

Actual and indicative minimum requirements for own funds and eligible liabilities (MREL)

Table 1: Minimum requirements for own funds and eligible liabilities (MREs) for the UK's systemically important banks and building societies

Firm	Actual requirements			Indicative requirements			
	2019			2020-21		2022	
	Total capital requirement	MREL	Loss-absorbing capacity (MREL + buffers)	MREL	Loss-absorbing capacity (MREL + buffers)	MREL	Loss-absorbing capacity (MREL + buffers)
Barclays	12.7% RWAs	6.00% LEs (CRR definition)	7.25% LEs (CRR definition)	6.50% LEs (FPC definition)	7.75% LEs (FPC definition)	25.4% RWAs	30.0% RWAs
Group	11.1% RWAs	19.0% RWAs	23.7% RWAs	19.0% RWAs	23.7% RWAs	20.8% RWAs	25.5% RWAs
HSBC							
European Resolution Group	11.5% RWAs	6.00% LEs (CRR definition)	6.00% LEs (CRR definition)	6.00% LEs (CRR definition)	6.00% LEs (CRR definition)	6.75% LEs (CRR definition)	6.75% LEs (CRR definition)
Standard Chartered	10.9% RWAs	6.00% LEs (CRR definition)	7.15% LEs (CRR definition)	18.9% RWAs	22.5% RWAs	21.8% RWAs	25.4% RWAs
Santander UK	13.4% RWAs	6.00% LEs (CRR definition)	6.90% LEs (CRR definition)	6.50% LEs (FPC definition)	7.50% LEs (FPC definition)	26.9% RWAs	30.4% RWAs
Lloyds Banking Group	12.7% RWAs	12.7% RWAs	16.0% RWAs	6.50% LEs (FPC definition)	7.55% LEs (FPC definition)	25.3% RWAs	28.7% RWAs
Nationwide Building Society	3.25% LEs (FPC definition)	3.25% LEs (FPC definition)	4.00% LEs (FPC definition)	6.50% LEs (FPC definition)	7.25% LEs (FPC definition)	6.50% LEs (FPC definition)	7.25% LEs (FPC definition)
The Royal Bank of Scotland	11.6% RWAs	6.00% LEs (CRR definition)	6.95% LEs (CRR definition)	6.50% LEs (FPC definition)	7.55% LEs (FPC definition)	23.3% RWAs	26.5% RWAs

Table 2: Average minimum requirements for own funds and eligible liabilities (MREs) for other UK banks and building societies in scope of stabilisation powers

Firm	Actual requirements			Indicative requirements			
	2019			2020-21		2022	
	Total capital requirement	MREL	Loss-absorbing capacity (MREL + buffers)	MREL	Loss-absorbing capacity (MREL + buffers)	MREL	Loss-absorbing capacity (MREL + buffers)
Other UK banks and building societies in scope of stabilisation powers	11.7% RWAs	12.2% RWAs	15.7% RWAs	18.6% RWAs	22.1% RWAs	23.4% RWAs	26.9% RWAs

Key: RWAs = Risk Weighted Assets; LEs = Leverage Exposures



Notes

1. Total Capital Requirements (TCRs) in the Tables are as at December 2018. For firms whose binding minimum TCR is based on risk-weighted assets (RWAs), the Table contains each firm's Pillar 1 and Pillar 2A requirements expressed as a percentage of the firm's RWAs. Where otherwise specified, for firms with a leverage-based binding minimum TCR, the Table contains each firm's Requirement expressed as a percentage of the total value of the firm's leverage exposures (LEs).
2. Individual external 'Minimum Requirements for own funds and Eligible Liabilities' (MREs) are based on balance sheet data as at December 2018. For firms whose binding MREL is based on RWAs, the Table shows each firm's MREs expressed as a percentage of the firm's RWAs. For firms with a leverage-based binding MREL, the Table contains each firm's MREL expressed as a percentage of the total value of the firm's leverage exposures. MREs expressed as a percentage of LEs are given to the nearest 0.05% to align the number of decimal places with the leverage-based TCR.
3. The buffers included in the Table comprise:
 - a. A capital conservation buffer of 2.5%;
 - b. Financial Stability Board (FSB) global systemically important bank (G-SIB) buffers based on the FSB's 2018 list of G-SIBs¹;
 - c. A firm-specific countercyclical capital buffer, estimated by assuming that a 1% countercyclical capital buffer applies in the UK and a 0% countercyclical capital buffer applies in all other jurisdictions (to avoid disclosing where other jurisdictions have positive countercyclical buffer values); and
 - d. The systemic risk buffer, in line with the Prudential Regulation Authority (PRA)'s published approach² and rates³.

The buffers in the Table do not include the PRA buffer, the size of which is firm-specific and confidential. Firms whose binding TCRs are leverage-based are not subject to the capital conservation buffer. The calculation of firms' combined buffers above MREL is in line with PRA Supervisory Statement 16/16(4)⁴, where appropriate.

¹ The Financial Stability Board (2018). *2018 list of global systemically important banks (G-SIBs)* <https://www.fsb.org/wp-content/uploads/P161118-1.pdf>

² The Prudential Regulation Authority (2018). *The PRA's approach to the implementation of the systemic risk buffer*. Available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2016/the-pras-approach-to-the-implementation-of-the-systemic-risk-buffer-sop>

³ The Prudential Regulation Authority (2019) *Systemic Risk Buffer rates for ring-fenced banks and large building societies*. Available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/publication/2019/systemic-risk-buffer-rates-for-ring-fenced-banks-and-large-building-societies-may-2019.pdf?la=en&hash=C0EB566F4A61A5B7119F6FA1E39D252E8C7DEEE8>

⁴ The Prudential Regulation Authority (2016, updated 2017). *Supervisory Statement | SS16/16 - The minimum requirement for own funds and eligible liabilities (MREL) – buffers and Threshold Conditions*. Available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2017/ss1616update.pdf?la=en&hash=EE48E560E732C247821BB03CE3B5BFD03465060>



4. The indicative MREs for 2020-2022 set out in the Tables should not be construed as binding, nor are they a definitive indication of future MREs. The MREL set for a specific firm in any given year will ultimately depend on a number of factors including, but not limited to:
 - a. Changes to the firm and its balance sheet;
 - b. The Bank's preferred resolution strategy for the firm (which must be reviewed annually);
 - c. An assessment of the concerns regarding the resolvability of the firm, including the progress of the firm in achieving resolvability;
 - d. Decisions made by resolution colleges and crisis management groups; and
 - e. Future changes in Bank, PRA or international policy, or in the applicable legal regime, which change the way MREL or capital requirements are calculated.

Actual MREs will require consultation with competent authorities and relevant European Union resolution authorities.

5. Since 1 January 2019, UK resolution entities that are G-SIBs⁵ have been required to meet the minimum requirements set out in the FSB's Total Loss-Absorbing Capacity (TLAC) Standard⁶, as implemented through the Bank's Statement of Policy on MREL⁷ (the MREL SoP) in the UK, being the higher of 16% of RWAs on a consolidated basis or 6% leverage exposures on a consolidated basis. The FSB's TLAC requirements, as implemented in the EU by the amended Capital Requirements Regulation (CRR II)⁸ came into force on 27 June 2019. These set different calculations of leverage requirements for G-SIBs than those set out in the MREL SoP. G-SIBs are required to meet both requirements and will be bound by the higher of either requirement. Where the binding MREL is the leverage-based requirement under the MREL SoP, it is calculated based on the Financial Policy Committee's (FPC's) definition of the total exposure measure as set out in the Bank's Policy Statement on the FPC's powers over leverage ratio tools, as updated in October 2017⁹. Where the binding MREL is the leverage-based requirement under CRR II, it is calculated based on the total exposure measure set out in Article 429(4) of the Capital Requirements Regulation, as amended by CRR II. While this publication includes the CRR II requirements specifically referred to above, it does not include assumptions about the future application of other changes that may result from the revision of the Bank Recovery and Resolution Directive (BRRD) and CRR. The Bank is committed to, before the end of 2020, reviewing the calibration of MREL, and the final compliance date, prior to setting end-state MREs. In doing so, the Bank will have regard to any intervening changes in the UK regulatory

⁵ As defined by The Financial Stability Board (2018). *2018 list of global systemically important banks (G-SIBs)* <https://www.fsb.org/wp-content/uploads/P161118-1.pdf>

⁶ The Financial Stability Board (2015). *Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution. Total Loss-absorbing Capacity (TLAC) Term Sheet*. Available at: <http://www.fsb.org/wp-content/uploads/TLAC-Principles-and-Term-Sheet-for-publication-final.pdf>

⁷ The Bank of England (2018). *The Bank of England's approach to setting a Minimum Requirement for own funds and Eligible Liabilities*. Available at: <https://www.bankofengland.co.uk/-/media/boe/files/paper/2018/statement-of-policy-boes-approach-to-setting-mrel-2018.pdf?la=en&hash=BC4499AF9CF063A3D8024BE5C050CB1F39E2EBC1>

⁸ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012. Available here: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013R0575>

⁹ The Bank of England (2015, updated 2017). *The Financial Policy Committee's powers over leverage ratio tools*. Available at: <https://www.bankofengland.co.uk/-/media/boe/files/statement/2015/the-financial-policy-committees-powers-over-leverage-ratio-tools>



framework, due to the revision of the BRRD and CRR, as well as firms' experience in issuing liabilities to meet their interim MRELS.

6. This publication contains actual 2019 external MRELS (as applicable at 1 July 2019), and indicative 2020-21 and 2022 external MRELS, for the following firms, which comprise the global and domestic systemically important banks and building societies headquartered in the UK: Barclays, HSBC (Group and European Resolution Group), Standard Chartered, Santander UK, Lloyds Banking Group, Nationwide Building Society, and The Royal Bank of Scotland. The preferred resolution strategy of these firms is bail-in.
7. The preferred resolution strategy for the HSBC group is a multiple point of entry (MPE) bail-in strategy. The actual and indicative external MRELS given above that apply to the European Resolution Group (ERG, that is HSBC Holdings plc and HSBC UK Holdings Ltd and its subsidiaries) will contribute towards meeting HSBC's overall group requirement, in line with the FSB's TLAC standard for G-SIBs. The TCR shown for the ERG is a notional capital requirement used to calculate MREL for the ERG only. It does not form part of HSBC group's capital requirements for 2019. The total HSBC group requirement between 2019 and 2022 will reflect the higher of: (i) 16% of RWAs on a consolidated basis; (ii) 6% of leverage exposures under the CRR definition on a consolidated basis; (iii) 6% of leverage exposures under the FPC definition on a consolidated basis; and (iv) the sum of requirements relating to other group entities or sub-groups. From 1 January 2022, it will reflect the higher of: (i) 18% of RWAs on a consolidated basis, (ii) 6.75% of leverage exposures under the CRR definition on a consolidated basis; (iii) 6.75% of leverage exposures under the FPC definition on a consolidated basis; and (iv) the sum of requirements relating to other group entities or sub-groups. The indicative 'sum of parts' figures for (iv) are estimates based on current information about requirements, excluding buffers, that would apply to other group entities or sub-groups in other jurisdictions.
8. The average (arithmetic mean) 2019 external MREL (as applicable at 1 July 2019), and indicative 2020-21 and 2022 external MRELS have been calculated for all firms (except two as noted below) with a resolution entity incorporated in the UK for which an indicative MREL has been communicated beyond their going concern requirements, excluding those listed in note 6. Note that as stated in the Bank's MREL SoP, the Bank may on an institution-specific basis set an earlier compliance date during the transition period for interim (external and internal) MRELS and/or end-state MRELS greater than capital requirements. Excluding those listed in note 6, the firms that must meet MREL on the basis of a bail-in resolution strategy are: CYBG and Virgin Money, Coventry Building Society, Leeds Building Society, Metro Bank, Skipton Building Society, The Co-operative Bank, and Yorkshire Building Society. The firms that must meet MREL on the basis of a partial transfer resolution strategy are: Monzo Bank, Starling Bank, and Tesco Personal Finance. The Bank may choose to adjust downwards a firm's end-state MREL to take into account a partial transfer resolution strategy. The average MRELS exclude Monzo Bank and Starling Bank, as the preferred resolution strategy for these firms changed to involve the use of the Bank's stabilisation powers more recently than for other firms. As such, they are subject to different timelines to meet MREL above capital requirements. Both Monzo Bank and Starling Bank are expected to meet their interim MRELS from 26 April 2022 and their end-state MRELS from 26



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April 2024. The Bank intends to publish MREs for individual firms, rather than an average, from next year for all firms with an indicative MREL above capital requirements.