

Brussels, 2 April 2020

Subject: Use of Irrevocable Payment Commitment during the 2020 ex-ante contribution to the Single Resolution Fund (deadline for receiving the application package no later than: 21 May 2020)

Dear Sir/Madam,

Your institution has been informed of its 2020 ex-ante contribution to the Single Resolution Fund (SRF). Council Implementing Regulation (EU) 2015/81 allows institutions to use Irrevocable Payment Commitments (IPCs) to pay part of their contribution. This letter explains what IPCs are and sets out what your institution needs to do to request the use of IPCs.

What are IPCs?

Through IPCs your institution can irrevocably commit to pay a pre-determined share of its 2020 ex-ante contribution to the SRF. In order to secure the full and punctual payment of the contribution when called by the Single Resolution Board (SRB) it will need to constitute collateral and transfer full ownership of this collateral to the SRB.

When IPCs are called by the SRB under the terms of the IPC Agreement (partially or in full), your institution is obliged to transfer the called amount on the Banking Day following the call notice. Once payment is received, the SRB will return the corresponding collateral. In case your institution fails to pay the full amount, the SRB is entitled to seize and apply the cash collateral in discharge of the commitment undertaken.

How much IPCs can be requested?

Article 8(3) of the Council Implementing Regulation stipulates that during the initial period, under normal circumstances, the SRB shall allow the use of IPCs upon request from an institution. For the 2020 contribution period the Board has decided that institutions are allowed to provide IPCs for 15% of their total payment obligations. It has furthermore decided that IPCs must be fully backed by cash collateral.





How is interest on cash collateral taken into account?

Although the SRB has full ownership to the cash collateral until it is returned or set-off, interest accrued will be payable at a date determined by the SRB. The current reference interest rate is the European Central Bank deposit facility rate for overnight deposits as published by the ECB. In case the interest amount is positive, the SRB will transfer the amount to the institution. In case the interest amount is negative, the institution is required to transfer the amount as additional cash collateral to the SRB.

How can IPCs be requested?

The use of IPCs is voluntary. If your institution wishes to use them, it needs to complete this application package. The package contains:

- An Application Form (Excel);
- The IPC Agreement (Pdf);

Only a fully completed application package that is duly signed by a person that can legally represent your institution can be considered as a valid request. The package needs to be returned **both** electronically and physically:

Electronic

No later than 14 May 2020, 24:00 Central European time, the following documents should be delivered by email to your National Resolution Authority (NRA):

- The **Excel** copy of the completed Application form labelled "[your Riad MFI/local identifier code]_2020_Application Form".

Physical

No later than 21 May 2020, the originally executed version of the Application Form and **two** signed IPC Agreements have to be delivered by registered mail to:

*SRB [Unit E4 - IPC]
Treurenberg 22
B-1049 Brussels
Belgium*

By 26 June 2020 at the latest, the SRB will return the countersigned IPC Agreement to the institution to the address provided in the Application Form.





How will the transfer of cash collateral take place?

The constitution of the cash collateral shall occur as part of the payment of the annual contribution to the NRA in accordance with the process and within the timing set out in the notification of the 2020 ex-ante contributions.

What happens if the application is not complete?

Failure to comply with the requirements as set out above will lead to your institution being excluded from the use of IPC's for the 2020 contributions period. Consequently, the full payment obligation will be considered to have been a paid-in contribution.

If you have any questions regarding this application, please contact your NRA.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "J. Reinder DE CARPENTIER", written over a horizontal blue line.

Jan Reinder DE CARPENTIER
Vice-Chair



