BANK OF ENGLAND

Indicative 2020 and 2022 MRELs

Table 1: Indicative MRELs for the UK's systemically important banks

Firm	2020			2022		
	Minimum going concern requirements	Interim MREL	Loss absorbing capacity in 2020 (MREL+ buffers)	Minimum going concern requirements	Final MREL	Loss absorbing capacity in 2022 (MREL + buffers)
HSBC (European Resolution Group)	11.5%	19.5%	22.7%	11.5%	23.1%	26.2%
Barclays PLC	12.3%	6.50% lev. exposures	7.80% lev. exposures	12.3%	24.6%	29.1%
Royal Bank of Scotland Group	11.9%	19.9%	24.1%	11.9%	23.9%	28.0%
Standard Chartered PLC	11.1%	19.1%	22.7%	11.1%	22.2%	25.7%
Lloyds Banking Group	13.4%	21.4%	24.7%	13.4%	26.7%	30.1%
Santander UK	13.5%	6.50% lev. exposures	7.55% lev. exposures	13.5%	27.0%	30.4%
Nationwide Building Society	3.25% lev. exposures	6.50% lev. exposures	6.85% lev. exposures	3.25% lev. exposures	6.50% lev. exposures	6.85% lev. exposures

Table 2: Average indicative MREL for other firms with a resolution plan that involves the use of bail-in or transfer powers

Firm	2020			2022		
	Average minimum going concern requirements	Average interim MREL	Average loss absorbing capacity in 2020 (MREL+ buffers)	Average minimum going concern requirements	Average final MREL	Average loss absorbing capacity in 2022 (MREL + buffers)
Other Bail-in/Transfer Firms	12.2%	18.0%	21.5%	12.2%	24.4%	27.9%

NOTES:

1. Going concern requirements in the Tables are as at December 2017. For firms whose binding minimum going concern capital requirement is based on risk-weighted assets (RWAs), the Tables contain 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 going concern capital requirement, the Tables contain each firm's requirements expressed as a percentage of the total value of the firm's leverage exposures (lev. exposures).

2. Individual indicative Minimum Requirements for own funds and Eligible Liabilities (MRELs) are calculated using data as at December 2017. For firms whose binding indicative MREL is based on RWAs, the Tables show each firm's MRELs expressed as a percentage of the firm's RWAs. For firms with a leverage-based binding indicative MREL, the Tables contain each firm's MREL expressed as a percentage of the total value of the firm's leverage exposures (lev. exposures). MRELs expressed as a percentage of leverage exposures are given to the nearest 0.05% to mirror the specificity of the minimum going concern leverage-based capital requirement. . As a result of different requirements applying in going concern and in gone concern, some firms have going concern requirements that are set on an RWA basis, but have indicative MRELs that are set on a leverage basis. Since last year's publication of indicative MRELs[(1)], the Financial Policy Committee has decided to exclude central bank reserves from the leverage exposures measure and offset that change by recalibrating the minimum leverage ratio requirement[(2)].

3. The buffers included in the Tables comprise (a) the end-state Capital Conservation Buffer of 2.5% (b) Financial Stability Board (FSB) Global Systemically Important Bank (G-SIB) buffers based on the FSB's 2017 list of G-SIBs[(3)] and (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. The buffers do not include the Systemic Risk Buffer that will be applied in 2020 and 2022. The buffers do not include the Prudential Regulation Authority (PRA) buffer, the size of which is confidential to each firm. Firms whose binding minimum capital requirement in going concern is leverage-based, are not subject to the Capital Conservation Buffer. Taking this into account, the calculation for a firm's buffers is in line with the PRA Supervisory Statement 16/16[(4)].

4. Ahead of the 2020 interim MRELs coming into force, UK G-SIBs will be required from 1 January 2019 to meet the minimum requirements set out in the FSB Total Loss Absorbing Capacity (TLAC) Standard[(5)], being the higher of 16% of risk weighted assets on a consolidated basis or 6% leverage exposures on a consolidated basis.

5. The preferred resolution strategy for the HSBC group is a multiple point of entry strategy. The individual MREL given above applies to the European resolution group (HSBC Holdings Plc and HSBC UK Holdings Limited and its subsidiaries) and will contribute towards HSBC's overall group requirement. In line with the FSB's TLAC standard, 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 on a consolidated basis; and (iii) the sum of requirements relating to each of its resolution groups and entities/sub-groups located outside these resolution 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 on a consolidated basis; and (iii) the sum of requirements relating to each of its resolution groups and entities/sub-groups located outside these resolution groups. The FSB G-SIB buffer will apply at the group level, and hence is not included in this calculation. The buffer requirement for the European resolution group reflects the Capital Conservation Buffer and countercyclical capital buffers as applied to HSBC European Resolution Group's sub-consolidated RWAs as of December 2017.

6. The firms for which the average (i.e. the arithmetic mean) MREL has been calculated constitute all firms with a resolution entity incorporated in the UK for which an indicative MREL has been set beyond their going concern requirements, excluding G-SIBs and D-SIBs. These are CYBG PLC, Coventry Building Society, Leeds Building Society, Metro Bank (MREL calculated on the basis of a partial transfer resolution strategy), Skipton Building Society, Tesco Personal Finance Group (MREL calculated on the basis of a partial transfer resolution strategy), The Co-operative Bank, Virgin Money, and Yorkshire Building Society. Both Leeds Building Society and The Co-operative Bank were not included in last year's publication. UK subsidiaries of foreign banks that are part of a group resolution strategy at parent level are excluded as they will be subject to internal resource requirements that have not yet been set.

7. The MREL set for a specific firm in any given year will ultimately depend on a number of factors including, but not limited to; changes to the firm and its balance sheet; the preferred resolution strategy (which must be reviewed annually); an assessment of the concerns regarding the resolvability of the firm over the transitional period; decisions made by resolution colleges and crisis management groups; and any change in PRA or international policy that changes the way RWAs are calculated or the way the exposure measure of the leverage ratio is assessed. Final requirements will require consultation with competent authorities and relevant European Union resolution authorities. Accordingly, the indicative MRELs set out in the Tables are not binding on firms, nor are they a definitive determination of future consolidated MRELs.

[(1)] Bank of England (2017). Indicative MRELs for the UK's systemically important banks. [ONLINE] Available via: https://www.bankofengland.co.uk/financial-stability/resolution. Section 2. [Accessed 7 June 2018].

[(2)] Bank of England (2015, updated 2017). The Financial Policy Committee's powers over leverage ratio tools. [ONLINE] Available at: https://www.bankofengland.co.uk/-/media/boe/files/statement/2015/the-financial-policy-committees-powers-over-leverage-ratio-tools. [Accessed 6 June 2018].

[3] Financial Stability Board (2017). 2017 list of global systemically important banks (G-SIBs). [ONLINE] Available at: http://www.fsb.org/wp-content/uploads/P211117-1.pdf. [Accessed 6 June 2018].

[4] Prudential Regulation Authority (2016, updated 2017). Supervisory Statement | SS16/16 - The minimum requirement for own funds and eligible liabilities (MREL) – buffers and Threshold Conditions. [ONLINE] Available at: https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2017/ss1616update.pdf?la=en&hash=EE48E560E732C247821BBD03CE3B5BFD03465060. [Accessed 6 June 2018].

[5] Financial Stability Board (2015). Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution. Total Loss-absorbing Capacity (TLAC) Term Sheet. [ONLINE] Available at: http://www.fsb.org/wp-content/uploads/TLAC-Principles-and-Term-Sheet-for-publication-final.pdf. [Accessed 6 June 2018].