



Modification by consent of definition of capital rules 7.1 and 7.5

The PRA notes that certain amendments to the Capital Requirements Regulation (CRR) apply from the date of entry into force of the amending Regulation.¹

Following amendments to CRR Article 26(3), firms may classify as Common Equity Tier 1 (CET1) instruments subsequent issuances of a form of CET1 instruments for which they have already received the competent authority's permission, where both of the following conditions are met:

- (a) the provisions governing those subsequent issuances are substantially the same as the provisions governing those issuances for which the firms have already received permission; and
- (b) firms have notified those subsequent issuances to the competent authorities sufficiently in advance of their classification as Common Equity Tier 1 instruments.

In light of the change to CRR Article 26(3), the PRA recognises that Rules 7.1 and 7.5 of the Definition of Capital Part of the PRA Rulebook no longer achieve the purpose for which they were made. Therefore, it has been decided to offer a modification by consent.

A copy of the direction for the modification by consent is available on [Waivers and modification by consent webpage](#). If a firm wishes to take up this modification by consent, it should read the direction and contact the Authorisations Division with a request for the modification at:

PRA Authorisations – Authorisations Division
Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

Or

PRA-Waivers@bankofengland.co.uk

The PRA will confirm in writing whether the request has been granted and will publish the approved modification direction on the Financial Services Register.

Compliance with CRR Article 26(3) second sub-paragraph

The PRA intends to consult in due course on amending Chapter 7 of the Definition of Capital Part of the PRA Rulebook, and on any supervisory expectation relevant to the application of CRR Article 26(3) second sub-paragraph. In the meantime, the PRA expects firms using CRR Article 26(3) second sub-paragraph to provide to the PRA, in accordance with

¹ Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012



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Fundamental Rule 7, with all relevant information sufficiently in advance to allow the PRA to evaluate whether the conditions under CRR Article 26(3) second sub-paragraph point (a) are met. Firms may use the CET1 Compliance Template as specified in Rule 7.9 to evidence their compliance with the condition set out in CRR Article 26(3) second sub-paragraph point (a).

10 June 2019