

## **PRA RULEBOOK: CRR FIRMS: CAPITAL BUFFERS (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020**

### **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);
  - (2) section 137T (General supplementary powers); and
  - (3) section 192V (Rules imposing consolidated requirements).
- 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 (Capital Requirements Directive V) Instrument 2020**

- D. The PRA makes the rules in the Annex to this instrument.

### **Commencement**

- E. This instrument comes into force on 29 December 2020.

### **Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Capital Buffers (Capital Requirements Directive V) Instrument 2020

### **By order of the Prudential Regulation Committee**

[DATE]

## Annex

### Amendments to the Capital Buffers Part

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

#### 1 APPLICATION AND DEFINITIONS

---

1.1 This Part, save for Chapter 4, applies to ~~every firm that is a CRR firm~~ Article 109 undertakings and references to a *firm* in Chapters 2-3 should, as appropriate, be read to include all Article 109 undertakings.

1.1A Chapter 4 applies to every firm that is a CRR firm.

...

#### 4 CAPITAL CONSERVATION MEASURES

---

Combined buffer

4.1 A firm does not meet the *combined buffer* if the *common equity tier 1 capital* maintained by the firm which is not used to meet the ~~own funds requirement~~ capital requirements under paragraphs (a), (b) and (c) of Article 92(1)(e) of the ~~CRR~~ does not meet the *combined buffer*.

[Note: ~~Art 129(5) (part) and 130(5) (part)~~ Art 128 (part) and Art 141a of the ~~CRD~~]

...

4.3 ...

(4) A firm must calculate the *MDA* by multiplying the sum calculated in accordance with (5) by the factor determined in accordance with (6). The *MDA* shall be reduced by any amount resulting from any of the actions referred to in point (a), (b) or (c) of (2).-

(5) The sum to be multiplied in accordance with (4) shall consist of:

(a) any interim profits not included in *common equity tier 1 capital* pursuant to Article 26(2) of the ~~CRR~~ that have been generated since the most recent decision on the net of any distribution of profits or any of payment resulting from the actions referred to in points (a), (b) or (c) of (2);

plus

(b) any year-end profits not included in *common equity tier 1 capital* pursuant to Article 26(2) of the ~~CRR~~ that have been generated since the most recent decision on the net of any distribution of profits or any of payment resulting from the actions referred to in points (a), (b) or (c) of (2);

minus

(c) amounts which would be payable by tax if the items specified in points (a) and (b) were to be retained.

(6) The factor referred to in (4) shall be determined as follows:

- (a) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet any of the ~~own funds requirement~~ capital requirements under paragraphs (a), (b) and (c) of Article 92(1)(e) of the *CRR*, expressed as a percentage of the *firm's total risk exposure amount*, is within the first (that is, the lowest) quartile of the *combined buffer*, the factor shall be 0;
- (b) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet any of the ~~own funds requirement~~ capital requirements under paragraphs (a), (b) and (c) of Article 92(1)(e) of the *CRR*, expressed as a percentage of the *firm's total risk exposure amount*, is within the second quartile of the *combined buffer*, the factor shall be 0.2;
- (c) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet any of the ~~own funds requirement~~ capital requirements under paragraphs (a), (b) and (c) of Article 92(1)(e) of the *CRR*, expressed as a percentage of the *firm's total risk exposure amount* is within the third quartile of the *combined buffer*, the factor shall be 0.4; and
- (d) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet any of the ~~own funds requirement~~ capital requirements under paragraphs (a), (b) and (c) of Article 92(1)(e) of the *CRR*, expressed as a percentage of the *firm's total risk exposure amount*, is within the fourth (that is, the highest) quartile of the *combined buffer*, the factor shall be 0.6.

...

## 5 APPLICATION ON AN INDIVIDUAL BASIS AND CONSOLIDATED BASIS

...

5.3 ~~A UK bank or building society controlled by a parent financial holding company in a Member State or a parent mixed financial holding company in a Member State~~ PRA approved parent holding company, a PRA designated parent holding company, a PRA designated intermediate holding company or a PRA designated institution responsible for meeting CRR requirements on a consolidated basis must comply with this Part on ~~the basis of the consolidated situation of that holding company~~ a consolidated basis, if the PRA is responsible for supervision of the ~~UK bank or building society on a consolidated basis under Article 111 of the CRD.~~

5.4 ~~A UK designated investment firm controlled by a parent financial holding company in a Member State or a parent mixed financial holding company in a Member State~~ must comply with this Part on the basis of the ~~consolidated situation~~ of that holding company, if:

(1) ~~there is no subsidiary of the holding company which is a credit institution to which 5.3 applies; and~~

(2) ~~the PRA is responsible for the supervision of the UK designated investment firm on a consolidated basis under Article 111 of the CRD.~~

[Deleted.]

Sub-consolidation in cases of entities in third countries

- 5.5 *A firm, a PRA approved intermediate holding company, a PRA designated intermediate holding company, a PRA designated parent holding company or a PRA designated institution responsible for meeting CRR requirements on a sub-consolidated basis that is a subsidiary must apply this Part on a sub-consolidated basis if the firm, or the parent undertaking where it is a financial holding company or mixed financial holding company, have~~s~~ has an institution or financial institution as a subsidiary in a third country or holds a participation in such an institution or financial institution.*

Extent and manner of prudential consolidation

- 5.6 If this Part applies to ~~a firm~~ *an Article 109 undertaking* on a consolidated basis or on a sub-consolidated basis, the ~~firm~~ *Article 109 undertaking* must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in Parts Two to Four and Part Seven of the CRR on a consolidated basis or sub-consolidated basis.

[Note: Art 129(1) (part) and 130(1) (part) of the CRD]

Near-final