

# Annual Report for 2018 National Resolution Fund

Amsterdam

**DeNederlandscheBank**

EUROSYSTEEM

National Resolution Fund  
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Chamber of Commerce registration: 65034929 0000

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# Report of the Management Board

## National Resolution Fund

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The Bank Recovery and Resolution Directive (BRRD)<sup>1</sup> was transposed to Dutch legislation<sup>2</sup> in late November 2015. The implementation act also provided for the establishment of the National Resolution Fund (NRF). The statutory name of the National Resolution Fund is “*Afwikkelingsfonds*”, but the name used in this report is National Resolution Fund (NRF). De Nederlandsche Bank N.V. (DNB), acting in its capacity of national resolution authority (NRA), can deploy the NRF in the realisation of its objective of ensuring orderly resolution in the event that a bank or investment firm should fail.

## Use, scope and funding of the NRF

DNB can deploy the NRF to facilitate the effective deployment of resolution instruments. Section 3a:69 of the Financial Supervision Act (*Wet op het financieel toezicht – Wft*) and Article 101 of the BRRD list the cases in which the NRF may be used. Over a period of ten years (2015-2024), contributions are collected from banks and investment firms to build up the NRF<sup>3</sup>. DNB, acting in its capacity of NRA, sets and collects the annual contributions, using the applicable regulation to calculate the annual contributions<sup>4</sup>.

In 2015, the first year of the NRF’s existence, the NRF applied to banks licensed in the Netherlands, Dutch branch offices of institutions from outside the European Economic Area (EEA) and investment firms subject to the EUR 730,000 start-up capital requirement. On 1 January 2016, the SRM Regulation<sup>5</sup> entered into force, under which the European single resolution fund (SRF) was established.<sup>6</sup> This effectively brought the banks licensed in the Netherlands under the scope of the SRF. Its exact scope is defined in Article 2 of the SRM Regulation. The SRF may be called upon if the SRB needs it to effectively implement resolution measures for an SRM institution.

Since the SRF was established, the NRF’s scope has been limited to Dutch branch offices of non-EEA banks and investment firms subject to the EUR 730,000 start-up capital requirement.

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1 Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms

2 Act implementing the European Framework for the Recovery and Resolution of Banks and Investment Firms, Bulletin of Acts, Orders and Decrees 2015, no. 431

3 No contributions will be charged after this period if the NRF is not used in the meantime.

4 As set out in Section 7h of the Decree on Special Prudential Measures, Investor Compensation and Deposit Guarantees under the Wft (*Besluit bijzondere prudentiële maatregelen, beleggerscompensatie en depositogarantie Wft – Bbpm*).

5 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.

6 The single resolution fund as referred to in Recital 19 of the SRM Regulation referred to above.

## Activities

The NRF's task is to administer the financial resources which can be deployed by the NRA to effectively implement resolution measures. It makes financing available in accordance with the NRA's instructions. DNB supports the NRF in performing its task, providing the resources and services needed, including keeping its financial accounts.

## Contributions

DNB sets the NRF contributions annually on the basis of the relevant statutory framework.

The reference date in this respect is 1 January. Any objection against the amount of the contribution must be lodged with DNB, rather than the NRF.

If the NRF's available financial resources should be inadequate, DNB can charge extraordinary contributions equalling three times the regular ex ante annual contributions.

## Own funds

In 2018, decisions levying contributions were imposed totalling EUR 404,000. Contributions are added to the NRF's own funds. As at 31 December 2018, own funds stood at EUR 2,322,000. No payments were made from own funds in 2018.

## Risk management

The NRF changed over to treasury banking over the course of 2018. Accordingly, it holds its funds in a current account with the Dutch State Treasury Agency.

## Internal control

The NRF has outsourced its accounting processes to DNB. To that end, it has entered into a partnership protocol with DNB, setting out the support tasks DNB performs for the NRF's benefit. DNB must ensure the adequate design of processes and early identification and management of risks. To do so, DNB has an integrated risk management framework and policy in place.

The Management Board has instructed an independent auditor to audit the financial statements and to report on its findings (see page 15).

## Legal structure

The NRF is a legal entity incorporated under public law on 26 November 2015 with registered office in Amsterdam, listed in the Trade Register of the Chamber of Commerce under number 65034929 0000.

## Remuneration policy

In accordance with the decision by DNB's Governing Board, in the year under review, the members of the NRF's Management Board did not receive any remuneration for their work, nor did DNB provide them with any loans, advances or guarantees.

## Management Board and workforce

The NRF has a three-member Management Board. DNB appoints, remunerates, suspends and dismisses them. They are appointed for a period of four years, with the option of reappointment.<sup>7</sup>

At the time of the adoption of the 2018 financial statements, the members of the Management Board were:

- Jan Marc Berk - *Chair*
- Bert Boertje
- Martin Heerma

The NRF does not employ any staff, as DNB supports it in performing its statutory duty, making available staff and other resources.

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<sup>7</sup> The Amended Financial Markets Decree 2018 (*Herstelbesluit Financiële Markten 2018*) explicitly lays down these provisions in Section 7g(1) of the *Bbpm*.

## Outlook

No notable developments that affect the NRF are foreseen in 2019.

## Signatures of the Management Board members

Amsterdam, 12 March 2019

The Management Board of the National Resolution Fund

Jan Marc Berk

Bert Boertje

Martin Heerma

# Financial statements

## Balance sheet as at 31 December 2018 (following appropriation of the result)

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EUR thousands

	<u>31-12-2018</u>	<u>31-12-2017</u>		<u>31-12-2018</u>	<u>31-12-2017</u>
<b>Assets</b>			<b>Liabilities</b>		
1 Current account deposits	2,322	1,997	1 Own funds	2,322	1,997
2 Accounts receivable	11	11	2 Accounts payable	11	11
<b>Total assets</b>	<b>2,333</b>	<b>2,008</b>	<b>Total liabilities</b>	<b>2,333</b>	<b>2,008</b>

## Statement of income and expenditure for 2018

EUR thousands

	<u>2018</u>	<u>2017</u>
<b>Income</b>		
1 Contributions	329	512
2 Reimbursement of costs	11	20
<b>Total income</b>	<b>340</b>	<b>532</b>
<b>Expenses</b>		
3 Interest expenses	-4	-7
4 Audit fee	-11	-11
5 Other expenses	-	-9
<b>Total expenses</b>	<b>-15</b>	<b>-27</b>
<b>Result for the year</b>	<b>325</b>	<b>505</b>

## Notes to the balance sheet as at 31 December 2018 and statement of income and expenditure for 2018

### Accounting policies

The 2018 financial statements were prepared in accordance with the Non-Departmental Public Bodies Framework Act (*Kaderwet zelfstandige bestuursorganen – Kzbo*), and Part 9 of Book 2 of the Dutch Civil Code<sup>8</sup> was applied correspondingly. In addition, the Dutch Accounting Standards (*Richtlijnen voor de Jaarverslaggeving – RJ*) were applied.

### Presentation change from the previous financial year

The financial statements do not include a statement of cash flows, given that the accounting policies cited above do not mandate its inclusion. The 2017 financial statements did include a statement of cash flows.

### Accounts receivable and payable

The accounts receivable as current account balances and other accounts receivable and payable are presented at their nominal amounts.

### Income and expenses

Income and expenses are recognised in the financial year in which they are received or paid. The NRF receives annual contributions, the amounts of which are set by DNB.<sup>9</sup>

### Taxes

The NRF is not liable to pay corporation tax.

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<sup>8</sup> The relevant sections of the *Kzbo* are listed in the *Bbpm*, Bulletin of Acts, Orders and Decrees 2015, no. 433.

<sup>9</sup> Section 3a:71 of the *Wft*

## Notes to the balance sheet

### ASSETS

#### 1. Current account deposits

This item, amounting to EUR 2,322,000 as at 31 December 2018 (31 December 2017: EUR 1,997,000) comprises the funds held with the Dutch State Treasury Agency. The NRF changed over to treasury banking, meaning that its funds are held with the Dutch State Treasury Agency, rather than DNB. The current account deposits are available on demand, and interest is payable at 0.0% as at 31 December 2018.

#### 2. Accounts receivable

This item, amounting to EUR 11,000 as at 31 December 2018 (31 December 2017: EUR 11,000) concerns a cost reimbursement to be received<sup>10</sup> for audit fees payable.

### LIABILITIES

#### 1. Own funds

Following appropriation of the result, own funds stood at EUR 2,322,000 as at 31 December 2018 (31 December 2017: EUR 1,997,000). The result for 2018 was added to own funds in full.

EUR thousands

	2018	2017
<b>Own funds as at 1 January 2018</b>	<b>1,997</b>	<b>1,492</b>
Addition of result	325	505
<b>Own funds as at 31 December 2018</b>	<b>2,322</b>	<b>1,997</b>

Own funds were not used to fund resolution measures in 2018. The BRRD<sup>11</sup> and the Financial Supervision Act (*Wet op het financieel toezicht – Wft*<sup>12</sup>) describe exhaustively for which resolution purposes the NRA may request the NRF to apply its own funds. The NRF may not apply its own funds for any other purposes.

<sup>10</sup> DNB reimburses the NRF for the costs incurred. Pursuant to the Financial Supervision Funding Act, DNB will recover these costs from the financial sector.

<sup>11</sup> Article 101 of the BRRD

<sup>12</sup> Section 3a:69 of the *Wft*

## 2. Accounts payable

This item, amounting to EUR 11,000 as at 31 December 2018 (31 December 2017: EUR 11,000) comprises audit fees payable.

## Notes to the statement of income and expenditure

### 1. Contributions

Contributions totalled EUR 329,000 for the 2018 financial year (2017: EUR 512,000). They are the net balance of the annual contributions for 2018 of EUR 404,000 and a EUR 75,000 adjustment of those for 2017.

DNB sets the amount of the contributions payable to the NRF.<sup>13</sup> It had set the contribution for 2017 of one institution too high, and accordingly instructed the NRF in 2018 to refund EUR 75,000.

The objection period for the decisions setting the annual contributions for 2018 has expired, and DNB did not receive any objections.

### Decisions and contributions by type of institution\*

	2018		2017	
	Number of institutions	EUR thousands	Number of institutions	EUR thousands
Branch offices of non-EEA banks	3	350	3	375
Investment firms (start-up capital > EUR 730,000)	5	54	7	62
<b>Total</b>	<b>8</b>	<b>404</b>	<b>10</b>	<b>437</b>

\* The 2017 annual contributions have been restated to reflect the EUR 75,000 refund

### 2. Reimbursement of costs

DNB reimburses the NRF for the costs incurred, which were EUR 11,000 in 2018 (2017: EUR 20,000). Pursuant to the Financial Supervision Funding Act, DNB will recover these costs from the financial sector. DNB compensates the NRF for audit fees for 2018 of EUR 11,000 (2017: EUR 11,000).

<sup>13</sup> Section 3a:71 of the Wft

### 3. Interest expenses

In 2018, interest expenses were EUR 4,000 (2017: EUR 7,000). Until early June 2018, DNB charged interest on the current account deposit, which equalled the deposit facility rate of -0.4% (2017: -0.4%).

Since June 2018, all of the NRF's funds have been held in a current account with the Dutch State Treasury Agency. Interest payable was 0.0% throughout the financial year.

### 4. Audit fee

The independent auditor's fee for the audit of the 2018 financial statements amounts to EUR 11,000 (2017: EUR 11,000).

### 5. Other expenses

Other costs were nil in 2018 (2017: EUR 9,000).

### Workforce

The NRF did not employ any staff in 2018. DNB supports the NRF in performing its task, providing the resources and services needed, including keeping its financial accounts. As agreed between DNB and the NRF, DNB bears the costs involved in these support activities directly. They are not charged to the NRF.

### Remuneration of the members of the Management Board

The members of the Management Board were appointed for a period of four years, with effect from 19 April 2016. The members are:

- Jan Marc Berk - *Chair*
- Bert Boertje
- Martin Heerma

The NRF is a legal entity under public law, which means it is governed by the Public and Semi-public Sector Executives Remuneration (Standards) Act (*Wet Normering Topinkomens – WNT*). In accordance with the decision taken by DNB's Governing Board, the members of the Management Board did not receive any remuneration for 2018. There were no loans outstanding to members of the Management Board as at 31 December 2018.

### Related parties

The NRF works closely with DNB, which supports it in the adequate performance of its tasks. As the NRA, DNB also decides when the NRF's financial resources can be applied.

## Appropriation of the result

The result for the 2018 financial year has been added to own funds.

## Events after the balance sheet date

There were no events after the balance sheet date.

## Signing of the financial statements

Amsterdam, 12 March 2019

The Management Board of the National Resolution Fund

Jan Marc Berk

Bert Boertje

Martin Heerma

# Other information

## Independent auditor's report

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To the Management Board of the National Resolution Fund

## Report on the financial statements for 2018 as set out in the Annual Report

### Our opinion

We have audited the 2018 financial statements of the National Resolution Fund in Amsterdam.

In our opinion, the financial statements set out in this annual report fairly present the financial position of the National Resolution Fund's own funds as at 31 December 2018 and the result for the financial year then ended, in accordance with Part 9 of Book 2 of the Dutch Civil Code and the provisions of and pursuant to the Public and Semi-public Sector Executives Remuneration (Standards) Act (*Wet bezoldiging topfunctionarissen publieke en semipublieke sector – WNT*).

The financial statements comprise:

1. the balance sheet as at 31 December 2018;
2. the statement of income and expenditure for 2018; and
3. the notes, comprising a summary of the accounting policies and other explanatory information.

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the Audit Protocol under the WNT. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of the National Resolution Fund in accordance with the Audit Firms Supervision Act (*Wet toezicht accountantsorganisaties – Wta*), the Code of Ethics for Professional Accountants (*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten – ViO*) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Dutch Code of Ethics (*Verordening gedrags- en beroepsregels accountants – VGBA*).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Report on the other information included in the Annual Report

In addition to the financial statements and our independent auditor's report thereon, the Annual Report contains other information that consists of:

- The report of the Management Board
- The other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the Report of the Management Board and the other information, as required by Part 9 of Book 2 of the Dutch Civil Code.

## Description of responsibilities regarding the financial statements

The Management Board's responsibilities for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code and the provisions of and pursuant to the *WNT*. Furthermore, the Management Board is responsible for such internal control as it determines necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the National Resolution Fund's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless it either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

The Management Board should disclose events and circumstances that may cast significant doubt on the National Resolution Fund's ability to continue as a going concern in the financial statements.

The Management Board is responsible for exercising supervision on the financial reporting process of the National Resolution Fund.

### **Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Resolution Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Resolution Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the National Resolution Fund to cease to continue as a going concern.

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- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 12 March 2019  
Deloitte Accountants B.V.

Ronald Spijker



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