PRA RULEBOOK: CRR FIRMS: CAPITAL BUFFERS AND LEVERAGE (AMENDMENT) INSTRUMENT 2016

Powers exercised

A. The Prudential Regulation Authority ("PRA") makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 137G (The PRA's general rules); and
(2) section 137T (General supplementary powers).

B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: CRR Firms: Capital Buffers and Leverage (Amendment) Instrument 2016

D. The rules in the Parts of the PRA Rulebook listed in column (1) below are amended in accordance with the Annexes to this instrument listed column (2).

(1)	(2)
Capital Buffers	A
Leverage Ratio	B
Glossary	C

Commencement

E. This instrument comes into force on 14 December 2016.

Citation

F. This instrument may be cited as the PRA Rulebook: CRR firms: Capital Buffers and Leverage (Amendment) Instrument 2016.

By order of the Board of the Prudential Regulation Authority
6 December 2016

Annex A

Amendments to the Capital Buffers Part

In this Annex new text is underlined and deleted text is struck through.

...

3 COUNTERCYCLICAL CAPITAL BUFFER

Calculation of the countercyclical capital buffer

3.1 (1) A *firm* must calculate a *countercyclical capital buffer* of *common equity tier 1 capital* equal to its *total risk exposure amount* multiplied by ~~the weighted average of the *countercyclical buffer rates* that apply to exposures in the jurisdictions where the *firm's relevant credit exposures* are located~~ <u>its *institution-specific countercyclical capital buffer rate*</u>.

[Note: Art 130(1) (part) of the *CRD*]

<u>(1A) A *firm's institution-specific countercyclical capital buffer rate* consists of the weighted average of the *countercyclical buffer rates* that apply to exposures in the jurisdictions where the *firm's relevant credit exposures* are located, calculated in accordance with (2).</u>

(2) In order to calculate the weighted average referred to in (1<u>A</u>), a *firm* must apply to each applicable *countercyclical buffer rate* its total *own funds* requirements for credit risk, specific risk, incremental default and migration risk that relates to the *relevant credit exposures* in the jurisdiction in question, divided by its total *own funds* requirements for credit risk, specific risk, incremental default and migration risk that relates to all of its *relevant credit exposures*.

…

Annex B

Amendments to Leverage Ratio Part

In this Annex new text is underlined and deleted text is struck through.

...

1 APPLICATION AND DEFINITIONS

…

1.2 In this Part, the following definitions shall apply:

…

~~*countercyclical capital buffer rate*~~

~~means the *countercyclical buffer rate*, as defined in Capital Buffers 1.2.~~

…

…

4 COUNTERCYCLICAL LEVERAGE RATIO BUFFER

4.1 A *firm* must calculate a *countercyclical leverage ratio buffer* of *common equity tier 1 capital* equal to:

(1) the *firm's* ~~*countercyclical capital buffer rate*~~ <u>*institution-specific countercyclical capital buffer rate*</u> multiplied by 35% with the product expressed as a percentage rounded to the nearest tenth of a percentage; multiplied by

(2) the *firm's total exposure measure*.

…

Annex C

Amendments to Glossary Part

In the Glossary Part of the PRA Rulebook insert the following new definition:

...

institution-specific countercyclical capital buffer rate

has the meaning given in Capital Buffers 3.1(1A).

...