

SoPXX/26 – The PRA's approach to automatic indexation

1: Introduction

1.1 This Statement of Policy (SoP) sets out the Prudential Regulation Authority's (PRA) approach to operating its framework ('the framework') for the regular, automatic indexation of in-scope regulatory thresholds contained in the PRA Rulebook and PRA guidance documents, ie Supervisory Statements (SS) and SoPs.

1.2 This SoP performs three key functions:

- **Chapter 2** explains the PRA's common indexation methodology and approach to operationalising the framework, including:
 - the criteria the PRA uses to determine which thresholds are suitable for automatic indexation;
 - the common indexation methodology, ie how updated values are determined;
 - how and when threshold changes are communicated; and
 - how the PRA expects to treat new, amended and deleted thresholds.
- **Chapter 3** explains the PRA's intention and mechanics for automatic updates of in-scope thresholds outside the PRA Rulebook contained in guidance documents.
- The appendices to this SoP form a consolidated public reference of the thresholds covered by the framework.
Appendix 1 lists in-scope thresholds contained in the PRA Rulebook and **Appendix 2** lists in-scope thresholds in guidance documents.

Context and definitions

1.3 Regulatory thresholds (thresholds) are measures, typically expressed quantitatively, used to determine the application or operation of particular PRA prudential requirements, expectations or policy approaches. In the absence of timely updates, fixed nominal thresholds (ie those expressed in fixed, numerical figures that are not adjusted for factors like economic growth or inflation, eg £50bn total assets) may become unintentionally more restrictive over time as prices and the economy grow. Firms may become subject to additional or more intensive requirements without a corresponding change in the activity, risk or other factor that the threshold is intended to capture. The PRA refers to this as 'prudential drag'.

1.4 The framework is the PRA's approach for maintaining the current calibration of in-scope regulatory thresholds over time by periodically updating them using a pre-determined methodology on pre-determined dates. The framework comprises: (i) the policy framework and rationale set out in **[final policy statement on The PRA's automatic thresholds indexation framework]**; (ii) **[PRA Rulebook: Indexation of Threshold Amounts Instrument 2027]**, which gives legal effect to the automatic update of certain Rulebook thresholds; and (iii) this SoP. This framework is relevant to firms and other entities that are, or may become, subject to any of the thresholds it covers. The framework should be read alongside the Rulebook provisions and relevant policy materials in which individual thresholds are located.

1.5 The framework aims to provide a systematic, predictable and transparent approach to updating thresholds as prices and the economy grow. It is intended to help preserve the underlying calibration of the affected policies over time, while reducing the need for separate policy interventions whose sole purpose is to maintain the nominal calibration of individual thresholds. The framework does not replace, but rather complements, ad-hoc policy evaluation and development, which may also result in changes to thresholds reflecting the PRA's risk appetite and that would follow the usual PRA policymaking process as set out in SoP1/25 – **The PRA's approach to policy**. Firms whose activities, risk profile or systemic importance grow relative to the wider economy will continue to cross indexed thresholds and become subject to the associated requirements.

2: Indexation methodology and operationalisation

Box A: Overview of key aspects of indexation approach

- The PRA uses scoping criteria to determine which thresholds to propose for automatic indexation.
- The PRA indexes in-scope thresholds using UK nominal gross domestic product (GDP) published by the ONS.
- The PRA uses a simple indexation formula that applies universally to all in-scope thresholds with a single, fixed base year of 2026.
- The framework operates on a recurring five-year indexation period (after an initial one-off three-year indexation period).
- The PRA will provide notification in advance of updated thresholds taking effect through public communication, supported by this SoP.
- There is a 6-month implementation window for stakeholders to prepare after the PRA's communication and before updated thresholds take effect.

Scope of the framework

2.1 An 'in-scope threshold' is a threshold that has been included in the legal or policy mechanism through which the framework applies. The scope of the framework is determined through the lists in [\[hyperlink: General Provisions 9.2\]](#) (for thresholds in the PRA Rulebook) and in Appendix 2 of this SoP (for thresholds in guidance documents). The lists establishing the scope of this framework do not replace the operative rule or guidance which establishes a threshold. The PRA will update these appendices following any change to the scope of the framework and following each indexation round.

2.2 Automatic indexation can help preserve the calibration of fixed nominal thresholds over time and reduce the need for separate policy changes solely to address the effects of growth in prices and the economy. The PRA's starting point is therefore that all fixed nominal thresholds in the PRA Rulebook and guidance documents are eligible for inclusion in the framework unless there is a reason to exclude them.

2.3 The PRA considers the scoping criteria in Table 1 to assess whether individual thresholds are suitable for automatic indexation. The assessments are made on a case-by-case basis. The PRA may decide not to propose automatic indexation for a threshold, defer a decision on inclusion, or apply a different update approach where the policy circumstances justify doing so.

Table 1: Scoping criteria

1. The threshold is expressed as a fixed nominal amount	The framework is designed for thresholds expressed as fixed monetary amounts (GBP or GBP-based). Thresholds expressed as non-nominal measures such as ratios, percentages, or counts are generally not suitable for the common indexation methodology because their calibration cannot change mechanically in line with growth of prices and the economy.
2. The threshold can be changed through PRA processes	A threshold cannot be included in the framework where its value is fixed in legislation, set by another authority or otherwise cannot be amended through the PRA's rule-making or policy-making processes.
3. Adjusting for UK nominal GDP growth preserves the threshold's intended calibration	A threshold should not be included where updating it in line with cumulative UK nominal GDP growth would substantially alter, rather than preserve, its intended policy calibration. The PRA will consider whether applying the common metric would be consistent with the threshold's purpose.
4. Indexation does not materially alter policy or implementation outcomes	The PRA may decide that automatic indexation for a threshold is not appropriate where wider policy or implementation considerations require separate judgement, including where the expected costs of applying the PRA's indexation framework outweigh the benefits. Examples include where indexation could interact with: • a statutory, macroprudential or international consideration; • an independent policy review process; or • implementation costs or operational complexity.

2.4 The scoping criteria inform the PRA's assessment of whether a threshold is suitable for automatic indexation, but they are not designed to be exhaustive or conclusive. The PRA will consider them alongside its statutory objectives and the other matters relevant to its usual policymaking process, including the costs and benefits of including a threshold in the framework. Any proposed change to the scope of the framework would be subject to consultation and the applicable statutory and public-law requirements. More detail on how the PRA may change the scope of the framework is covered in a separate section of this SoP covering Interactions with the PRA's regular policy development and evaluation.

Indexation metric

2.5 The framework uses cumulative growth in UK nominal GDP as the common indexation measure for all in-scope thresholds.

2.6 Indexation is based on nominal GDP data published by the [Office for National Statistics \(ONS\)](#) from the specified series defined in the rule instrument. Annual nominal GDP is calculated using the latest available release of the relevant ONS series at the data cut-off date, by summing the four quarterly observations for the relevant calendar year.

Indexation formula

2.7 The PRA applies a common formula to all in-scope thresholds. The formula compares annual nominal GDP in the relevant reference year with annual nominal GDP in the fixed base year and applies the resulting indexation factor to the relevant threshold's base amount.

2.8 The framework uses 2026 as its fixed base year. The base year remains unchanged for all future indexation rounds and for thresholds subsequently brought into scope of the framework.

2.9 The precise indexation formula used for all in-scope thresholds is defined in the rule instrument. The formula is replicated in Figure 1 alongside a description of the terms used in the formula.

Figure 1: indexation formula

Indexed value = Base amount $\times$ (UK nominal GDP in reference year $\div$ UK nominal GDP in base year)
 Final threshold = max (previous threshold, rounded indexed value)

‘Indexed value’ means the updated threshold amount following application of the indexation formula and rounding convention.

‘Base amount’ means the value attributed to an in-scope threshold in base-year terms. Base amounts are used to calculate indexed values at each indexation point and remain static, ie do not change unless the operative threshold is recalibrated through ad-hoc policy evaluation (ie through a mechanism outside of this framework). The base amounts for in-scope thresholds are specified in the table in [\[hyperlink: General Provisions 9.2\]](#) for thresholds in the PRA Rulebook and in Appendix 2 of this SoP for thresholds in guidance documents. The base amount is a calculation input used in the indexation formula; it does not replace or supersede the operative thresholds in the rule or guidance that is being indexed. Where a threshold was in force in the base year (2026) – or came into effect in 2027 or 2028 – its base amount will correspond to its value in that year. After that, the PRA will calculate *notional* base amounts for any new or amended thresholds as part of future ad-hoc policy evaluation and development, ie when the PRA proposes to update operative thresholds through means other than automatic indexation (more detail on this later in this SoP).

‘Reference year’ means a regularly recurring calendar year that marks the end of an indexation period as defined in the rule instrument and this SoP. For example, if thresholds are updated for nominal GDP growth between year x and y inclusive, the reference year is y.

‘Base year’ means the common year used as the anchor for the first and subsequent indexation calculations. The PRA has set **2026 as the base year** of this framework. The base year is fixed so it remains the same for all future indexation rounds. By using a single common base year for all in-scope thresholds, including those that are brought into scope of the framework after the year, the same indexation formula can be applied consistently across the full population of in-scope thresholds. While the base year is fixed, the level of nominal GDP in the base year (which is used at all future indexation points) can change due to revisions to ONS data. For the avoidance of doubt, these revisions do not alter the base amounts.

‘Final threshold’ is the higher of the rounded, indexed value and the previous operative threshold. This will become the **‘operative threshold’** (ie the substantive threshold value that determines the application or operation of a PRA prudential requirement, expectation or policy approach) once effective in relevant rules / guidance.

Calculating indexed values

2.10 For each indexation round, the PRA calculates the indexation factor by dividing annual nominal GDP in the reference year by annual nominal GDP in the base year. It applies the indexation factor to the relevant base amount to calculate the unrounded indexed value. The PRA rounds the indexed value in accordance with the methodology set out in the **[PRA Rulebook: Indexation of Threshold Amounts Instrument 2027]** and the Rounding section of this SoP.

2.11 The PRA compares the rounded indexed value with the previous threshold (ie the operative threshold value that is being updated through the current indexation). The higher of the two becomes the new operative threshold. This prevents the automatic indexation mechanism from reducing a threshold where nominal GDP has fallen (more detail in the High-water mark section below).

2.12 The indexation factor is applied to the base amount rather than the previous operative threshold. This allows revisions to nominal GDP data since the base year to be reflected in subsequent indexation rounds, while avoiding the accumulation of rounding effects and the double counting of nominal GDP growth across successive rounds.

Figure 2: worked example using illustrative values

Input	Illustrative value
Base amount	£100m
Base year nominal GDP	£3,000bn
Reference year nominal GDP	£3,750bn
Indexation factor (reference year nominal GDP ÷ Base year nominal GDP)	1.25
Unrounded threshold	£125m
Rounded threshold	£130m

High-water mark

2.13 The automatic indexation mechanism will not reduce an in-scope threshold where nominal GDP falls. At each indexation point, the previous operative threshold acts as a floor. Where the rounded indexed value is lower than the previous operative threshold, the threshold remains unchanged.

2.14 As each calculation remains anchored to the fixed base year, a subsequent recovery in nominal GDP will not result in a further increase until the rounded indexed value exceeds the previous operative threshold. This prevents thresholds from being over-indexed following a period in which nominal GDP falls, consistent with the framework's purpose of preserving threshold calibration against long-run nominal growth rather than automatically recalibrating thresholds during periods of economic weakness.

2.15 The PRA may separately consider lowering or otherwise recalibrating an in-scope threshold through its usual policymaking and rule review processes. Any such change would be a policy decision and would not occur automatically under this framework.

Figure 3: illustrative example of high-water mark principle

Indexation point	Indexation factor (reference year nominal GDP ÷ Base year nominal GDP)	Rounded indexed value (illustrative)	Final threshold (illustrative)
Base Year	1.0	£100m	£100m
1st reference year	1.2	£120m	£120m
2nd reference year	1.1	£110m	£120m
3rd reference year	1.3	£130m	£130m

Note: The final threshold is the higher of the rounded indexed value and the current operative threshold. After the 2nd reference year, the indexed value falls to £110 million, but the final threshold remains at £120 million. After the 3rd reference year, the indexed value exceeds the previous operative threshold and therefore becomes the new operative threshold without over-indexing the recovery.

Rounding

2.16 The PRA rounds the formula-derived indexed value of each in-scope threshold to two significant figures. Rounding occurs before the indexed value is compared to the previous operative threshold and the high-water mark is applied. The same rounding methodology applies to thresholds in the PRA Rulebook and in guidance documents.

2.17 The nominal GDP observations used in the calculation are taken as published by the ONS and are not subject to further rounding. Any rounded indexation factor presented in explanatory communications is illustrative only and is not used to calculate indexed values.

2.18 Rounding is an automatic feature of the framework and not subject to policy judgement. The PRA acknowledges that rounding could affect the point at which firms move into or out of scope where a firm sits close to an in-scope threshold. This is inherent in any approach that converts an indexed calculation into a legally operable threshold.

Data cut-off and revisions

2.19 For each indexation round, the PRA will use the latest available observations from the specified ONS nominal GDP series as at the data cut-off date. The data cut-off date is 1 October in the year following the relevant reference year.

2.20 Revisions published after the data cut-off date will not alter the outcome of that indexation round. As each calculation is anchored to the fixed base year, revisions incorporated into the ONS series thereafter and by the next data cut-off date will be reflected in the next indexation round.

2.21 The period between the end of the reference year and the data cut-off date allows the PRA to use more settled nominal GDP data and provides time to calculate and communicate updated thresholds before they take effect.

Indexation and communication timeline

2.22 After an initial one-off three-year indexation period, the framework then operates on a recurring five-year indexation period.

In-scope thresholds will update automatically and mechanically with the first automatic uplift taking effect on 1 July 2031 and subsequent updates taking effect every five years thereafter.

2.23 The PRA will communicate the outcome of each indexation round at least six months before updated thresholds take effect. At that point, the Rulebook will reflect the forthcoming values and effective dates, and the PRA will update the appendices to this SoP to show the corresponding changes to in-scope thresholds in the Rulebook and guidance documents.

Figure 4: Indexation timeline

Reference year:	Uplift corresponds to nominal GDP growth between:	Data cut-off date:	Indexation outcome communicated before:	Updated thresholds take effect on:
2029	1 January 2027 to 31 December 2029 (3 years)	1 October 2030	31 December 2030	1 July 2031
2034	1 January 2030 to 31 December 2034 (5 years)	1 October 2035	31 December 2035	1 July 2036
2039	1 January 2035 to 31 December 2039 (5 years)	1 October 2040	31 December 2040	1 July 2041
... recurring every 5 years				

Interactions with the PRA's regular policy development and evaluation

2.24 The population of in-scope thresholds may change over time due to new policy development or ad-hoc policy evaluation. New thresholds can be brought into scope of the framework and existing thresholds can be amended or removed.

2.25 When the PRA considers a new or amended threshold, it will apply the scoping criteria set out earlier in this SoP to assess if the threshold should be proposed for automatic indexation. Any proposed change to the scope of the framework would then require a corresponding amendment to the mechanism that sets the scope of the framework, ie a rule change to

amend the list that establishes the scope of thresholds in the Rulebook ([\[hyperlink: General Provisions 9.2\]](#)) or an amendment to the list in Appendix 2 of this SoP which establishes the scope of thresholds in guidance documents. A change in scope of the framework would therefore be subject to the PRA's statutory objectives and any other applicable statutory and public law requirements and would form part of its usual policymaking process. The PRA would usually consult on both the threshold and its inclusion in the framework at the same time.

2.26 This same approach applies to amendments of in-scope thresholds following ad-hoc policy evaluations where the PRA proposes that the threshold remains in scope of the framework as this could result in a new base amount which would need to be reflected in the rule mechanism or this SoP.

2.27 Where the PRA proposes a substantive policy change, rather than the mechanical application of the indexation methodology, it will follow its usual policymaking process and applicable statutory and public-law requirements.

2.28 The PRA will consider on a case-by-case basis when a new or recalibrated threshold should enter the framework. Its default expectation is that the threshold will enter the framework when the relevant policy change takes effect. Once a threshold is in scope of the framework, it will be updated at each applicable indexation point in accordance with the framework. However, the PRA may propose that indexation is deferred where the policy change takes effect close to the next indexation point and applying a further adjustment at that point could result in volatility or unnecessary operational burden for firms or the PRA. In such cases, the policy change would take effect as planned, but the threshold may 'skip' the first automatic update following its introduction through an exception that is noted in the tables that formally set the scope of the framework (in the Rulebook mechanism for thresholds in the PRA Rulebook and in Appendix 2 of this SoP for thresholds in guidance documents).

2.29 When the PRA develops policy that results in the creation or amendment of a threshold, the PRA will take into account the impact of both past and future indexation when calibrating the threshold and will communicate how the threshold is brought into the framework (where appropriate) as part of the policy consultation.

Determining base amounts for new or amended in-scope thresholds

2.30 As explained in Figure 1, the PRA's indexation formula uses static base amounts, expressed in 2026 terms, to calculate automatically updated thresholds at future indexation points. When the PRA introduces or amends an in-scope threshold with an effective date after 2028, the PRA will propose a notional base amount in base-year terms. This involves discounting the proposed operative threshold to remove nominal GDP growth between 2026 and its proposed effective date. Applying the indexation formula to that notional base amount should preserve, rather than increase, the calibration intended when the operative threshold was set.

2.31 The PRA will determine the notional base amount as part of the policy process for introducing or amending the threshold. A mechanistic approach to determining these notional base amounts is not possible and may require policy judgement because complete nominal GDP data may not be available at the point of consultation and growth between consultation and proposed effective date will be uncertain. The PRA may also consider other considerations relevant to the calibration of the operative threshold (including, for example, alignment and consistency with related thresholds or existing policy frameworks).

2.32 The PRA expects to consult on notional base amounts for indexation purposes in the same consultation that covers the new/amended operative threshold value and its inclusion in the framework. Once final, the PRA would then list these base amounts in the tables in the appendices of this SoP and in the table in [\[hyperlink: General Provisions 9.2\]](#). When proposing notional base amounts, the PRA's aim is to maintain the intended calibration of the threshold over time in line with the overarching objectives of the framework.

2.33 As a transitional exception, for in-scope thresholds taking effect in 2027 or 2028, the PRA uses their effective-date values as base amounts and will not calculate separate 2026-equivalent base amount. In other words, the PRA does not discount the proposed operative threshold to remove nominal GDP growth between 2026 and a threshold's effective date in 2027/2028 to determine a notional base amount. This treatment applies both to in-scope thresholds calibrated and consulted on before the framework was developed but taking effect after 2026, and to thresholds for which the nominal GDP data needed to calculate a 2026-equivalent base amount may not be available when the relevant policy is made.

3: The framework for thresholds in PRA guidance documents

3.1 This chapter sets out the PRA's intention and mechanics for automatic updates of in-scope thresholds outside the PRA Rulebook and contained in guidance documents, ie SSs and SoPs.

3.2 The PRA intends to operate the framework consistently across **all** in-scope thresholds across the framework and also intends to update in-scope thresholds contained in guidance documents in accordance with the same calculation methodology, rounding approach and timetable as apply to in-scope thresholds within the PRA Rulebook.^[1]

3.3 Chapter 2 of this SoP sets out the PRA's common approach to operating the framework over time, including determining its scope, calculating and communicating indexed values, and treating new, amended and removed thresholds. Unless stated otherwise, Chapter 2 applies to all in-scope thresholds contained in guidance documents as well as the PRA Rulebook.

3.4 Appendix 2 of this SoP establishes the scope of the framework for thresholds contained in guidance documents.

3.5 The PRA will not consult again where an amendment to a listed guidance document implements the result of the pre-set indexation methodology without making further changes.

3.6 In-scope thresholds contained in guidance documents may either constitute standalone policy thresholds or refer to thresholds whose operative value is set elsewhere, including in the PRA Rulebook. Where a threshold in a guidance document refers to an existing threshold in the PRA Rulebook, the operative threshold remains that contained in the PRA Rulebook as in force from time to time.

Appendix 1: In-scope thresholds contained in the PRA Rulebook

This appendix provides a consolidated public reference of the in-scope thresholds contained in the PRA Rulebook.

It reproduces the thresholds identified in the table in **[hyperlink: General Provisions 9.2]** and presents the core information in the same terms and structure as that table.

The appendix also provides supplementary, non-legislative information to help readers understand how its operative amount has changed over time. This supplementary information is provided for transparency and does not form part of the PRA's rules.

This appendix does not replace or alter the relevant Rulebook provision or the mechanism in the **[hyperlink: PRA Rulebook: Indexation of Threshold Amounts Instrument 2027]**. The scope of the framework for thresholds contained in the PRA Rulebook is determined by the table in **[hyperlink: General Provisions 9.2]**, and the applicable amount is the amount in the relevant Rulebook provision as updated by that mechanism. If there is any discrepancy, the relevant Rulebook provision and the indexation mechanism prevail.

Rulebook table information ([hyperlink: General Provisions 9.2] controls)								Supplementary information		
No.	Part	Threshold reference	Amount on the date brought into indexation mechanism	Date brought into indexation mechanism	Base Amount for Indexation	Current Amount	Exceptions	Next Amount	Date of next auto update	Indexation history
	[Part of the PRA Rulebook or other instrument containing the threshold.]	[Specific provision in which the threshold is set.]	[Threshold amount applying when the threshold became subject to indexation.]	[Date from which the threshold became subject to indexation.]	[Amount used as the starting point for calculating indexed adjustments.]	[Threshold amount currently in force.]	[Circumstances in which indexation does not apply or applies differently.]	[Announced threshold amount that will apply from the specified future date. Will be 'tbc' if not yet announced.]	[Date from which the next automatic update will take effect. ie 1 July 2031]	[Record of previous indexed adjustments to the threshold.]
1	...	...	...	...	...	...	...	...	...	...
2	...	...	...	...	...	...	...	...	...	...
...	...	...	...	...	...	...	...	...	...	...

Appendix 2: In-scope thresholds contained in PRA guidance documents

This appendix establishes the scope of the framework for thresholds contained in PRA guidance documents, ie Supervisory Statements (SS) and Statements of Policy (SoP). The thresholds listed in the table below are subject to the indexation approach set out in this SoP.

The relevant SS or SoP remains the source of the substantive supervisory expectation or policy approach in which a standalone threshold is used. Where a threshold is set in the PRA Rulebook or another document, that source determines the operative amount. This appendix determines which thresholds and references in SS and SoP are covered by the framework and records the information used to operate it.

No	Policy document	Threshold reference	Amount on the date brought into indexation mechanism	Date brought into indexation mechanism	Base Amount for Indexation	Current Amount	Exceptions	Next Amount	Date of next auto update	Indexation history
	[SS or SoP number and title]	[Paragraph, table or other location in which the threshold appears]	[Amount applying when brought into scope]	[Date from which subject to the framework]	[Amount used as the starting point for indexation calculations]	[Amount currently applying in the relevant policy document]	[Any departure from the standard update timetable or methodology]	[Announced threshold amount that will apply from the specified future date. Will be 'tbc' if not yet announced.]	[Date from which the next automatic update will take effect. ie 1 July 2031]	[Previous indexed amounts and effective dates]
1	...	...	...	...	...	...	...	...	...	...
2	...	...	...	...	...	...	...	...	...	...
...	...	...	...	...	...	...	...	...	...	...

1. The [\[hyperlink: PRA Rulebook: Indexation of Threshold Amounts Instrument 2027\]](#) provides the legal basis for the automatic and periodic updating of PRA Rulebook thresholds, including the applicable formula, scope, update frequency and mechanism.