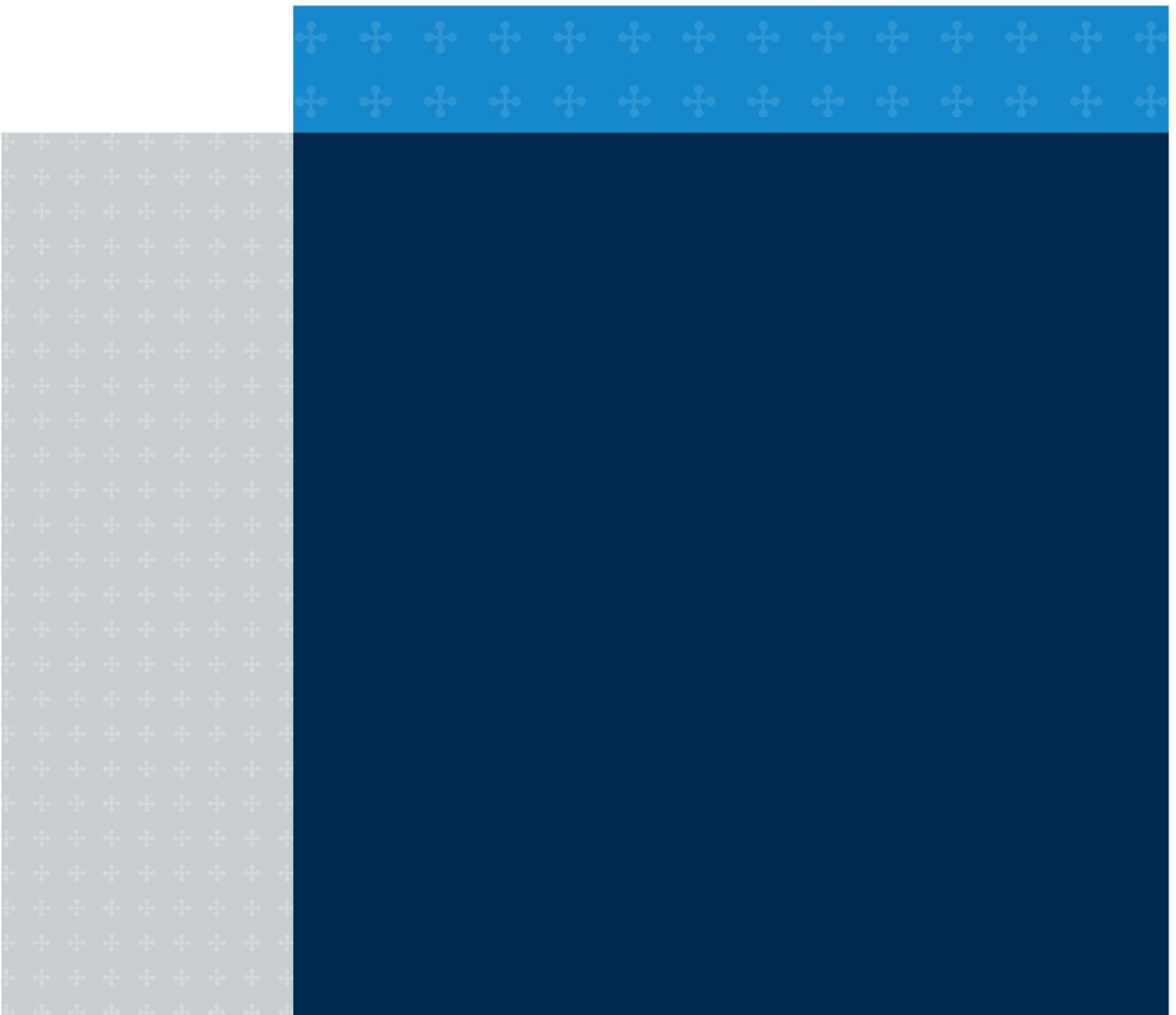




Policy Statement | PS29/20

Capital Requirements Directive V (CRD V)

December 2020





BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Policy Statement | PS29/20

Capital Requirements Directive V (CRD V)

December 2020

Overview

1.1 This Prudential Regulation Authority (PRA) Policy Statement (PS) provides the final policy to Consultation Paper (CP) 22/20 ‘Designation of firms within certain consolidation groups’.² It also contains final PRA Rulebook instruments, Statements of Policy (SoP), Supervisory Statements (SS), and templates as published in near-final form in PS26/20 ‘Capital Requirements Directive V (CRD V)’, set out in the appendices to this PS.³

1.2 This PS is relevant to UK banks, building societies, and PRA-designated investment firms (firms), as well as UK financial holding companies (FHCs) and UK mixed financial holding companies (MFHCs).

Background

1.3 PS26/20 set out the near-final policy in relation to CP12/20 ‘Capital Requirements Directive V (CRD V)’⁴ and CP17/20 ‘Capital Requirements Directive V (CRD V): Further implementation’.⁵ The PRA has not changed policy in deciding to make the amendments to the Rulebook set out in this PS and in publishing the final policy material.⁶

1.4 In CP22/20, the PRA proposed to introduce a new rule to designate the PRA subsidiaries of parent FHCs or parent MFHCs as responsible for ensuring compliance with the group’s Capital Requirements Regulation (CRR) consolidated prudential requirements until the date on which its parent FHC or MFHC application for approval or exemption has been finally determined. This is necessary to ensure the continuity of consolidated supervision, and to enable the PRA to continue to supervise, monitor, exercise discretions, impose additional requirements, and enforce against breaches of obligations which apply on a consolidated basis. As a result, it would promote the safety and soundness of firms.

1.5 The proposed designation rule in CP22/20 would apply to a subsidiary firm controlled by a parent FHC in an EU Member State, or a parent MFHC in a Member State, that would be under an obligation to comply with CRR requirements on a consolidated basis if Article 11(2) CRR were in force with the same effect it had in the UK on Sunday 27 December 2020. The PRA proposed that this rule would apply from Monday 28 December 2020 until the end of the transition period. At the end of the transition period, the PRA proposed to replace the CRR-defined term ‘parent FHC (or MFHC) in a Member State’ with the new Rulebook Glossary definition of ‘UK parent financial (or mixed financial) holding company’.

1.6 The effect of this rule is that a firm, or firms, to which it applied would be (or in most cases, would remain) responsible for ensuring compliance with the consolidated prudential requirements under CRR, until the date on which the PRA reaches a determination on the relevant UK parent financial (or mixed financial) holding company’s application for approval or exemption under Part 12B of the Financial Services and Markets Act 2000 (FSMA) pursuant to The Financial Holding Companies (Approval etc.) and Capital Requirements (Capital Buffers and Macro-prudential Measures) (Amendment) (EU Exit) Regulations 2020.

² December 2020: <https://www.bankofengland.co.uk/prudential-regulation/publication/2020/designation-firms-certain-consolidation-groups>.

³ December 2020: <https://www.bankofengland.co.uk/prudential-regulation/publication/2020/capital-requirements-directive-v-further-implementation>.

⁴ July 2020: <https://www.bankofengland.co.uk/prudential-regulation/publication/2020/capital-requirements-directive-v>.

⁵ October 2020: <https://www.bankofengland.co.uk/prudential-regulation/publication/2020/capital-requirements-directive-v-further-implementation>.

⁶ A typographical change has been made to the definitions of *small CRR firm* and *small third country CRR firm* in the Remuneration Part of the PRA Rulebook to more clearly align with the policy intent as set out in the consultation paper and policy statement.

1.7 The PRA received no responses to CP22/20. The PRA will therefore publish the policy as proposed.

Implementation

1.8 This PS confirms that the policy published in PS26/20 as near-final has now been finalised and applies as set out in the appendices to this PS.

1.9 The rules proposed in CP22/20 apply to the period between Monday 28 December 2020 and the date on which the UK parent financial (or mixed financial) holding company's application for approval or exemption is finally determined by the PRA.

1.10 The policy set out in this PS has been designed in the context of the UK's withdrawal from the European Union and the current transition period (TP), during which time the UK remains subject to European law.

1.11 The PRA has assessed that certain policies need to be amended under the EU (Withdrawal) Act 2018 (EUWA). Please see PS27/20 'The Bank of England's amendments under the European Union (Withdrawal) Act 2018: Changes before the end of the transition period'.⁷ These changes do not affect the substance of the policy, but are to make the legislation operable in a UK-only context.

1.12 The final rules attached to this PS do not include the relevant amendments under EUWA which were consulted on, in CP12/20, CP17/20 and CP22/20. The relevant amendments are instead set out in PS27/20 'The Bank of England's amendments under the European Union (Withdrawal) Act 2018: Changes before the end of the transition period' and included in the near-final PRA Rulebook (EU Exit) Instrument 2020 published in that PS. The final version of the PRA Rulebook (EU Exit) instrument is published in PS30/20 'The PRA's amendments under the European (Withdrawal) Act 2018: Changes before the end of the transition period' alongside this PS.

1.13 With the exception of the post-TP updates to SS2/17, SS15/13, SS6/14, SS20/15 and SS31/15, the SSs and SoPs attached to this PS will apply during the TP and should be read in conjunction with SS1/19 'Non-binding PRA materials: The PRA's approach after the UK's withdrawal from the EU', which explains how to interpret these statements after the end of the TP.⁸

1.14 At the end of the TP, there will be a further set of amendments to SS6/14 and SS15/13. The amendments to SS20/15 will also apply from the end of the TP and a further set of amendments to SS31/15 will apply from Friday 31 December 2021. The amendments to SS2/17 will apply from Friday 1 January 2021. These amendments reflect the fact that EU law will not be applicable at that point. The references in these amendments to SS2/17, SS6/14, SS31/15, SS15/13, and SS20/15 to Regulations and Binding Technical Standards are to the onshored versions, which are the versions that will apply under UK law after the end of the transition period and which will include the relevant amendments under EUWA.⁹

1.15 After the end of the transition period, EU Guidelines (GLs) referred to in PS26/20 and policy material in this PS, should be read in conjunction with the SoP 'Interpretation of EU Guidelines: Bank

⁷ September 2020: <https://www.bankofengland.co.uk/prudential-regulation/publication/2020/uk-withdrawal-from-the-eu-changes-before-the-end-of-the-transition-period>.

⁸ February 2019: <https://www.bankofengland.co.uk/prudential-regulation/publication/2019/non-binding-pra-materials-the-pras-approach-after-the-uks-withdrawal-from-the-eu-ss>.

⁹ February 2019: <https://www.bankofengland.co.uk/prudential-regulation/publication/2019/pras-approach-to-interpreting-reporting-and-disclosure-reqs-and-reg-trans-forms-ss>.

of England and PRA approach after the UK's withdrawal from the EU'.¹⁰ This sets out that the Bank of England and PRA expect firms and financial market infrastructures to continue to make every effort to comply with EU Recommendations and GLs, applicable before the end of the transition period and with which the UK has notified its intent to comply, to the extent that they remain relevant when the UK leaves the EU.¹¹

¹⁰ April 2019: <https://www.bankofengland.co.uk/paper/2019/interpretation-of-eu-guidelines-and-recommendations-boe-and-pra-approach-sop>.

¹¹ February 2019: <https://www.bankofengland.co.uk/paper/2019/interpretation-of-eu-guidelines-and-recommendations-boe-and-pra-approach-sop>.

Appendices

-
- 1 PRA RULEBOOK: CRR FIRMS: GLOSSARY (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app1.pdf>

 - 2 PRA RULEBOOK: CRR FIRMS: CAPITAL BUFFERS (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app2.pdf>

 - 3 PRA RULEBOOK: CRR FIRMS: CAPITAL BUFFERS (CAPITAL REQUIREMENTS DIRECTIVE V) (No 2) INSTRUMENT 2020, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app3.pdf>

 - 4 PRA RULEBOOK: CRR FIRMS: ARRANGEMENTS, PROCESSES AND MECHANISMS (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app4.pdf>

 - 5 PRA RULEBOOK: CRR FIRMS: CREDIT RISK (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app5.pdf>

 - 6 PRA RULEBOOK: CRR FIRMS: GROUPS (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app6.pdf>

 - 7 PRA RULEBOOK: CRR FIRMS: GROUPS (CAPITAL REQUIREMENTS DIRECTIVE V) (No 2) INSTRUMENT 2020, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app7.pdf>

 - 8 PRA RULEBOOK: CRR FIRMS: INTEREST RATE RISK ARISING FROM NON TRADING ACTIVITIES INSTRUMENT 2020, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app8.pdf>

 - 9 PRA RULEBOOK: CRR FIRMS: GENERAL ORGANISATIONAL REQUIREMENTS (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app9.pdf>

 - 10 PRA RULEBOOK: CRR FIRMS: REPORTING PILLAR 2 (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app10.pdf>

 - 11 PRA RULEBOOK: CRR FIRMS: REGULATORY REPORTING – BRANCH REPORTING (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app11.pdf>

 - 12 PRA RULEBOOK: CRR FIRMS: RELATED PARTY TRANSACTION RISK (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020, available at:

<https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app12.pdf>

-
- 13 PRA RULEBOOK: CRR FIRMS: REMUNERATION (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app13.pdf>
-
- 14 PRA RULEBOOK: CRR FIRMS: DESIGNATION (CONSOLIDATION) INSTRUMENT 2020, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps2920app14.pdf>
-
- 15 FSA079 'Pillar 2 Concentration risk additional data requirements' data item, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/fsa-data-items/fsa079dec20.xltx>
-
- 16 FSA079 'Pillar 2 Concentration risk additional data requirements' instructions, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/fsa-data-items/fsa079instructionsdec20.pdf>
-
- 17 Statement of Policy 'The PRA's methodologies for setting Pillar 2 capital', available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/the-pras-methodologies-for-setting-pillar-2-capital>
-
- 18 SS31/15 'The Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP)', available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2013/the-internal-capital-adequacy-assessment-process-and-supervisory-review-ss>
-
- 19 SS2/17 'Remuneration', available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2017/remuneration-ss>
-
- 20 SS28/15 'Strengthening accountability in banking', available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/strengthening-individual-accountability-in-banking-ss>
-
- 21 SS15/13 'Groups', available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2013/groups-ss>
-
- 22 SS34/15 'Guidelines for completing regulatory reports', available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/guidelines-for-completing-regulatory-reports-ss>
-
- 23 SS4/16 'Internal governance of third country branches', available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2016/internal-governance-of-third-country-branches-ss>
-
- 24 SS1/17 'Supervising international banks: the PRA's approach to branch supervision – liquidity reporting', available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2017/supervising-international-banks-the-pras-approach-to-branch-supervision-liquidity-reporting-ss>

-
- 25 Statement of Policy ‘The PRA’s approach to the implementation of the other systemically important institutions (O-SII) buffer’, available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2016/the-pras-approach-to-the-implementation-of-the-systemic-risk-buffer-sop>
-
- 26 Statement of Policy ‘The PRA’s approach to identifying other systemically important institutions (O-SIIs)’, available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2016/the-pras-approach-to-identifying-other-systemically-important-institutions-o-siis-sop>
-
- 27 SS45/15 ‘The UK leverage ratio framework’, available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/the-uk-leverage-ratio-framework-ss>
-
- 28 SS16/16 ‘The minimum requirement for own funds and eligible liabilities (MREL) – buffers and Threshold Conditions’, available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2016/the-minimum-requirement-for-own-funds-and-eligible-liabilities-mrel-ss>
-
- 29 SS6/14 ‘Implementing CRD: Capital buffers’, available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2014/implementing-crdiv-capital-buffers-ss>
-
- 30 SS20/15 ‘Supervising building societies’ treasury and lending activities’, available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/supervising-building-societies-treasury-and-lending-activities-ss>
-
- 31 SS32/15 ‘Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082, and PRA111’, available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss>
-
- 32 Capital Buffers and Pillar 2A Model Requirements, available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2020/modification-by-consent-pra-rulebook-capital-buffers>
-
- 33 Additional Leverage Ratio Buffer Model Requirements, available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2020/vreq-additional-leverage-buffers-model-requirements>
-