains. The SRB successfully procured all the necessary services and goods requested by the different units during 2018. With respect to the SRB's procurement planning, there were significant improvements to the implementation of the indicative procurement plan compared to 2017 due to regular follow-up and adjustment. On the administrative side, the SRB made extensive use of contracts launched by the Commission and other Entities.

In 2018, the procurement team focused on documenting its processes and procedures and on updating its templates to align them with the provisions of the new EU financial regulation that entered into force in August 2018<sup>(22)</sup>. Extensive training was also provided to internal clients. Furthermore, preparatory work in terms of digitalisation and implementation of SRB e-procurement, including internal monitoring tools and external e-procurement modules such as e-Tendering, e-Submission and e-Invoicing, was carried out.

An analytical presentation of the 2018 procurement procedures can be found in Annex 7.

## 5.4. Governance

### 5.4.1. Internal legal advice and litigation

The SRB's legal service is an internal department of the SRB reporting directly to the chair of the SRB. The role of the SRB legal service is two-fold: (i) it provides internal legal advice to the SRB across all units and (ii) it manages litigation proceedings before the European Courts.

As regards the role of the legal service, it assists the SRB and all its internal resolution units and other departments as an internal horizontal department providing legal advice and covering all the major activities and areas of responsibility of the SRB.

#### MAIN DEVELOPMENTS IN 2018

In 2018, the SRB legal service continued to provide internal legal advice, for example, in the main areas of resolution planning, MREL setting, policies and manuals, resolution cases, matters regarding the SRF, international and inter-institutional cooperation and resource management.

As regards its role of managing the litigation proceedings before the General Court, the legal service is involved in the drafting and preparation of the written statements required by the courts of the Court of Justice of the European Union in conjunction with external counsel, as well as in preparing for the related oral hearings.

As regards the litigation cases pending before the courts of the Court of Justice in 2018, they include the following:

- 1) Ninety-nine legal actions concerning the resolution of Banco Popular brought by former shareholders and creditors of the bank against, inter alia, the SRB are pending before the General Court. Of those 99 cases the General Court has identified and selected six pilot cases, five involving the SRB as defendant (and in the sixth case the SRB is acting as an

<sup>(22)</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union.

intervener), to proceed to the second round of written procedure and oral hearing. With regard to the remaining cases, these have been suspended pending a final determination in those sixth pilot cases;

- 2) Fifteen legal actions concerning 2016, 2017 and 2018 *ex ante* contributions to the SRF brought by banks against the SRB are pending before the General Court. 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;
- 3) Two legal actions concerning the decision of the SRB not to adopt a resolution scheme in respect of ABLV Bank, AS brought by the bank itself and a former shareholder of that bank are pending before the General Court;
- 4) Five legal actions concerning decisions taken by the SRB under the public access to documents and/or access to files regime under Regulation (EU) No 806/2014 and Regulation (EC) No 1049/2001.

### 5.4.2. Corporate secretariat

The corporate secretariat continued to support the Board and to work on the consolidation on internal governance and institutional soundness of decision-making processes. The work revolved around the organisation of the board sessions in their respective compositions, in-person meetings and via written procedures. In total, the board had 40 meetings and 276 written procedures in its different compositions.

### 5.4.3. Compliance

The compliance team has succeeded in positioning ethics and compliance issues at the centre of the daily activities of the SRB. In this regard, the team continues to conduct its regular activities *inter alia* by providing advice on ethical and compliance matters, monitoring the reporting obligations of staff members and managing the compliance risks.

Currently the compliance team provides support in the following three main areas:

- ▶ Internal rules: development of compliance policies and guidelines in key topics and advice to other units on their own areas of expertise in relation to ethics and compliance.
- ▶ Awareness of ethics and compliance. Various awareness activities to familiarise the SRB staff members with the SRB ethics and compliance rules by issuing newsletters and compulsory training sessions on compliance topics.
- ▶ Support to the SRB business areas. On a daily basis, the compliance team provides advice to staff members on ethics and compliance matters. During 2018, the compliance team answered over 200 individual questions and helped the SRB staff members to ensure compliance with internal rules and staff regulations.

### 5.4.4. Internal audit

In line with the internal audit charter, internal auditing provides risk-based and objective assurance, advice and insight. Through its reports and recommendations, internal auditing 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 2018

In 2018, internal auditing team completed:

- ▶ three assurance audits on administrative contributions, outsourcing and use of consultants, and the outsourcing of Fund investments;
- ▶ a consulting engagement on resource management and allocation; and
- ▶ follow-up audits on missions and Fund ex ante contributions.

An audit on the resolution planning process and a follow-up audit on procurement were ongoing at the year-end.

In addition to the audit plan, Internal Audit performed additional tasks at the request of management, including an overview of the status of internal control at the SRB and a focused review of the exceptions and non-compliance events.

### 5.4.5. External audit

The ECA 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 2018, the ECA published its audit report on the annual accounts of the SRB for the financial year 2017<sup>(23)</sup>. The findings invited the SRB to improve on:

- ▶ the timeliness of its payments;
- ▶ its procurement planning;
- ▶ the potential use of negotiated procurement procedures;
- ▶ the use of the Commission's e-Procurement tool; and
- ▶ the potential use of the European Personnel Selection Office's website for the publication of its vacancy notices.

In 2018, the ECA also published a special report on the contingent liabilities<sup>(24)</sup> of 2017 with recommendations on,

- ▶ finalising the drafting of the accounting guidance on contingent liabilities in order to be applied on the 2018 annual accounts;
- ▶ the need for continuous assessment of the contingent liabilities based on quantifiable claims, court rulings and historical data;

<sup>(23)</sup> 2017 audit of EU agencies in brief: introducing the European Court of Auditors' 2017 annual report on EU agencies ([https://www.eca.europa.eu/Lists/ECADocuments/AUDITINBRIEF\\_AGENCIES\\_2017/AUDITINBRIEF\\_AGENCIES\\_2017\\_EN.pdf](https://www.eca.europa.eu/Lists/ECADocuments/AUDITINBRIEF_AGENCIES_2017/AUDITINBRIEF_AGENCIES_2017_EN.pdf))

<sup>(24)</sup> 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 2017, together with the replies of the Single Resolution Board, the Commission and the Council ([https://www.eca.europa.eu/Lists/ECADocuments/SRB\\_2017\\_contingent\\_liabilities/SRB\\_2017\\_contingent\\_liabilities\\_EN.pdf](https://www.eca.europa.eu/Lists/ECADocuments/SRB_2017_contingent_liabilities/SRB_2017_contingent_liabilities_EN.pdf))

- ▶ the establishment of adequate procedures and controls to ensure accuracy, completeness and timeliness of information received from NRAs.

In addition, the annual accounts are audited by an independent external auditor. In 2018, the external auditor published its unqualified audit report on the reliability of the SRB's 2017 final annual accounts.

Both the ECA and the external auditor of the SRB have also followed-up on the status of the recommendations issued in previous years.

#### **5.4.6. Internal control standards**

The internal control standards (ICSs) 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 ICSs, which are based on the International Committee of Sponsoring Organizations' standards. The standards cover the areas of mission and values, operations, resources and control activities, planning, reporting and communication, risk management and evaluation and audit processes. Each standard consists 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 2018**

- ▶ In 2018, the SRB performed quarterly reviews 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 team, and ensure oversight of the internal control system by the board.
- ▶ The SRB performed the risk identification phase of the SRB-wide risk assessment exercise using of a risk assessment questionnaire.
- ▶ The SRB completed the analysis phase of its business continuity management programme.
- ▶ The SRB streamlined the management of non-compliance events and the exception reporting process.

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## 6. APPEAL PANEL

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The SRB appeal panel's competence, established by Article 85 (SRMR), embraces the review of certain types of Board decisions concerning the banks. These decisions relate to the areas of MREL determination, impediments to resolution, simplified obligations for some institutions, decisions taken by the board in view of requests for public access to documents as well as to the contributions by institutions to the administrative expenditures of the board.

The appeal panel is composed of five members and two alternates who are fully independent and not employed by the Board. The secretariat for the appeal panel was organisationally combined with the separate function of the SRB data protection office in July 2018. It retained its full independence from the SRB's other functional areas. The secretariat of the appeal panel provides support to the members, covering various aspects of their work, from case management to operational support. In 2018, it consisted of two SRB staff members and one SNE.

### MAIN ACTIVITIES OF THE APPEAL PANEL IN 2018

- ▶ Following the resolution of Banco Popular in June 2017, the appeal panel, as of September 2017, kept receiving appeals against the SRB's confirmatory decisions refusing access to documents related to the Banco Popular resolution process.

Some of these cases were already decided upon by the end of 2017 following a first hearing of the parties. Others still had to be decided upon in 2018. Later, the appeal panel received multiple additional appeals in 2018 against SRB confirmatory decisions. In April 2018 a second joint hearing took place in Brussels. The appeal panel rendered 11 decisions on access to documents cases on 19 June 2018. At the end of 2018 a total of 15 cases related to access to documents referring to the resolution of Banco Popular were ongoing before the appeal panel, being in different stages of the procedure.

- ▶ In the course of 2018 the panel also adopted a number of decisions<sup>(25)</sup> related to the obligation of credit institutions to contribute to the (final) system of administrative contributions.
- ▶ On 16 October 2018, following a prior hearing with the parties, the appeal panel adopted a decision on a MREL determination at consolidated level for a banking group that had been contested.

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<sup>(25)</sup> <https://srb.europa.eu/en/content/cases>

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## 7. DECLARATION OF ASSURANCE

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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 <sup>(26)</sup>.

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, 28 June 2019

**Elke König**

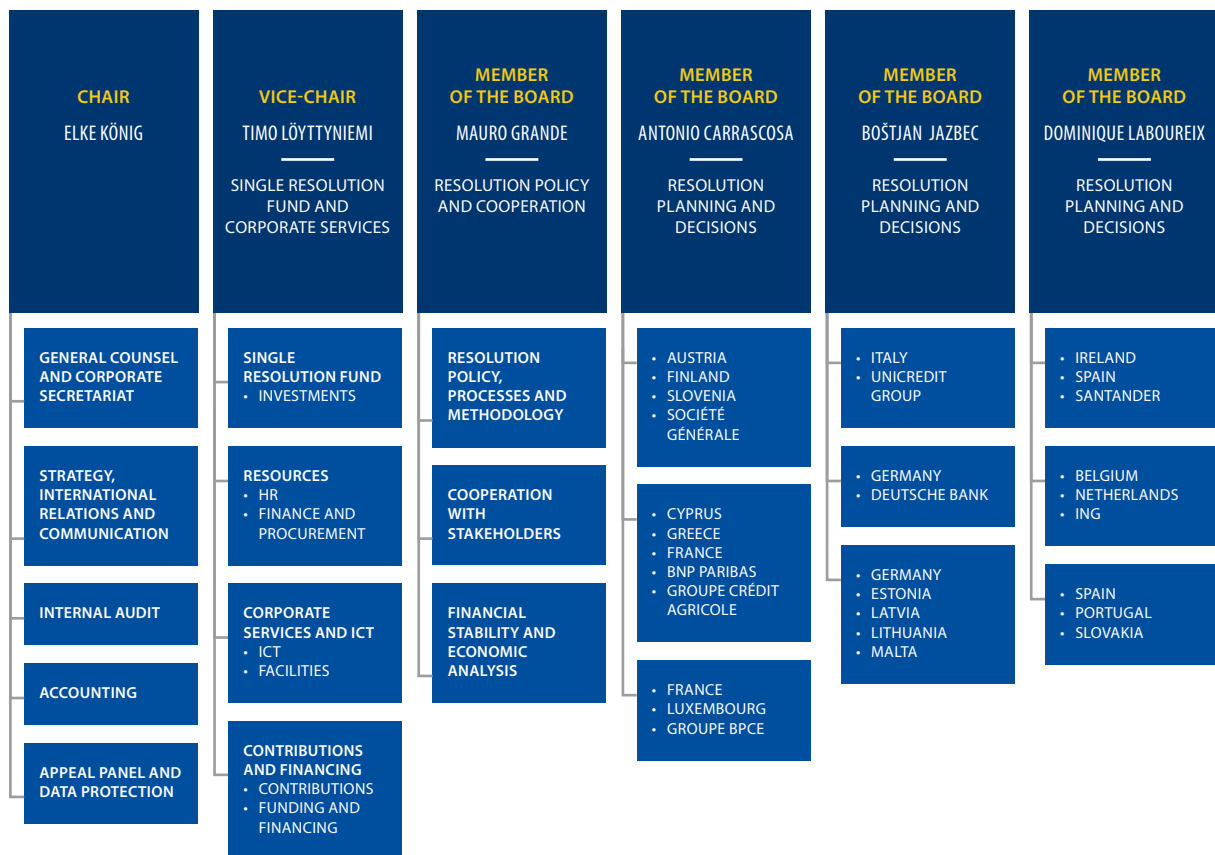
Chair of the Single Resolution Board

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<sup>(26)</sup> Fair view in this context means a reliable, complete and correct view on the state of affairs in the service.

# ANNEXES

## Annex 1: Organisation chart



## Annex 2: Annual report on public access to documents in 2018

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 (“**transparency regulation**”) <sup>(27)</sup>. It covers the period from 1 January 2018 to 31 December 2018 and is based on statistical data, as 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), adopted in accordance with Article 90(2) of Regulation (EU) No 806/2014 <sup>(28)</sup>.

### ACCESS TO SINGLE RESOLUTION BOARD DOCUMENTS IN 2018

In 2018, the SRB received 74 initial applications and 36 confirmatory applications, concerning some 55 documents. It should be noted that many of these applications were identical, and/or the same law firm requesting access to documents on behalf of various clients. These requests related to the SRB’s decision concerning the resolution of BPE.

In the majority of 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.

Partial access and refusals were based on the following exceptions to the disclosure of documents foreseen 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 decision-making process (Article 4(3) transparency regulation).

<sup>(27)</sup> OJ L 145, 31.5.2001, p. 43.

<sup>(28)</sup> 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, 30.07.2014, P.1-90.

It is also noted that some of the documents requested were not-existent or not in the possession of the SRB. Thus, the SRB informed the applicants accordingly.

In 2018, the SRB established an electronic public register of documents, accessible to the public on its website (<https://srb.europa.eu/en/public-register-of-documents>).

## Annex 3. 2018 Budget implementation

## TITLE I. STAFF EXPENDITURE

Budget line	Budget line description	Commitments appropriations transaction amount (1)	Executed committed amount (2)	Committed % (2)/(1)	Payment appropriations transaction amount (3)	Executed payments amount (4)	% Paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Cancelled (1)-(2)
A-1100	Basic salaries	23 953 912.00	21 876 956.50	91.33%	23 953 912.00	21 876 956.50	91.33%	0.00	2 076 955.50
A-1101	Family allowances	2 400 000.00	1 707 891.68	71.16%	2 400 000.00	1 707 891.68	71.16%	0.00	692 108.32
A-1102	Expatriation and foreign residence allowances	3 100 000.00	2 750 633.77	88.73%	3 100 000.00	2 750 633.77	88.73%	0.00	349 366.23
<b>A-110</b>	<b>Sum:</b>	<b>29 453 912.00</b>	<b>26 335 481.95</b>	<b>89.41%</b>	<b>29 453 912</b>	<b>26 335 481.95</b>	<b>89.41%</b>	<b>0.00</b>	<b>3 118 430.05</b>
A-1111	Seconded national experts	1 260 000.00	919 570.41	72.98%	1 260 000.00	919 570.41	72.98%	0.00	340 429.59
A-1112	Trainees	150 000.00	125 920.81	83.95%	150 000.00	125 920.81	83.95%	0.00	24 079.19
<b>A-111</b>	<b>Sum:</b>	<b>1 410 000.00</b>	<b>1 045 491.22</b>	<b>74.15%</b>	<b>1 410 000.00</b>	<b>1 045 491.22</b>	<b>74.15%</b>	<b>0.00</b>	<b>364 508.78</b>
A-1130	Insurance against sickness	840 000.00	743 798.45	88.55%	840 000.00	743 798.45	88.55%	0.00	96 201.55
A-1131	Insurance against accidents and occupational disease	123 000.00	83 623.16	67.99%	123 000.00	83 623.16	67.99%	0.00	39 376.84
A-1132	Unemployment insurance	320 000.00	252 829.66	79.01%	320 000.00	252 829.66	79.01%	0.00	67 170.34
A-1133	Constitution or maintenance of pension rights	4 600 000.00	4 015 685.70	87.30%	4 600 000	4 015 685.70	87.30%	0.00	584 314.30
<b>A-113</b>	<b>Sum:</b>	<b>5 883 000.00</b>	<b>5 095 936.97</b>	<b>86.62%</b>	<b>5 883 000</b>	<b>5 095 936.97</b>	<b>86.62%</b>	<b>0.00</b>	<b>787 063.03</b>
A-1140	Childbirth grants and death allowances	6 000.00	1 189.86	19.83%	6 000.00	1 189.86	19.3%	0.00	4 810.14
A-1141	Travel expenses for annual leave	400 000.00	331 243.39	82.81%	400 000.00	331 243.39	82.81%	0.00	68 756.61
A-1142	Shiftwork and standby duty	40 000.00	24 836.84	62.09%	40 000.00	24 836.84	62.09%	0.00	15 163.16
A-1149	Other allowances and grants	37 000.00	16 744.77	45.26%	37 000.00	16 744.77	45.26%	0.00	20 255.23
<b>A-114</b>	<b>Sum:</b>	<b>483 000.00</b>	<b>374 014.86</b>	<b>77.44%</b>	<b>483 000.00</b>	<b>374 014.86</b>	<b>77.44%</b>	<b>0.00</b>	<b>108 985.14</b>
A-1150	Overtime	60 000.00	0.00	0%	60 000.00	0.00	0%	0.00	60 000.00
<b>A-115</b>	<b>Sum:</b>	<b>60 000.00</b>	<b>0.00</b>	<b>0%</b>	<b>60 000.00</b>	<b>0.00</b>	<b>0%</b>	<b>0.00</b>	<b>60 000.00</b>
A-1200	Recruitment expenses	270 000.00	192 126.98	71.16%	270 000.00	151 395.71	56.07%	40 731.27	77 873.02
A-1201	Installation resettlement, daily subsistence allowances, removal and travel expenses	1 534 000.00	900 311.19	58.69%	1 534 000.00	900 311.19	58.9%	0.00	633 688.81
<b>A-120</b>	<b>Sum:</b>	<b>1 804 000.00</b>	<b>1 092 438.17</b>	<b>60.56%</b>	<b>1 804 000.00</b>	<b>1 051 706.90</b>	<b>58.30%</b>	<b>40 731 27.00</b>	<b>711 561.83</b>



Budget line	Budget line description	Commitments appropriations transaction amount (1)	Executed committed amount (2)	Committed % (2)/(1)	Payment appropriations transaction amount (3)	Executed payments amount (4)	% Paid (4)/(3)	Carried over RAL (c8) (2)-(4)	Cancelled (1)-(2)
A-1300	Missions duty travel expenses and ancillary expenditure	40 000.00	9 463.91	23.66%	40 000.00	7 662.11	19.16%	1 801 80.00	30 536.09
<b>A-130</b>	<b>Sum:</b>	<b>40 000.00</b>	<b>9 463.91</b>	<b>23.66%</b>	<b>40 000.00</b>	<b>7 662.11</b>	<b>19.16%</b>	<b>1 801.80</b>	<b>30 536.09</b>
A-1400	Restaurants and canteens	25 000.00	3 079.98	12.32%	25 000.00	2 071.40	8.29%	1 008.58	21 920.02
<b>A-140</b>	<b>Sum:</b>	<b>25 000.00</b>	<b>3 079.98</b>	<b>12.32%</b>	<b>25 000.00</b>	<b>2 071.40</b>	<b>8.29%</b>	<b>1 008.58</b>	<b>21 920.02</b>
A-1410	Medical service	150 000.00	44 922.00	29.95%	150 000.00	26 174.00	17.45%	18 748.00	105 078.00
<b>A-141</b>	<b>Sum:</b>	<b>150 000.00</b>	<b>44 922.00</b>	<b>29.95%</b>	<b>150 000</b>	<b>26 174.00</b>	<b>17.45%</b>	<b>18 748.00</b>	<b>105 078.00</b>
A-1420	Social contacts between staff	25 000.00	16 398.76	65.60%	25 000.00	15 754.70	63.02%	644.06	8 601.24
A-1421	Special allowances for disabled and assistance grants	0.00	0.00	0%	0.00	0.00	0%	0.00	0.00
A-1422	Early childhood centres and schooling	860 000.00	689 337.96	80.16%	860 000.00	558 684.60	64.96%	130 653.36	170 662.04
<b>A-142</b>	<b>Sum:</b>	<b>885 000.00</b>	<b>705 736.72</b>	<b>79.74%</b>	<b>885 000.00</b>	<b>574 439.30</b>	<b>64.91%</b>	<b>131 297.42</b>	<b>179 263.28</b>
A-1500	Further training and language courses for staff	632 000.00	503 245.61	79.63%	632 000.00	400 719.32	63.40%	102 526.29	128 754.39
<b>A-150</b>	<b>Sum:</b>	<b>632 000.00</b>	<b>503 245.61</b>	<b>79.63%</b>	<b>632 000.00</b>	<b>400 719.32</b>	<b>63.40%</b>	<b>102 526.29</b>	<b>128 754.39</b>
A-1600	Administrative assistance from Community institutions	551 000.00	547 504.09	99.37%	551 000.00	446 433.20	81.02%	101 070.9	3 495.91
A-1601	Interim services	1 204 000.00	1 054 000.00	87.54%	1 204 000.00	786 085.57	65.29%	267 914.43	150 000.00
<b>A-160</b>	<b>Sum:</b>	<b>1 755 000.00</b>	<b>1 601 504.09</b>	<b>91.25%</b>	<b>1 755 000.00</b>	<b>1 232 518.77</b>	<b>70.23%</b>	<b>368 985.32</b>	<b>153 495.91</b>
A-1700	Representation expenses	15 000.00	1 000.00	6.67%	15 000.00	461.10	3.07%	538.90	14 000.00
<b>A-170</b>	<b>Sum:</b>	<b>15 000.00</b>	<b>1 000.00</b>	<b>6.67%</b>	<b>15 000.00</b>	<b>461.10</b>	<b>3.07%</b>	<b>538.90</b>	<b>14 000.00</b>
	<b>TOTAL TITLE I</b>	<b>42 595 912.00</b>	<b>36 812 315.48</b>	<b>86.42%</b>	<b>42,595 912.00</b>	<b>36 146 677.90</b>	<b>84.86%</b>	<b>665 637.58</b>	<b>5 783 596.52</b>

**TITLE II. ADMINISTRATIVE EXPENDITURE**

Budget line	Budget line Description	Commitments appropriations transaction amount (1)	Executed committed amount (2)	Committed % (2)/(1)	Payment appropriations transaction amount (3)	Executed payments amount (4)	% Paid (4)/(3)	Carried over RAL (08) (2)-(4)	Cancelled (1)-(2)
A-2000	Rental costs	3 059 812.58	3 041 802.88	99.41%	3 059 812.58	3 016 802.88	98.59%	25 000.00	18 009.70
<b>A-200</b>	<b>Sum:</b>	<b>3 059 812.58</b>	<b>3 041 802.88</b>	<b>99.41%</b>	<b>3 059 812.58</b>	<b>3 016 802.88</b>	<b>98.59%</b>	<b>25 000.00</b>	<b>18 009.70</b>
A-2010	Insurance	7 000.00	5 547.32	79.25%	7 000.00	4 437.86	63.40%	1 109.46	1 452.68
<b>A-201</b>	<b>Sum:</b>	<b>7 000.00</b>	<b>5 547.32</b>	<b>79.25%</b>	<b>7 000.00</b>	<b>4 437.86</b>	<b>63.40%</b>	<b>1 109.46</b>	<b>1 452.68</b>
A-2020	Maintenance and cleaning	500 000.00	483 666.85	96.73%	500 000.00	387 884.86	77.58%	95 781.99	16 333.15
<b>A-202</b>	<b>Sum:</b>	<b>500 000.00</b>	<b>483 666.85</b>	<b>96.73%</b>	<b>500 000.00</b>	<b>387 884.86</b>	<b>77.58%</b>	<b>95 781.99</b>	<b>16 333.15</b>
A-2030	Water, gas, electricity, heating	200 000.00	168 146.97	84.07%	200 000.00	140 807.07	70.40%	27 339.90	31 853.03
<b>A-203</b>	<b>Sum:</b>	<b>200 000.00</b>	<b>168 146.97</b>	<b>84.07%</b>	<b>200 000.00</b>	<b>140 807.07</b>	<b>70.40%</b>	<b>27 339.90</b>	<b>31 853.03</b>
A-2040	Fitting out premises	350 000.00	214 987.72	61.43%	350 000.00	64 563.79	18.45%	150 423.93	135 012.28
<b>A-204</b>	<b>Sum:</b>	<b>350 000.00</b>	<b>214 987.72</b>	<b>61.43%</b>	<b>350 000.00</b>	<b>64 563.79</b>	<b>18.45%</b>	<b>150 423.93</b>	<b>135 012.28</b>
A-2050	Security and surveillance of the building	1 100 000.00	901 339.42	81.94%	1 100 000.00	859 412.05	78.13%	41 927.37	198 660.58
<b>A-205</b>	<b>Sum:</b>	<b>1 100 000.00</b>	<b>901 339.42</b>	<b>81.94%</b>	<b>1 100 000.00</b>	<b>859 412.05</b>	<b>78.13%</b>	<b>41 927.37</b>	<b>198 660.58</b>
A-2100	ICT equipment - Hardware and software	2 036 850.00	1 751 530.17	85.99%	2 036 850.00	1 636 418.70	80.34%	115 111.47	285 319.83
A-2101	ICT maintenance	1 391 000.00	1 319 740.04	94.88%	1 391 000.00	860 668.03	61.87%	459 072.01	71 259.96
A-2103	Analysis programming technical assistance and other external services for the administration of the agency	1 187 400.00	1 175 474.03	99.00%	1 187 400.00	708 610.62	59.68%	466 863.41	11 925.97
A-2104	Telecommunication equipment	594 000.00	339 879.21	57.22%	594 000.00	93 044.27	15.66%	246 834.94	254 120.79
<b>A-210</b>	<b>Sum:</b>	<b>5 209 250.00</b>	<b>4 586 623.45</b>	<b>88.05%</b>	<b>5 209 250.00</b>	<b>3 298 741.62</b>	<b>63.32%</b>	<b>1 287 881.83</b>	<b>622 626.55</b>
A-2200	Technical equipment and installations	88 916.65	88 916.65	100%	88 916.65	1 471.93	1.66%	87 444.72	0.00
<b>A-220</b>	<b>Sum:</b>	<b>88 916.65</b>	<b>88 916.65</b>	<b>100%</b>	<b>88 916.65</b>	<b>1 471.93</b>	<b>1.66%</b>	<b>87 444.72</b>	<b>0.00</b>
A-2210	Furniture	200 000.00	86 988.30	43.49%	200 000.00	75 199.50	37.60%	11 788.80	113 011.70
<b>A-221</b>	<b>Sum:</b>	<b>200 000.00</b>	<b>86 988.30</b>	<b>43.49%</b>	<b>200 000.00</b>	<b>75 199.50</b>	<b>37.60%</b>	<b>11 788.80</b>	<b>113 011.70</b>
A-2250	Documentation and library expenditure	618 000.00	486 956.25	78.80%	618 000.00	415 671.57	67.26%	71 284.68	131 043.75
<b>A-225</b>	<b>Sum:</b>	<b>618 000.00</b>	<b>486 956.25</b>	<b>78.80%</b>	<b>618 000.00</b>	<b>415 671.57</b>	<b>67.26%</b>	<b>71 284.68</b>	<b>131 043.75</b>
A-2300	Stationary and office supplies	70 000.00	38 885.14	55.55%	70 000.00	31 108.11	44.44%	7 777.03	31 114.86
<b>A-230</b>	<b>Sum:</b>	<b>70 000.00</b>	<b>38 885.14</b>	<b>55.55%</b>	<b>70 000.00</b>	<b>31 108.11</b>	<b>44.44%</b>	<b>7 777.03</b>	<b>31 114.86</b>

Budget line	Budget line Description	Commitments appropriations transaction amount (1)	Executed committed amount (2)	Committed % (2)/(1)	Payment appropriations transaction amount (3)	Executed payments amount (4)	% Paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Cancelled (1)-(2)
A-2320	Bank and other financial charges	2 000.00	893.61	44.68%	2 000.00	393.61	19.68%	500.00	1 106.39
<b>A-232</b>	<b>Sum:</b>	<b>2 000.00</b>	<b>893.61</b>	<b>44.68%</b>	<b>2 000.00</b>	<b>393.61</b>	<b>19.68%</b>	<b>500.00</b>	<b>1 106.39</b>
A-2330	Legal expenses	0.00	0.00	0%	0.00	0.00	0%	0.00	0.00
<b>A-233</b>	<b>Sum:</b>	<b>0.00</b>	<b>0.00</b>	<b>0%</b>	<b>0.00</b>	<b>0.00</b>	<b>0%</b>	<b>0.00</b>	<b>0.00</b>
A-2350	Miscellaneous insurance	7 000.00	703.12	10.04%	7 000.00	703.12	10.04%	0.00	6 296.88
A-2351	Administrative translations and interpretation costs	50 000.00	21 242.00	42.48%	50 000.00	19 520.00	39.04%	1 722.00	28 758
A-2352	Transportation and removal expenses	55 000.00	32 882.41	59.79%	55 000.00	32 532.41	59.15%	350.00	22 117.59
A-2353	Business consultancy	1 237 216.77	1 197 999.77	96.83%	1 237 216.77	641 731.00	51.87%	556 268.77	39 217
A-2354	General meetings expenditure	20 000.00	2 995.17	14.98%	20 000.00	2 995.17	14.98%	0.00	17 004.83
A-2355	Publications	50 000.00	500.00	1%	50 000.00	0.00	0%	500.00	49 500.00
A-2356	Other administrative expenditure	20 000.00	15 441.59	77.21%	20 000.00	14 441.59	72.21%	1 000.00	4 558.41
<b>A-235</b>	<b>Sum:</b>	<b>1 439 216.77</b>	<b>1 271 764.06</b>	<b>88.37%</b>	<b>1 439 216.77</b>	<b>711 923.29</b>	<b>49.47%</b>	<b>559 840.77</b>	<b>167 452.71</b>
A-2400	Postage and delivery charges	60 000.00	30 030.50	50.05%	60 000.00	23 024.40	38.37%	7 006.10	29 969.50
<b>A-240</b>	<b>Sum:</b>	<b>60 000.00</b>	<b>30 030.50</b>	<b>50.05%</b>	<b>60 000.00</b>	<b>23 024.40</b>	<b>38.37%</b>	<b>7 006.10</b>	<b>29 969.50</b>
A-2410	Telecommunication charges	255 892.00	122 373.80	47.82%	255 892.00	59 567.09	23.28%	62 806.71	133 518.20
<b>A-241</b>	<b>Sum:</b>	<b>255 892.00</b>	<b>122 373.80</b>	<b>47.82%</b>	<b>255 892.00</b>	<b>59 567.09</b>	<b>23.28%</b>	<b>62 806.71</b>	<b>133 518.20</b>
	<b>TOTAL TITLE II</b>	<b>13 160 088.00</b>	<b>11 528 922.92</b>	<b>87.61%</b>	<b>13 160 088.00</b>	<b>9 091 009.63</b>	<b>69.08%</b>	<b>2 437 913.29</b>	<b>1 631 165.08</b>

## TITLE III. OPERATIONAL EXPENDITURE

Budget line	Budget line description	Commitments appropriations transaction amount (1)	Executed committed amount (2)	Committed % (2)/(1)	Payment appropriations transaction amount (3)	Executed payments amount (4)	% Paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Cancelled (1)-(2)
B3-100	Governance	340 000.00	117 923.35	34.68%	340 000.00	104 475.72	30.73%	13 447.63	222 076.65
B3-101	Support activities to the Fund	7 575 000.00	1 388 915.70	18.34%	7 575 000.00	781 915.70	10.32%	607 000.00	6 186 084.30
B3-102	Resolution Readiness	1 150 000.00	850 000.00	73.91%	1 150 000.00	0.00	0%	850 000.00	300 000.00
B3-103	Resolution Framework	210 000.00	0.00	0%	210 000.00	0.00	0%	0.00	210 000.00
<b>B-310</b>	<b>Sum:</b>	<b>9 275 000.00</b>	<b>2 356 839.05</b>	<b>25.41%</b>	<b>9 275 000.00</b>	<b>886 391.42</b>	<b>9.56%</b>	<b>1 470 447.63</b>	<b>6 918 160.95</b>
B3-111	Communication	2 175 000.00	1 065 983.12	49.01%	2 175 000.00	749 551.15	34.46%	316 431.97	1 109 016.88
B3-112	Missions	1 625 000.00	850 402.12	52.33%	1 625 000.00	732 462.76	45.07%	117 939.36	774 597.88
B3-113	Operational ICT	8 730 000.00	7 445 995.96	85.29%	8 730 000.00	2 417 564.57	27.69%	5 028 431.39	1 284 004.04
<b>B-311</b>	<b>Sum:</b>	<b>12 530 000.00</b>	<b>9 362 381.20</b>	<b>74.72%</b>	<b>12 530 000.00</b>	<b>3 899 578.48</b>	<b>31.12%</b>	<b>5 462 802.72</b>	<b>3 167 618.80</b>
B3-200	Appeal Panel	1 000 000.00	428 742.25	42.87%	1 000 000.00	322 829.63	32.28%	105 912.62	571 257.75
B3-201	Communications during crisis	2 250 000.00	0.00	0%	2 250 000.00	0.00	0%	0.00	2 250 000.00
B3-202	Contingency for the Fund	3 000 000.00	0.00	0%	3 000 000.00	0.00	0%	0.00	3 000 000.00
B3-203	Legal and Litigation	5 000 000.00	2 447 383.33	48.95%	5 000 000.00	510 796.67	10.22%	1 936 586.66	2 552 616.67
B3-204	Consultancy and advice	15 000 000.00	4 393 050.00	29.29%	15 000 000.00	242 835.00	1.62%	4 150 215.00	10 606 950.00
B3-205	Crisis contingency	325 000.00	50 000.00	15.38%	325 000.00	804.86	0.25%	49 195.14	275 000.00
<b>B-320</b>	<b>Sum:</b>	<b>26 575 000.00</b>	<b>7 319 175.58</b>	<b>27.54%</b>	<b>26 575 000.00</b>	<b>1 077 266.16</b>	<b>4.05%</b>	<b>6 241 909.42</b>	<b>19 255 824.42</b>
<b>TOTAL TITLE III</b>		<b>48 380 000.00</b>	<b>19 038 395.83</b>	<b>39.35%</b>	<b>48 380 000.00</b>	<b>5 863 236.06</b>	<b>12.12%</b>	<b>13 175 159.77</b>	<b>29 341 604.17</b>
<b>TOTAL SRB BUDGET PART I 2018</b>									
BL	Budget line Description	Commitments Appropriations Transaction Amount (1)	Executed Committed Amount (2)	Com % (2)/(1)	Payment Appropriations Transaction Amount (3)	Executed Payments Amount (4)	% Paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Cancelled amount (1)-(2)
	<b>TOTAL SRB BUDGET PART I 2018</b>	<b>104 136 000.00</b>	<b>67 379 634.23</b>	<b>64.70%</b>	<b>104 136 000.00</b>	<b>51 100 923.59</b>	<b>49.07%</b>	<b>16 278 710.64</b>	<b>36 756 365.77</b>

**BUDGET IMPLEMENTATION 2018-PART II-SINGLE RESOLUTION FUND  
BUDGET EXECUTION/FUND SOURCE R0-ASSIGNED REVENUE-2018**

Budget Lines	Budget available at 01/01/2018	Final Appropriations (1)	Committed before 2018	Total committed in 2018	Total committed (2)	% Committed on Appropriation (2)/(1)	Total Paid (3)	% Paid on Appropriation (3)/(1)	Carried over commitment appropriations (1)-(2)	Carried over payment appropriations (1)-(3)
B4-000 Usage of the Fund within Resolution schemes		5.00	5.00	5.00	5.00	100.00%	5.00	100.00%	0.00	0.00
B4-010 Investments	15 348 726 693.32	22 026 895 764.81							22 026 895 764.81	22 026 895 764.81
B4-011 Investment returns	1 331.04	106 574 429.31	5 284 002.81	62 143 194.89	67 427 197.70	63.27%	58 162 030.62	54.57%	39 147 231.61	48 412 398.69
B4-031 Bank fees and charges	1 211.90	4 609.40	693.40	3 916.00	4 609.40	100.00%	4 149.80	90.03%	0.00	459.60
B4-032 Commitment fees on bridge financing arrangements		0.00							0.00	0.00
<b>TOTAL SRB BUDGET PART II</b>	<b>15 348 729 236.26</b>	<b>22 133 474 808.52</b>	<b>5 284 696.21</b>	<b>62 147 115.89</b>	<b>67 431 812.10</b>	<b>0.30%</b>	<b>58 166 185.42</b>	<b>0.26%</b>	<b>22 066 042 996.42</b>	<b>22 075 308 623.10</b>

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

BL	Budget lines	Commitments appropriations	Commitments established	% Committed	Payment appropriations	Payments executed	Paid %	Carried over commitment appropriations	Carried over payment appropriations
B9-000	Balancing from the reserve	30 371 897.59	0.00	0%	30 371 897.59	0.00	0%	30 371 897.59	30 371 897.59

## Annex 4. 2018 establishment plan

The number of temporary agents increased by 23.5% from 255 in 2017 to 315 in 2018. This corresponds to 90% of the planned 350 staff.

Category and grade <sup>(29)</sup>	2018		2017	
	TA planned	Actual	TA planned	Actual
AD 16	0	0	0	0
AD 15	0	0	0	0
AD 14	0	0	0	0
AD 13	3	0	0	0
AD 12	9	4	8	5
AD 11	8	2	6	0
AD 10	16	12	12	12
AD 9	35	13	20	9
AD 8	67	42	70	35
AD 7	50	32	32	24
AD 6	60	91	90	81
AD 5	30	53	40	34
<b>AD total</b>	<b>278</b>	<b>249</b>	<b>278</b>	<b>200</b>
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	3	0	2	0
AST 6	3	0	2	0
AST 5	8	0	4	0
AST 4	13	11	6	8
AST 3	17	26	32	22
AST 2	2	1	2	1
AST 1	2	4	4	5
<b>AST total</b>	<b>48</b>	<b>42</b>	<b>52</b>	<b>36</b>
AST/SC 5	0	0	0	0
AST/SC 4	2	0	0	0
AST/SC 3	12	0	10	0
AST/SC 2	3	2	5	2
AST/SC 1	7	22	5	17
<b>AST/SC total</b>	<b>24</b>	<b>24</b>	<b>20</b>	<b>19</b>
<b>Grand total</b>	<b>350</b>	<b>315</b>	<b>350</b>	<b>255</b>
CA	0	0	0	0
SNE	35	19	25	15

<sup>(29)</sup> TA: Temporary Agent; AD: administrator; AST: assistant; SC: secretarial clerical and CA: contract agent; SNE: seconded national expert.

## Annex 5. Staff numbers by nationality and gender

Nationality*	2018		2017	
	Staff	in %	Staff	in %
BE	39	12.4%	36	14.1%
BG	11	3.5%	8	3.1%
CZ	3	1.0%	1	0.4%
DK	1	0.3%	1	0.4%
DE	23	7.3%	20	7.8%
EE	0	0.0%	0	0.0%
IE	5	1.6%	2	0.8%
EL	29	9.2%	20	7.8%
ES	33	10.5%	30	11.8%
FR	32	10.2%	26	10.2%
HR	6	1.9%	7	2.7%
IT	43	13.7%	31	12.2%
CY	2	0.6%	2	0.8%
LV	3	1.0%	3	1.2%
LT	4	1.3%	3	1.2%
LU	0	0.0%	0	0.0%
HU	4	1.3%	3	1.2%
MT	2	0.6%	2	0.8%
NL	7	2.2%	9	3.5%
AT	5	1.6%	5	2.0%
PL	16	5.1%	12	4.7%
PT	8	2.5%	6	2.4%
RO	23	7.3%	19	7.5%
SI	2	0.6%	0	0.0%
SK	3	1.0%	1	0.4%
FI	4	1.3%	3	1.2%
SE	1	0.3%	1	0.4%
UK	6	1.9%	4	1.6%
<b>Total</b>	<b>315</b>	<b>100%</b>	<b>255</b>	<b>100.0%</b>

\*excluding the six board members

The gender balance is close to even in terms of absolute volume but this balance has yet to be reached in terms of grade in the years to come and to the extent possible. There were 153 female and 162 male temporary agents employed at the SRB on 31/12/2018.

Gender	2018		2017	
	Number	in %	Number	in %
Male	162	51.4%	127	49.8%
Female	153	48.6%	128	50.2%

**GENDER DISTRIBUTION BY GRADE:**

Grade / gender	%		Number		
	Female	Male	Female	Male	Total
AD 12	0%	100%	0	4	4
AD 11	0%	100%	0	2	2
AD 10	25%	75%	3	9	12
AD 9	55%	45%	6	5	11
AD 8	47%	53%	20	23	43
AD 7	41%	59%	15	22	37
AD 6	44%	56%	38	48	86
AD 5	39%	61%	21	33	54
AST 4	77%	23%	10	3	13
AST 3	58%	42%	14	10	24
AST 2	100%	0%	1	0	1
AST 1	100%	0%	4	0	4
AST-SC2	100%	0%	2	0	2
AST-SC1	86%	14%	19	3	22
<b>Total</b>	<b>48.6%</b>	<b>51.4%</b>	<b>153</b>	<b>162</b>	<b>315</b>



## Annex 6. Final accounts 2018

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (EUR)

Description	2018	2017	Variation
<b>NON-CURRENT ASSETS</b>	<b>6 414 795 177.58</b>	<b>5 016 421.09</b>	<b>6 409 778 756.49</b>
Intangible fixed assets	1 893 309.66	1 590 389.00	302 920.66
Tangible fixed assets	2 014 645.40	3 426 032.09	- 1 411 386.69
Available for sale financial assets (non-current)	6 410 887 222.52	-	6 410 887 222.52
Long-term pre-financing	-	-	-
Long-term receivables	-	-	-
<b>CURRENT ASSETS</b>	<b>18 588 621 194.24</b>	<b>17 453 972 513.21</b>	<b>1 134 648 681.03</b>
Available for sale financial assets (non-current)	937 368 284.82	-	937 368 284.82
Short-term pre-financing	6 704.50	45 000.00	- 38 295.50
Short-term receivables	15 996 771.82	7 667 972.39	8 328 799.43
Cash and cash equivalents	17 635 249 433.10	17 446 259 540.82	188 989 892.28
<b>TOTAL ASSETS</b>	<b>25 003 416 371.82</b>	<b>17 458 988 934.30</b>	<b>7 544 427 437.52</b>

## STATEMENT OF FINANCIAL PERFORMANCE FOR 2018 (EUR)

Description	2018	2017	Variation
<b>OPERATING REVENUES</b>	<b>6 813 748 522.07</b>	<b>6 019 807 052.62</b>	<b>793 941 469.45</b>
Non-exchange revenues from fund contributions	6 753 926 199.99	5 965 919 312.41	788 006 887.58
Other non-exchange revenues from administrative contributions	59 789 574.53	53 885 631.77	5 903 942.76
Other exchange operating revenue	5 539.82	2 108.44	3 431.38
Other administrative revenue	27 207.73	-	27 207.73
<b>OPERATING EXPENSES</b>	<b>- 59 747 290.06</b>	<b>- 53 788 735.44</b>	<b>- 5 958 554.62</b>
Administrative expenses	- 50 816 237.98	- 37 279 433.11	- 13 536 804.87
All staff expenses	- 33 137 124.94	- 24 044 906.10	- 9 092 218.84
Fixed-asset related expenses	- 2 144 990.89	- 1 104 981.86	- 1 040 009.03
Other administrative expenses	- 15 534 122.15	- 12 129 545.15	- 3 404 577.00
Operational expenses	- 8 931 052.08	- 16 509 302.33	7 578 250.25
<b>SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES</b>	<b>6 754 001 232.01</b>	<b>5 966 018 317.18</b>	<b>787 982 914.83</b>
Financial revenues	12 796 298.77	7 362.81	12 788 935.96
Financial expenses	- 62 999 602.37	- 52 194 791.05	- 10 804 811.32
<b>SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES</b>	<b>6 703 797 928.41</b>	<b>5 913 830 888.94</b>	<b>789 967 039.47</b>
Extraordinary gains	-	-	-
Extraordinary losses	-	-	-
<b>SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>6 703 797 928.41</b>	<b>5 913 830 888.94</b>	<b>789 967 039.47</b>

## Annex 7. Procurement procedures launched in 2018

Types of procurement procedures launched in 2018	No
Open	3
Restricted	0
Low-value and middle-value negotiated procedures (1 000 > 14 999)	12
Low-value and middle-value negotiated procedures (15 000 > 144 000)	8
Special negotiated procurement under Art. 11	14
Reopening procedures under SRB framework contracts SRBOP12015 lots 1 and 2 and SRBOP52017	4

### DETAILED PRESENTATION OF THE 2018 PROCUREMENT PROCEDURES

#### OPEN PROCEDURES

CONTRACT NUMBER	SUBJECT	STATUS
SRB/OP/1/2018	PROVISION OF STRATEGIC CONSULTANCY, INVESTMENT BANKING AND CORPORATE FINANCE ADVICE	Evaluation ongoing
SRB/OP/2/2018	ADVICE & ASSISTANCE ON ECONOMIC & VALUATION SERVICES	Evaluation ongoing
SRB/OP/3/2018	EXTERNAL SERVICE PROVISION IN TIME & MEANS FOR DEVELOPMENT, CONSULTANCY AND SUPPORT IN THE FIELD OF INFORMATION SYSTEMS	Evaluation ongoing

#### LOW-VALUE AND MIDDLE-VALUE NEGOTIATED PROCEDURES

	CONTRACT NUMBER	SUBJECT	STATUS	AWARDED CEILING (EUR)
EUR 15 000 > 144 000	SRB/NEG/1/2018	PROVISION OF PROFESSIONAL SERVICES FOR THE ORGANISATION OF TRAINING SESSIONS /WORKSHOPS	AWARDED	140 000
	SRB/NEG/4/2018	EMERGENCY CATERING	AWARDED	15 000
	SRB/NEG/8/2018	LEGAL ADVICE	AWARDED	15 000
	SRB/NEG/9/2018	PROVISION OF FINANCIAL DATA THROUGH A DATA VENDOR	LAUNCHED	124 994
	SRB/NEG/10/2018	FWC FOR LANGUAGE TRAINING	AWARDED	115 000
	SRB/NEG/28/2018	PROVISION OF TRAINING ON RESOLUTION RELATED TOPICS	AWARDED	15 000
	SRB/NEG/33/2018	TRAINING FOR DATA ANALYTICS AND BUSINESS INTELLIGENCE	AWARDED	15 000
	SRB/NEG/40/2018	SRB AWAY DAY 2019	LAUNCHED	

## SPECIAL NEGOTIATED PROCEDURES

	CONTRACT NUMBER	JUSTIFICATION	SUBJECT	STATUS	AWARDED AMOUNT (EUR)
Art 11.1 (a) to (f), (g), (h), (i)	SRB/NEG/3/2018	11.1.b	Maintenance and evolution of the "contributions collection system" (CCS) and "liability data template" (LDT)	Awarded	10 000 000
	SRB/NEG/12/2018	11.1.b	Financial Times premium subscription	Awarded	17 204
	SRB/NEG/11/2018	11.1.h	Provision of professional legal services for litigation	Awarded	80 000
	SRB/NEG/16/2018	11.1.i	Provision of resolution related services	Awarded	1 000 000
	SRB/NEG/18/2018	11.1.h	Provision of professional legal services for litigation	Awarded	140 000
	SRB/NEG/24/2018	11.1.h	Provision of professional legal services for litigation	Awarded	100 000
	SRB/NEG/25/2018	11.1.h	Provision of professional legal services for litigation	Awarded	75 000
	SRB/NEG/26/2018	11.1.h	Provision of professional legal services for litigation	Awarded	100 000
	SRB/NEG/27/2018	11.1.h	Provision of professional legal services for litigation	Awarded	250 000
	SRB/NEG/31/2018	11.1.h	Provision of professional legal services for litigation	Awarded	45 000
	SRB/NEG/32/2018	11.1.b	Provision of beck-online Services	Pending	
	SRB/NEG/36/2018	11.1.h	Provision of professional legal services for litigation	Awarded	45 000
	SRB/NEG/38/2018	11.1.h	Provision of professional legal services for litigation	Awarded	38 000
	SRB/NEG/39/2018	11.1.g	Housing of disaster recovery data centre	Launched	

## REOPENING OF COMPETITION RELATED TO RESOLUTION

CONTRACT NUMBER	SUBJECT	STATUS	AWARDED AMOUNT (EUR)
SRB/OP/1/2015 LOT 1	PROVISION OF ANALYSIS OF FINANCIAL STATEMENTS & ACCOUNTING ADVICE - SC 5	AWARDED	1 000 000
SRB/OP/1/2015 LOT 2	PROVISION OF ADVICE & ASSISTANCE FOR ECONOMIC AND FINANCIAL VALUATION - SC 12	AWARDED	1 500 000
SRB/OP/1/2015 LOT 3	PROVISION OF LEGAL ADVICE - SC 13	AWARDED	1 000 000
SRB/OP/5/2017	PROVISION OF LEGAL ADVICE - SC 1	AWARDED	100 000
SRB/OP/5/2017	PROVISION OF LEGAL ADVICE - SC 2	AWARDED	1 000 000
SRB/OP/5/2017	PROVISION OF LEGAL ADVICE - SC 3	AWARDED	120 000

## Annex 8. Summary of the Key Performance Indicators from the 2018 SRB work programme

Number	The SRB's Key Performance Indicators for 2018	Target	Value	Comments
<b>STRENGTHENING RESOLVABILITY FOR ALL BANKS</b>				
1	Substantially complete resolution plans for banking groups covered by resolution colleges under the direct remit of the SRB <sup>(31)</sup> , including a first identification of substantive impediments and of MREL at material entity level	100 %	100 %	The number represents the assumed completion rate by the end of the current cycle, as described in section 3.2.1.1 of the SRB work programme 2018. The final value assumes that a first resolvability assessment has been conducted and that MREL targets at entity level were determined for all relevant entities.
2	Substantially enhance resolution plans for banking groups not covered by resolution colleges, under the direct remit of the SRB, including a binding MREL target at consolidated level	75 %	82 %	The number represents the completion rate by the end of the 2018 cycle (which partially overlapped with the 2019 calendar year).
3	Assessment of draft resolution decisions on LSIs under NRA's direct remit	100 %	100 %	The draft resolution decisions notified in 2018 were assessed and submitted to the SRB extended Executive Session for decision (some of the extended Executive Sessions took place in early 2019).
<b>ESTABLISHING A ROBUST RESOLUTION FRAMEWORK</b>				
4	Revision of the Cooperation Framework with the NRAs of the participating Member States	Finalised by end of Q3	Yes	The cooperation framework was revised and formally adopted by the SRB plenary session on 17 December 2018.
5	Finalise all core policies regarding resolution tools and set MREL policies for significant banking groups and update the resolution planning manual accordingly	By end of Q3 for the policies and by end of Q4 for the manual update	Yes	The SRB developed policies as guidance for the IRTs in the planning and execution phases of the operationalisation of resolution tools, with particular reference to the work on the choice of tools. The work undertaken focused on the resolvability assessment and on further developing the policy for the determination of MREL.
6	Cooperation agreements (CoAgs) with relevant authorities within the Banking Union and non-participating Member States covering significant institutions and LSIs	Finalisation for all Banking Union Member States and for 50% of non-participating Member States by end of Q4	Ongoing	<p>The broad area of cooperation arrangements (CoAgs, MoUs, etc) was reprioritised in early 2018. Consequently, the SRB focused on <b>CMG CoAgs for G-SIBs</b> (with agreement at technical level achieved in November 2018).</p> <p><b>Arrangements on the data exchange with the Banking Union Member States concerning LSIs.</b> In the course of 2018, various channels were explored. In order to optimise the process, the discussions between the SRB and NRAs on the flow of information are ongoing.</p> <p><b>Arrangements with non-participating Member States.</b> The SRB has started negotiations: it prepared a draft template for these MoUs and started negotiations with the ECB-SSM. Following the ECB's agreement, the SRB-ECB MoU template will be submitted to non-participating supervisory and resolution authorities.</p>

<sup>(31)</sup> Art. 7.2(a) and (b) SRMR.

Number	The SRB's Key Performance Indicators for 2018	Target	Value	Comments
7	Actively participate in relevant European and international fora (in particular the EBA and the FSB) to enrich SRB policy work and share SRB policy stances	Attendance of 90%	100%	The SRB representatives attended all meetings of the different working groups and compositions of the EBA it follows; regarding the work within the FSB, the SRB participated and actively contributed in all seven meetings and four conference calls of the Resolution Steering Group and the relevant resolution-related groups.
<b>CARRYING OUT EFFECTIVE CRISIS MANAGEMENT</b>				
8	Steer coordination of national handbooks on crisis management	Three sessions for coordination of national handbooks	Three sessions for coordination of national handbooks	The SRB has coordinated a work stream on the operationalisation of national handbooks for crisis management. In 2018 several calls and meetings with NRAs were organised to discuss the results of the exercise and ensure consistency across jurisdictions. The work was presented at the SRB plenary in January 2019.
9	Organise training sessions on the use of the crisis operational manual for relevant SRB staff	3	3	The idea of the crisis operational manual was introduced to the SRB staff during an SRB team building event. Furthermore, the substance of the manual has been presented and discussed unit by unit, taking into account each unit's involvement and experience with resolution cases.
10	Dry-run exercises for relevant SRB staff and NRAs within the banking union or NRAs within non-participating Member States	Three exercises	Three exercises	The SRB has prepared and/or conducted several dry-run exercises in order to test and further improve crisis management procedures. In order to test different levels of cooperation, one dry-run exercise was SRB internal, another together with an NRA, the Commission and the ECB, and the final one also with non-Banking Union resolution authorities.
<b>OPERATIONALISING THE SRF</b>				
11	Implementation of the investment plan 2018	100%	100%	The SRB commenced securities investments in May 2018 and implemented the Investment Plan gradually in two tranches in May and July 2018.
12	Prepare documentation, including the terms and conditions for the use of the SRF	100%	100%	Draft templates for the most probable resolution scenarios have already been prepared. In particular, (i) a loan and credit facility documentation, and (ii) a guarantee framework for newly issued debt, and as (iii) an accessory guarantee.
13	Monitor the LFA and explore the potential use of alternative funding means and actively contribute to the development of the common backstop for the SRF	By Q3 2018	Q4 2018	The terms of reference of the common backstop to the SRF were agreed in December 2018. LFAs were not used but Member States were properly informed about the available financial means for each compartment. Under the TFCA work stream, different alternatives for liquidity in resolution continue to be discussed in 2019.
<b>ESTABLISHING A LEAN AND EFFICIENT ORGANISATION</b>				
14	Release of a first version of an ICT environment for resolution planning by end of Q1 and for crisis management by end of Q4	100%	No	The resolution planning system of IMAS was released in December 2018; it experienced a significant overall delay in implementation due to delays in delivery by the external provider. The first release of the crisis management system R4Crisis is planned for the end of Q4 2019. During the project initiation phase the scope had to be readjusted. After clarification of the scope and a detailed analysis, the project was proposed in several releases.

Number	The SRB's Key Performance Indicators for 2018	Target	Value	Comments
15	Implementation of a disaster recovery data centre	Finalised by end of 2018	Q3 2019	The implementation of a disaster recovery centre is a complex task and it experienced significant delays during procurement processes and framework contracts. The scheduled date for implementation has thus been revised according to all dependencies with the business continuity plan under development.
16	Timely handling of all compliance requests and requests for legal advice as well as litigation and SRB appeal panel cases	90%	93.4%	On average the mentioned requests were handled on time with a success rate of 93.4 %. 100% of requests for litigation and SRB appeal panel cases were handled on time, while compliance requests and requests for legal advice scored 96% and 84% respectively.
17	Timely payment of invoices	90%	98.7%	Article 73 of the SRB Financial Regulation establishes the deadlines for payments at 30/60/90 (calendar) days, depending on the level of complexity of the contract. This period starts from receipt of the invoice by the SRB and ends on the date on which the SRB's account is debited. All necessary steps for the verification, approval and payment of the invoice must be completed within this period.
18	Implementation of the internal control standards	Risk assessment report by end of Q3	Yes	The SRB-wide risk identification and assessment report was finalised in September 2018.

## Annex 9. Members of the Plenary Session

### MEMBERS OF THE PLENARY SESSION AT 31 DECEMBER 2018

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	Boštjan JAZBEC	SRB
Full-time board member	Dominique LABOUREIX	SRB
Member appointed by participating Member State representing the NRA	Romain STROCK	Luxembourg — Commission de Surveillance du Secteur Financier
Member appointed by participating Member State representing the NRA	Nicole STOLK-LUYTEN	Netherlands — De Nederlandsche Bank
Member appointed by participating Member State representing the NRA	Dana MEAGER	Slovakia — Slovak Resolution Council
Member appointed by participating Member State representing the NRA	Aldo GIORDANO	Malta — Malta Financial Services Authority
Member appointed by participating Member State representing the NRA	Riin HEINASTE	Estonia — Finantsinspeksioon (Estonian Financial Supervision and Resolution Authority)
Member appointed by participating Member State representing the NRA	Klaus KUMPFMÜLLER	Austria — Austrian Financial Market Authority
Member appointed by participating Member State representing the NRA	Tuija TAOS	Finland — Finnish Financial Stability Authority
Member appointed by participating Member State representing the NRA	Thorsten PÖTZSCH	Germany — Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
Member appointed by participating Member State representing the NRA	Luis Augusto Maximo DOS SANTOS	Portugal — Banco de Portugal
Member appointed by participating Member State representing the NRA	Marko BOSNJAK	Slovenia — Banka Slovenije
Member appointed by participating Member State representing the NRA	Frédéric VISNOVSKY	France — Autorité de contrôle prudentiel et de résolution
Member appointed by participating Member State representing the NRA	Jaime PONCE HUERTA	Spain — FROB (Spanish Executive Resolution Authority)
Member appointed by participating Member State representing the NRA	Pierre WUNSCH	Belgium — National Bank of Belgium
Member appointed by participating Member State representing the NRA	Michalis STYLIANOU	Cyprus — Central Bank of Cyprus
Member appointed by participating Member State representing the NRA	Vasileios MADOUROS	Ireland — Central Bank of Ireland
Member appointed by participating Member State representing the NRA	Tomas GARBARAVIČIUS	Lithuania — Bank of Lithuania
Member appointed by participating Member State representing the NRA	Maria MAVRIDOU	Greece — Bank of Greece
Member appointed by participating Member State representing the NRA	Enzo SERATA	Italy — Banca d'Italia — Resolution Unit
Member appointed by participating Member State representing the NRA	Jelena LEBEDEVA	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

ROLE	NAME	AUTHORITY
Observer	Olivier GUERSENT	European Commission — DG Financial Stability, Financial Services and Capital Markets Union
Observer	Isabelle VAILLANT	European Banking Authority



## Annex 10. Glossary

resolution colleges	Established according to Article 88 BRRD to coordinate the work between the group-level resolution authorities and the NRAs of non-participating Member States.
internal resolution teams	Established according to Article 83 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	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 resolvability assessment is conducted in crisis management groups.
minimum requirement for own funds and eligible liabilities	The minimum requirement for own funds and eligible liabilities is to be set by the resolution authority to ensure the effective application of the resolution tools including the bail-in tool, i.e. the write-down or conversion of equity and debt.
no creditor worse off	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.
risk reduction package	A comprehensive package of reforms adopted by the European Commission in November 2016, which aimed at transposing various elements of the international regulatory framework such as TLAC into the European legislative context by amendments to BRRD, SRMR, and the Capital Requirements Regulation and Directive. Co-legislators achieved a final agreement on the Risk Reduction Package in early 2019.



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Publications Office  
of the European Union

ISBN 978-92-9475-173-7