

PRA RULEBOOK: OWN FUNDS AND DEFINITION OF CAPITAL INSTRUMENT 2025

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);
 - (3) section 144H (1) (Relationship with the CRR);
 - (4) section 192XA; and
 - (5) any other relevant rulemaking powers or related provisions.
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

PRA Rulebook: Own Funds and Definition of Capital Instrument 2025

- C. The PRA makes the rules in the Annexes to this instrument.

Part	Annex
Glossary	A
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Notes

- D. In the Annexes to this instrument, the notes (indicated by “[Note:]”) are included for the convenience of readers but do not form part of the legislative text.

Commencement

- E. This instrument comes into force on 1 January 2026.

Citation

- F. This instrument may be cited as the PRA Rulebook: Own Funds and Definition of Capital Instrument 2025.

By order of the Prudential Regulation Committee

17 July 2025

Annex A**Amendments to the Glossary Part**

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

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eligible liabilities instruments

has the same meaning as in paragraph 2.3 of the *Bank of England's* Statement of Policy entitled 'The *Bank of England's* approach to setting a minimum requirement for own funds and eligible liabilities (MREL)' published by the *Bank of England* on 15 July 2025.

eligible liabilities items

means MREL eligible liabilities as defined in paragraph 2.3 of the *Bank of England's* Statement of Policy entitled 'The *Bank of England's* approach to setting a minimum requirement for own funds and eligible liabilities (MREL)' published by the *Bank of England* on 15 July 2025.

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138BA permission

means a permission granted by the *PRA* under section 138BA *FSMA*.

Annex B**Amendments to the Interpretation Part**

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

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2 INTERPRETATIVE PROVISIONS

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2.9 (1) Unless the contrary intention appears any reference in these rules to any provision of:

(a) *CRR* or an instrument made under *CRR* which took effect as *direct EU legislation* on *IP completion day* shall:

- (i) where that provision has been revoked pursuant to section 3 of the Financial Services Act 2021 or section 1 of the Financial Services and Markets Act 2023, be a reference to the corresponding provision in the rules, and for this purpose whether a rule corresponds to a revoked provision is to be determined by reference to the document, as that document is updated from time to time, published by the *PRA* under section 5(4) of ~~that Act~~ the Financial Services Act 2021; and

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Annex C

Amendments to the Own Funds and Eligible Liabilities (CRR) Part

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

OWN FUNDS AND ELIGIBLE LIABILITIES (CRR)**1 APPLICATION AND DEFINITIONS**

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2 LEVEL OF APPLICATION

- 2.1 Title II of Part One (Level of application) of ~~the CRR~~ applies to Chapter 3 and 4 of this Part as that Title applies to Part ~~Three~~ Two (~~Own funds and eligible liabilities~~ Capital Requirements) of ~~the CRR~~.

3 OWN FUNDS AND ELIGIBLE LIABILITIES (PART TWO CRR)

~~[Note: Articles 25 to 35 remain in the CRR]~~

TITLE 1 ELEMENTS OF OWN FUNDS**CHAPTER 1 TIER 1 CAPITAL****Article 25 TIER 1 CAPITAL**

The *Tier 1 capital* of an institution consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution.

~~[Note: This rule corresponds to Article 25 of CRR as it applied immediately before its revocation]~~

CHAPTER 2 COMMON EQUITY TIER 1 CAPITAL**SECTION 1 COMMON EQUITY TIER 1 ITEMS AND INSTRUMENTS****Article 26 COMMON EQUITY TIER 1 ITEMS**

1. Common Equity Tier 1 items of institutions consist of the following:

- (a) subject to paragraph 3, capital instruments, provided that the conditions laid down in Article 28 or, where applicable, Article 29 are met;
- (b) share premium accounts related to the instruments referred to in point (a);
- (c) retained earnings;
- (d) accumulated other comprehensive income;
- (e) other reserves.

The items referred to in points (c) to (e) shall be recognised as Common Equity Tier 1 only where they are available to the institution for unrestricted and immediate use to cover risks or losses as soon as these occur.

2. For the purposes of point (c) of paragraph 1, institutions shall not include interim or year-end profits in Common Equity Tier 1 capital before the institution has taken a formal decision confirming the final profit or loss of the institution for the year unless:

- (a) those profits have been verified by persons independent of the institution that are responsible for the auditing of the accounts of that institution; and
- (b) the institution has ensured that any foreseeable charge or dividend has been deducted from the amount of those profits.

A verification of the interim or year-end profits of the institution shall provide an adequate level of assurance that those profits have been evaluated in accordance with the principles set out in the applicable accounting framework.

Where the institution includes, pursuant to this paragraph, profits in Common Equity Tier 1 capital, it shall notify the PRA as soon as reasonably practicable thereafter.

3. Institutions shall not classify issuances of capital instruments as Common Equity Tier 1 instruments unless a 138BA permission has been granted by the PRA and the conditions laid down in Article 28 or, where applicable, Article 29 are met. By way of derogation, institutions may classify as Common Equity Tier 1 instruments subsequent issuances of a form of Common Equity Tier 1 instruments for which they have already received a 138BA permission, provided that the provisions governing those subsequent issuances are identical to or substantially the same as the provisions governing those issuances for which the institutions have already received a 138BA permission.

[Note 1: This rule corresponds to Article 26 of CRR as it applied immediately before its revocation]

[Note 2: Related provisions in rule 7A Pre-issuance Notification (PIN) Regime for Common Equity Tier 1 Instrument in the Definition of Capital Part, and Articles 2 and 3 of Chapter 4 of the Own Funds (CRR) Part]

Article 27 CAPITAL INSTRUMENTS OF MUTUALS, CO-OPERATIVE SOCIETIES, SAVINGS INSTITUTIONS OR SIMILAR INSTITUTIONS IN COMMON EQUITY TIER 1 ITEMS

1. Common Equity Tier 1 items shall not include any capital instrument issued by an institution of a type referred to below unless the conditions laid down in Article 28 or, where applicable, Article 29 are met.

The type of institution referred to above is defined under the applicable law of the United Kingdom, or any part of it, as any of the following:

- (a) a mutual;
- (b) a co-operative society;
- (c) a savings institution;
- (d) a similar institution;
- (e) a credit institution which is wholly owned by one of the institutions referred to in sub-paragraphs (a) to (d) provided that, and for as long as, 100% of the ordinary shares in issue in the credit institution are held directly or indirectly by an institution referred to in those points.

2. Those mutuals, co-operative societies or savings institutions recognised as such under the applicable law of the United Kingdom, or any part of it, prior to 31 December 2012 shall continue to be classified as such for the purposes of this Part, provided that they continue to meet the criteria that determined such recognition.

[Note 1: This rule corresponds to Article 27 of CRR as it applied immediately before its revocation]

[Note 2: Related provisions are contained in Articles 4 to 7 of Chapter 4 of the Own Funds (CRR) Part]

Article 28 COMMON EQUITY TIER 1 INSTRUMENTS

1. Capital instruments shall qualify as Common Equity Tier 1 instruments only if all the following conditions are met:
 - (a) the instruments are issued directly by the institution with the prior approval of the owners of the institution or, where permitted under applicable national law of the *United Kingdom*, or any part of it, or of a *third country*, the management body of the institution;
 - (b) the instruments are fully paid up and the acquisition of ownership of those instruments is not funded directly or indirectly by the institution, and for this purpose only the part of a capital instrument that is fully paid up shall be eligible to qualify as a Common Equity Tier 1 instrument;
 - (c) the instruments meet all the following conditions as regards their classification:
 - (i) they qualify as capital, which for these purposes comprises all amounts, regardless of their actual designations, which, in accordance with the legal structure of the institution concerned, are regarded under the applicable law of the *United Kingdom*, or any part of it, or of a *third country*, as equity capital subscribed by the shareholders or other proprietors;
 - (ii) they are classified as equity within the meaning of the applicable accounting framework;
 - (iii) they are classified as equity capital for the purposes of determining balance sheet insolvency, where applicable under national insolvency law of the *United Kingdom*, or any part of it, or of a *third country*;
 - (d) the instruments are clearly and separately disclosed on the balance sheet in the financial statements of the institution;
 - (e) the instruments are perpetual;
 - (f) the principal amount of the instruments may not be reduced or repaid, except in either of the following cases:
 - (i) the liquidation of the institution;
 - (ii) discretionary repurchases of the instruments or other discretionary means of reducing capital, where the institution has received the prior *138BA permission* of the *PRA* in accordance with Article 77;
 - (g) the provisions governing the instruments do not indicate expressly or implicitly that the principal amount of the instruments would be reduced, redeemed, repurchased or repaid (other than in the circumstances described in points (f)(i) and (f)(ii) above), and the institution does not otherwise provide such an indication prior to or at issuance of the instruments, except in the case of instruments referred to in Article 27 where the refusal by the institution to redeem such instruments is prohibited under applicable national law of the *United Kingdom*, or any part of it, or of a *third country*;
 - (h) the instruments meet the following conditions as regards distributions:
 - (i) there is no preferential distribution treatment regarding the order of distribution payments, including in relation to other Common Equity Tier 1 instruments, and the

terms governing the instruments do not provide preferential rights to payment of distributions;

- (ii) distributions to holders of the instruments may be paid only out of distributable items;
- (iii) the conditions governing the instruments do not include a cap or other restriction on the maximum level of distributions, except in the case of the instruments referred to in Article 27;
- (iv) the level of distributions is not determined on the basis of the amount for which the instruments were purchased at issuance, except in the case of the instruments referred to in Article 27;
- (v) the conditions governing the instruments do not include any obligation on the institution to make distributions to their holders and the institution is not otherwise subject to such an obligation;
- (vi) non-payment of distributions does not constitute an event of default of the institution;
- (vii) the cancellation of distributions imposes no restrictions on the institution;
- (i) compared to all the own funds instruments issued by the institution, the instruments absorb the first and proportionately greatest share of losses as they occur, and each instrument absorbs losses to the same degree as all other Common Equity Tier 1 instruments;
- (j) the instruments rank below all other claims in the event of insolvency or liquidation of the institution, except claims from holders of ordinary *shares* which rank *pari passu* with the instruments;
- (k) the instruments entitle their owners to a claim on the residual assets of the institution, which, in the event of its liquidation and after the payment of all senior claims, is proportionate to the amount of such instruments issued and is not fixed or subject to a cap, except in the case of the capital instruments referred to in Article 27; and, for the purposes of this point, a claim that is specified in terms of a percentage does not constitute a fixed or capped claim;
- (l) the instruments are neither secured nor subject to a guarantee that enhances the seniority of the claim by any of the following:
 - (i) the institution or its subsidiaries;
 - (ii) the parent undertaking of the institution or its subsidiaries;
 - (iii) the parent financial holding company of the institution or its subsidiaries;
 - (iv) the mixed activity holding company of the institution or its subsidiaries;
 - (v) the mixed financial holding company of the institution or its subsidiaries;
 - (vi) any undertaking that has close links with the entities referred to in points (i) to (v);
- (m) the instruments are not subject to any arrangement, contractual or otherwise, that enhances the seniority of claims under the instruments in insolvency or liquidation.

2. The conditions laid down in point (i) of paragraph 1 shall be deemed to be met notwithstanding a write down on a permanent basis of the principal amount of Additional Tier 1 or Tier 2 instruments.

The condition laid down in point (f) of paragraph 1 shall be deemed to be met notwithstanding the reduction of the principal amount of the capital instrument within a resolution procedure or as a consequence of a write down of capital instruments required by the resolution authority responsible for the institution.

The condition laid down in point (g) of paragraph 1 shall be deemed to be met notwithstanding the provisions governing the capital instrument indicating expressly or implicitly that the principal amount of the instrument would be reduced within a resolution procedure or as a consequence of a write down of capital instruments required by the resolution authority responsible for the institution.

3. The condition laid down in point (h)(iii) of paragraph 1 shall be deemed to be met notwithstanding the instrument paying a dividend multiple, provided that such a dividend multiple does not result in a distribution that causes a disproportionate drag on own funds.
4. For the purposes of point (h)(i) of paragraph 1, differentiated distributions shall only reflect differentiated voting rights. In this respect, higher distributions shall only apply to Common Equity Tier 1 instruments with fewer or no voting rights.

[Note 1: This rule corresponds to Article 28 of CRR as it applied immediately before its revocation]

[Note 2: Related provisions in Articles 8 and 9 of Chapter 4 of the Own Funds (CRR) Part]

Article 29 CAPITAL INSTRUMENTS ISSUED BY MUTUALS, CO-OPERATIVE SOCIETIES, SAVINGS INSTITUTIONS AND SIMILAR INSTITUTIONS

1. Capital instruments issued by mutuals, co-operative societies, savings institutions and similar institutions shall qualify as Common Equity Tier 1 instruments only if the conditions laid down in Article 28 with modifications resulting from the application of this Article are met.
2. The following conditions shall be met as regards redemption of the capital instruments:
 - (a) except where prohibited under applicable national law of the *United Kingdom*, or any part of it, or of a *third country*, the institution shall be able to refuse the redemption of the instruments;
 - (b) where the refusal by the institution of the redemption of instruments is prohibited under applicable national law of the *United Kingdom*, or any part of it, or of a *third country*, the provisions governing the instruments shall give the institution the ability to limit their redemption;
 - (c) refusal to redeem the instruments, or the limitation of the redemption of the instruments where applicable, may not constitute an event of default of the institution.
3. The capital instruments may include a cap or restriction on the maximum level of distributions only where that cap or restriction is set out under applicable national law of the *United Kingdom*, or any part of it, or of a *third country*, or the statute of the institution.
4. Where the capital instruments provide the owner with rights to the reserves of the institution in the event of insolvency or liquidation that are limited to the nominal value of the instruments, such a limitation shall apply to the same degree to the holders of all other Common Equity Tier 1 instruments issued by that institution. The condition laid down in the first subparagraph is without prejudice to the possibility for a mutual, co-operative society, savings institution or a similar institution to recognise within Common Equity Tier 1 instruments that do not afford voting rights to the holder and that meet all the following conditions:
 - (a) the claim of the holders of the non-voting instruments in the insolvency or liquidation of the institution is proportionate to the share of the total Common Equity Tier 1 instruments that those non-voting instruments represent;
 - (b) the instruments otherwise qualify as Common Equity Tier 1 instruments.
5. Where the capital instruments entitle their owners to a claim on the assets of the institution in the event of its insolvency or liquidation that is fixed or subject to a cap, such a limitation shall

apply to the same degree to all holders of all Common Equity Tier 1 instruments issued by the institution.

[Note 1: This rule corresponds to Article 29 of *CRR* as it applied immediately before its revocation]

[Note 2: Related provisions in Articles 10 and 11 of Chapter 4 of the Own Funds (CRR) Part]

Article 30 CONSEQUENCES OF THE CONDITIONS FOR COMMON EQUITY TIER 1 INSTRUMENTS CEASING TO BE MET

The following shall apply where, in the case of a Common Equity Tier 1 instrument, the conditions laid down in Article 28 or, where applicable, Article 29 cease to be met:

- (a) that instrument shall immediately cease to qualify as a Common Equity Tier 1 instrument;
- (b) the share premium accounts that relate to that instrument shall immediately cease to qualify as Common Equity Tier 1 items.

[Note 1: This rule corresponds to Article 30 of *CRR* as it applied immediately before its revocation]

[Note 2: Article 31 of *CRR* has been revoked by the Financial Services and Markets Act 2023 and not replaced in these rules]

SECTION 2 PRUDENTIAL FILTERS

Article 32 SECURITISED ASSETS

1. An institution shall exclude from any element of own funds any increase in its equity under the applicable accounting framework that results from securitised assets, including the following:
 - (a) such an increase associated with future margin income that results in a gain on sale for the institution;
 - (b) where the institution is the originator of a securitisation, net gains that arise from the capitalisation of future income from the securitised assets that provide credit enhancement to positions in the securitisation.

[Note 1: This rule corresponds to Article 32 of *CRR* as it applied immediately before its revocation except there is no corresponding rule for Article 32(2) of *CRR*]

[Note 2: Related provisions in Article 12 of Chapter 4 of Own Funds (CRR) Part]

Article 33 CASH FLOW HEDGES AND CHANGES IN THE VALUE OF OWN LIABILITIES

1. Institutions shall not include the following items in any element of own funds:
 - (a) the fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows;
 - (b) gains or losses on liabilities of the institution that are valued at fair value that result from changes in the own credit standing of the institution;
 - (c) fair value gains and losses on derivative liabilities of the institution that result from changes in the own credit risk of the institution.
2. For the purposes of point (c) of paragraph 1, institutions shall not offset the fair value gains and losses arising from the institution's own credit risk with those arising from its counterparty credit risk.
3. Without prejudice to point (b) of paragraph 1, institutions may include the amount of gains and losses on their liabilities in own funds where all the following conditions are met:

- (a) the liabilities are CRR covered bonds;
- (b) the changes in the value of the institution's assets and liabilities are due to the same changes in the institution's own credit standing;
- (c) there is a close correspondence between the value of the bonds referred to in point (a) and the value of the institution's assets;
- (d) it is possible to redeem the mortgage loans by buying back the bonds financing the mortgage loans at market or nominal value.

[Note 1: This rule corresponds to Article 33 of CRR as it applied immediately before its revocation except there is no corresponding rule for Article 33(4) of CRR]

[Note 2: Related provisions in Regulation (EU) No 523/2014]

Article 34 ADDITIONAL VALUE ADJUSTMENTS

Institutions shall apply the requirements of Article 105 of the Trading Book (CRR) Part to all their assets measured at fair value when calculating the amount of their own funds and shall deduct from Common Equity Tier 1 capital the amount of any additional value adjustments necessary.

[Note: This rule corresponds to Article 34 of CRR as it applied immediately before its revocation]

Article 35 UNREALISED GAINS AND LOSSES MEASURED AT FAIR VALUE

Except in the case of the items referred to in Article 33, institutions shall not make adjustments to remove from their own funds unrealised gains or losses on their assets or liabilities measured at fair value.

[Note: This rule corresponds to Article 35 of CRR as it applied immediately before its revocation]

SECTION 3 DEDUCTIONS FROM COMMON EQUITY TIER 1 ITEMS, EXEMPTIONS AND ALTERNATIVES

SUB-SECTION 1 DEDUCTIONS FROM COMMON EQUITY TIER 1 ITEMS

Article 36 DEDUCTIONS FROM COMMON EQUITY TIER 1 ITEMS

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[Note: Articles 37 to 91 remain in the CRR]

Article 37 DEDUCTION OF INTANGIBLE ASSETS

Institutions shall determine the amount of intangible assets to be deducted in accordance with the following:

- (a) the amount to be deducted shall be reduced by the amount of associated deferred tax liabilities that would be extinguished if the intangible assets became impaired or were derecognised under the applicable accounting framework;
- (b) the amount to be deducted shall include goodwill included in the valuation of significant investments of the institution;
- (c) the amount to be deducted shall be reduced by the amount of the accounting revaluation of the subsidiaries' intangible assets derived from the consolidation of subsidiaries attributable to persons other than the undertakings included in the consolidation pursuant to Chapter 2 of Title II of Part One of CRR.

[Note: This rule corresponds to Article 37 of CRR as it applied immediately before its revocation]

Article 38 DEDUCTION OF DEFERRED TAX ASSETS THAT RELY ON FUTURE PROFITABILITY

1. Institutions shall determine the amount of deferred tax assets that rely on future profitability that require deduction in accordance with this Article.
2. Except where the conditions laid down in paragraph 3 are met, the amount of deferred tax assets that rely on future profitability shall be calculated without reducing it by the amount of the associated deferred tax liabilities of the institution.
3. The amount of deferred tax assets that rely on future profitability may be reduced by the amount of the associated deferred tax liabilities of the institution, provided the following conditions are met:
 - (a) the entity has a legally enforceable right under applicable national law of the *United Kingdom*, or any part of it, or of a *third country* to set off those current tax assets against current tax liabilities; and
 - (b) the deferred tax assets and the deferred tax liabilities relate to taxes levied by the same tax authority and on the same taxable entity.
4. Associated deferred tax liabilities of the institution used for the purposes of paragraph 3 may not include deferred tax liabilities that reduce the amount of intangible assets or defined benefit pension fund assets required to be deducted.
5. The amount of associated deferred tax liabilities referred to in paragraph 4 shall be allocated between the following:
 - (a) deferred tax assets that rely on future profitability and arise from temporary differences that are not deducted in accordance with Article 48(1);
 - (b) all other deferred tax assets that rely on future profitability.

Institutions shall allocate the associated deferred tax liabilities according to the proportion of deferred tax assets that rely on future profitability that the items referred to in points (a) and (b) represent.

[Note: This rule corresponds to Article 38 of *CRR* as it applied immediately before its revocation]

Article 39 TAX OVERPAYMENTS, TAX LOSS CARRY BACKS AND DEFERRED TAX ASSETS THAT DO NOT RELY ON FUTURE PROFITABILITY

1. The following items shall not be deducted from own funds and shall be subject to a risk weight in accordance with Chapter 2 or 3 of Title II of Part Three *CRR*, as applicable:
 - (a) overpayments of tax by the institution for the current year;
 - (b) current year tax losses of the institution carried back to previous years that give rise to a claim on, or a receivable from, a central government, regional government or local tax authority.
2. Deferred tax assets that do not rely on future profitability shall be limited to deferred tax assets which were created before 23 November 2016 and which arise from temporary differences, where all the following conditions are met:
 - (a) they are automatically and mandatorily replaced without delay with a tax credit in the event that the institution reports a loss when the annual financial statements of the institution are formally approved, or in the event of liquidation or insolvency of institution;

(b) the institution is able under the applicable national tax law of the *United Kingdom*, or any part of it, or of a *third country* to offset a tax credit referred to in point (a) against any tax liability of the institution or any other undertaking included in the same consolidation as the institution for tax purposes under that law or any other undertaking subject to the supervision on a consolidated basis in accordance with Chapter 2 of Title II of Part One CRR;

(c) where the amount of tax credits referred to in point (b) exceeds the tax liabilities referred to in that point, any such excess is replaced without delay with a direct claim on the government of the *United Kingdom*.

Institutions shall apply a risk weight of 100% to deferred tax assets where the conditions laid down in points (a), (b) and (c) are met.

[Note: This rule corresponds to Article 39 of CRR as it applied immediately before its revocation]

Article 40 DEDUCTION OF NEGATIVE AMOUNTS RESULTING FROM THE CALCULATION OF EXPECTED LOSS AMOUNTS

The amount to be deducted in accordance with point (d) of Article 36(1) shall not be reduced by a rise in the level of deferred tax assets that rely on future profitability, or other additional tax effects, that could occur if provisions were to rise to the level of expected losses referred to in section 3 of Chapter 3 of Title II of Part Three CRR.

[Note: This rule corresponds to Article 40 of CRR as it applied immediately before its revocation]

Article 41 DEDUCTION OF DEFINED BENEFIT PENSION FUND ASSETS

1. For the purposes of point (e) of Article 36(1), the amount of defined benefit pension fund assets to be deducted shall:

- (a) be reduced by the amount of any associated deferred tax liability which could be extinguished if the assets became impaired or were derecognised under the applicable accounting framework;
- (b) not be reduced by the amount of assets in the defined benefit pension fund which the institution has an unrestricted ability to use, unless the institution has received the prior 138BA permission of the PRA.

Those assets used to reduce the amount to be deducted shall receive a risk weight in accordance with Chapter 2 or 3 of Title II of Part Three CRR, as applicable.

[Note: This rule corresponds to Article 41 of CRR as it applied immediately before its revocation]

Article 42 DEDUCTION OF HOLDINGS OF OWN COMMON EQUITY TIER 1 INSTRUMENTS

For the purposes of point (f) of Article 36(1), institutions shall calculate holdings of own Common Equity Tier 1 instruments on the basis of gross long positions subject to the following exceptions:

- (a) institutions may calculate the amount of holdings of own Common Equity Tier 1 instruments on the basis of the net long position provided that both the following conditions are met:
 - (i) the long and short positions are in the same underlying exposure and the short positions involve no counterparty risk;
 - (ii) either both the long and the short positions are held in the trading book or both are held in the non-trading book;

- (b) institutions shall determine the amount to be deducted for direct, indirect and synthetic holdings of index securities by calculating the underlying exposure to own Common Equity Tier 1 instruments included in those indices;
- (c) institutions may net gross long positions in own Common Equity Tier 1 instruments resulting from holdings of index securities against short positions in own Common Equity Tier 1 instruments resulting from short positions in the underlying indices, including where those short positions involve counterparty risk, provided that both the following conditions are met:
 - (i) the long and short positions are in the same underlying indices;
 - (ii) either both the long and the short positions are held in the trading book or both are held in the non-trading book.

[Note: This rule corresponds to Article 42 of *CRR* as it applied immediately before its revocation]

Article 43 SIGNIFICANT INVESTMENT IN A FINANCIAL SECTOR ENTITY

For the purposes of deduction, a significant investment of an institution in a financial sector entity shall arise where any of the following conditions is met:

- (a) the institution owns more than 10% of the Common Equity Tier 1 instruments issued by that entity;
- (b) the institution has close links with that entity and owns Common Equity Tier 1 instruments issued by that entity;
- (c) the institution owns Common Equity Tier 1 instruments issued by that entity and the entity is not included in consolidation pursuant to Chapter 2 of Title II of Part One *CRR* but is included in the same accounting consolidation as the institution for the purposes of financial reporting under the applicable accounting framework.

[Note: This rule corresponds to Article 43 of *CRR* as it applied immediately before its revocation]

Article 44 DEDUCTION OF HOLDINGS OF COMMON EQUITY TIER 1 INSTRUMENTS OF FINANCIAL SECTOR ENTITIES AND WHERE AN INSTITUTION HAS A RECIPROCAL CROSS HOLDING DESIGNED ARTIFICIALLY TO INFLATE OWN FUNDS

Institutions shall make the deductions referred to in points (g), (h) and (i) of Article 36(1) in accordance with the following:

- (a) holdings of Common Equity Tier 1 instruments and other capital instruments of financial sector entities shall be calculated on the basis of the gross long positions;
- (b) Tier 1 own-fund insurance items shall be treated as holdings of Common Equity Tier 1 instruments for the purposes of deduction.

[Note: This rule corresponds to Article 44 of *CRR* as it applied immediately before its revocation]

Article 45 DEDUCTION OF HOLDINGS OF COMMON EQUITY TIER 1 INSTRUMENTS OF FINANCIAL SECTOR ENTITIES

Institutions shall make the deductions required by points (h) and (i) of Article 36(1) in accordance with the following provisions:

- (a) they may calculate direct, indirect and synthetic holdings of Common Equity Tier 1 instruments of the financial sector entities on the basis of the net long position in the same underlying exposure provided that both the following conditions are met:
 - (i) the maturity date of the short position is either the same as, or later than the maturity date of the long position or the residual maturity of the short position is at least one year;
 - (ii) either both the long position and the short position are held in the trading book or both are held in the non-trading book;
- (b) they shall determine the amount to be deducted for direct, indirect and synthetic holdings of index securities by calculating the underlying exposure to the capital instruments of the financial sector entities in those indices.

[Note: This rule corresponds to Article 45 of *CRR* as it applied immediately before its revocation]

Article 46 DEDUCTION OF HOLDINGS OF COMMON EQUITY TIER 1 INSTRUMENTS
WHERE AN INSTITUTION DOES NOT HAVE A SIGNIFICANT INVESTMENT IN A
FINANCIAL SECTOR ENTITY

1. For the purposes of point (h) of Article 36(1), institutions shall calculate the applicable amount to be deducted by multiplying the amount referred to in point (a) of this paragraph by the factor derived from the calculation referred to in point (b) of this paragraph:
 - (a) the aggregate amount by which the direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments of financial sector entities in which the institution does not have a significant investment exceeds 10% of the aggregate amount of Common Equity Tier 1 items of the institution calculated after applying the following to Common Equity Tier 1 items:
 - (i) Articles 32 to 35;
 - (ii) the deductions referred to in points (a) to (g), points (k)(ii) to (iv) and point (l) of Article 36(1), excluding the amount to be deducted for deferred tax assets that rely on future profitability and arise from temporary differences;
 - (iii) Articles 44 and 45;
 - (b) the amount of direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1 instruments of those financial sector entities in which the institution does not have a significant investment divided by the aggregate amount of direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments of those financial sector entities.
2. Institutions shall exclude underwriting positions held for five *working days* or fewer from the amount referred to in point (a) of paragraph 1 and from the calculation of the factor referred to in point (b) of paragraph 1.
3. The amount to be deducted pursuant to paragraph 1 shall be apportioned across all Common Equity Tier 1 instruments held. Institutions shall determine the amount of each Common Equity Tier 1 instrument that is deducted pursuant to paragraph 1 by multiplying the amount specified in point (a) of this paragraph by the proportion specified in point (b) of this paragraph:
 - (a) the amount of holdings required to be deducted pursuant to paragraph 1;
 - (b) the proportion of the aggregate amount of direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1 instruments of financial sector entities in which the

institution does not have a significant investment represented by each Common Equity Tier 1 instrument held.

4. The amount of holdings referred to in point (h) of Article 36(1) that is equal to or less than 10% of the Common Equity Tier 1 items of the institution after applying the provisions laid down in points (a)(i) to (iii) of paragraph 1 shall not be deducted and shall be subject to the applicable risk weights in accordance with Chapter 2 or 3 of Title II of Part Three CRR, Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Approach to Credit Risk (CRR) Part, and the requirements laid down in Title IV of Part Three CRR, as applicable.
5. Institutions shall determine the amount of each Common Equity Tier 1 instrument that is risk weighted pursuant to paragraph 4 by multiplying the amount specified in point (a) of this paragraph by the amount specified in point (b) of this paragraph:
 - (a) the amount of holdings required to be risk weighted pursuant to paragraph 4;
 - (b) the proportion resulting from the calculation in point (b) of paragraph 3.

[Note: This rule corresponds to Article 46 of CRR as it applied immediately before its revocation]

Article 47 DEDUCTION OF HOLDINGS OF COMMON EQUITY TIER 1 INSTRUMENTS **WHERE AN INSTITUTION HAS A SIGNIFICANT INVESTMENT IN A FINANCIAL** **SECTOR ENTITY**

For the purposes of point (i) of Article 36(1), the applicable amount to be deducted from Common Equity Tier 1 items shall exclude underwriting positions held for five *working days* or fewer and shall be determined in accordance with Articles 44, 45 and 48.

[Note 1: This rule corresponds to Article 47 of CRR as it applied immediately before its revocation]

[Note 2: Article 47(a) (1) and (2) and 47(c) of CRR have been revoked and not replaced in these rules]

SUB-SECTION 2 EXEMPTIONS FROM AND ALTERNATIVES TO DEDUCTION FROM COMMON **EQUITY TIER 1 ITEMS**

Article 48 THRESHOLD EXEMPTIONS FROM DEDUCTION FROM COMMON EQUITY TIER **1 ITEMS**

1. In making the deductions required pursuant to points (c) and (i) of Article 36(1), institutions are not required to deduct the amounts of the items listed in points (a) and (b) of this paragraph which in aggregate are equal to or less than the threshold amount referred to in paragraph 2:
 - (a) deferred tax assets that are dependent on future profitability and arise from temporary differences, and in aggregate are equal to or less than 10% of the Common Equity Tier 1 items of the institution calculated after applying the following:
 - (i) Articles 32 to 35;
 - (ii) points (a) to (h), points (k)(ii) to (iv) and point (l) of Article 36(1), excluding deferred tax assets that rely on future profitability and arise from temporary differences;
 - (b) where an institution has a significant investment in a financial sector entity, the direct, indirect and synthetic holdings of that institution of the Common Equity Tier 1 instruments of those entities that in aggregate are equal to or less than 10% of the Common Equity Tier 1 items of the institution calculated after applying the following:
 - (i) Articles 32 to 35;

- (ii) points (a) to (h), points (k)(iii) to (iv) and point (l), of Article 36(1) excluding deferred tax assets that rely on future profitability and arise from temporary differences.
2. For the purposes of paragraph 1, the threshold amount shall be equal to the amount referred to in point (a) of this paragraph multiplied by the percentage referred to in point (b) of this paragraph:
- (a) the residual amount of Common Equity Tier 1 items after applying the adjustments and deductions in Articles 32 to 36 in full and without applying the threshold exemptions specified in this Article;
- (b) 17.65%.
3. For the purposes of paragraph 1, an institution shall determine the portion of deferred tax assets in the total amount of items that is not required to be deducted by dividing the amount specified in point (a) of this paragraph by the amount specified in point (b) of this paragraph:
- (a) the amount of deferred tax assets that are dependent on future profitability and arise from temporary differences, and in aggregate are equal to or less than 10% of the Common Equity Tier 1 items of the institution;
- (b) the sum of the following:
- (i) the amount referred to in point (a);
- (ii) the amount of direct, indirect and synthetic holdings by the institution of the own funds instruments of financial sector entities in which the institution has a significant investment, and in aggregate are equal to or less than 10% of the Common Equity Tier 1 items of the institution.
- The proportion of significant investments in the total amount of items that is not required to be deducted is equal to one minus the proportion referred to in the first subparagraph.
4. The amounts of the items that are not deducted pursuant to paragraph 1 shall be risk weighted at 250%.

[Note: This rule corresponds to Article 48 of CRR as it applied immediately before its revocation]

Article 49 DISCLOSURES FOR FINANCIAL CONGLOMERATES

-
1. [Note: Provision left blank]
2. [Note: Provision left blank]
3. [Note: Provision left blank]
4. [Note: Provision left blank]
5. Where an institution applies method 1, 2 or 3 of Annex 2 of the Financial Conglomerates Part, the institution shall disclose the supplementary own funds requirement and capital adequacy ratio of the financial conglomerate as calculated in accordance with Chapter 3 and Annex 2 of the Financial Conglomerates Part.

[Note: This rule corresponds to Article 49(5) of CRR as it applied immediately before its revocation]

6. [Note: Provision left blank]

SECTION 4 COMMON EQUITY TIER 1 CAPITAL

Article 50 COMMON EQUITY TIER 1 CAPITAL

The Common Equity Tier 1 capital of an institution shall consist of Common Equity Tier 1 items after the application of the adjustments required by Articles 32 to 35, the deductions required pursuant to Article 36 and the exemptions and alternatives laid down in Articles 48 and 79.

[Note: This rule corresponds to Article 50 of *CRR* as it applied immediately before its revocation]

CHAPTER 3 ADDITIONAL TIER 1 CAPITAL

SECTION 1 – ADDITIONAL TIER 1 ITEMS AND INSTRUMENTS

Article 51 ADDITIONAL TIER 1 ITEMS

Additional Tier 1 items shall consist of the following:

- (a) capital instruments, where the conditions laid down in Article 52(1) are met;
- (b) the share premium accounts related to the instruments referred to in point (a). Instruments included under point (a) shall not qualify as Common Equity Tier 1 or Tier 2 items.

[Note: This rule corresponds to Article 51 of *CRR* as it applied immediately before its revocation]

Article 52 ADDITIONAL TIER 1 INSTRUMENTS

1. Capital instruments shall qualify as Additional Tier 1 instruments only if the following conditions are met:

- (a) the instruments are directly issued by an institution and fully paid up, and for this purpose only the part of a capital instrument that is fully paid up shall be eligible to qualify as an Additional Tier 1 instrument;
- (b) the instruments are not owned by any of the following:
 - (i) the institution or its subsidiaries;
 - (ii) an undertaking in which the institution has a participation in the form of ownership, direct or by way of control, of 20% or more of the voting rights or capital of that undertaking;
- (c) the acquisition of ownership of the instruments is not funded directly or indirectly by the institution;
- (d) the instruments rank below Tier 2 instruments in the event of the insolvency of the institution;
- (e) the instruments are neither secured nor subject to a guarantee that enhances the seniority of the claims by any of the following:
 - (i) the institution or its subsidiaries;
 - (ii) the parent undertaking of the institution or its subsidiaries;
 - (iii) the parent financial holding company of the institution or its subsidiaries;
 - (iv) the mixed activity holding company of the institution or its subsidiaries;
 - (v) the mixed financial holding company of the institution or its subsidiaries;
 - (vi) any undertaking that has close links with entities referred to in points (i) to (v);

- (f) the instruments are not subject to any arrangement, contractual or otherwise, that enhances the seniority of the claim under the instruments in insolvency or liquidation;
- (g) the instruments are perpetual and the provisions governing them include no incentive for the institution to redeem them;
- (h) where the instruments include one or more early redemption options including call options, the options are exercisable at the sole discretion of the *issuer*;
- (i) the instruments may be reduced, called, redeemed or repurchased only where the conditions laid down in Article 77 are met;
- (j) the provisions governing the instruments do not indicate explicitly or implicitly that the instruments would be reduced, called, redeemed or repurchased, as applicable, by the institution other than early redemption options referred to in point (h) or in the case of the insolvency or liquidation of the institution and the institution does not otherwise provide such an indication;
- (k) the institution does not indicate explicitly or implicitly that the *PRA* would consent to a request to reduce, call, redeem or repurchase the instruments;
- (l) distributions under the instruments meet the following conditions:
 - (i) they are paid out of distributable items;
 - (ii) the level of distributions made on the instruments will not be amended on the basis of the credit standing of the institution or its parent undertaking;
 - (iii) the provisions governing the instruments give the institution full discretion at all times to cancel the distributions on the instruments for an unlimited period and on a non-cumulative basis, and the institution may use such cancelled payments without restriction to meet its obligations as they fall due;
 - (iv) cancellation of distributions does not constitute an event of default of the institution;
 - (v) the cancellation of distributions imposes no restrictions on the institution;
- (m) the instruments do not contribute to a determination that the liabilities of an institution exceed its assets, where such a determination constitutes a test of insolvency under applicable national law of the *United Kingdom*, or any part of it, or of a *third country*;
- (n) the provisions governing the instruments require that, upon the occurrence of a trigger event, the principal amount of the instruments be written down on a permanent or temporary basis or the instruments be converted to Common Equity Tier 1 instruments;
- (o) the provisions governing the instruments include no feature that could hinder the recapitalisation of the institution;
- (p) where:
 - (i) the *issuer* is established in a *third country* and has been designated by the *Bank of England* as part of a resolution group the resolution entity of which is established in the *United Kingdom* or where the *issuer* is established in the *United Kingdom*, the law or contractual provisions governing the instruments require that, upon a decision by the resolution authority to exercise the write-down and conversion powers referred to in section 6B of the Banking Act 2009, the principal amount of the instruments is to be written down on a permanent basis or the instruments are to be converted to Common Equity Tier 1 instruments;
 - (ii) the *issuer* is established in a *third country* and has not been designated by the *Bank of England* as part of a resolution group the resolution entity of which is established in the *United Kingdom*, the law or contractual provisions governing the instruments

require that, upon a decision by the relevant third-country authority, the principal amount of the instruments is to be written down on a permanent basis or the instruments are to be converted into Common Equity Tier 1 instruments;

(q) where the *issuer* is established in a *third country* and has been designated by the *Bank of England* as part of a resolution group the resolution entity of which is established in the *United Kingdom* or where the *issuer* is established in the *United Kingdom*, the instruments may only be issued under, or be otherwise subject to the laws of a *third country* where, under those laws, the exercise of the write-down and conversion powers referred to in section 6B of the Banking Act 2009 is effective and enforceable on the basis of statutory provisions or legally enforceable contractual provisions that recognise resolution or other write-down or conversion actions;

(r) the instruments are not subject to set-off or netting arrangements that would undermine their capacity to absorb losses.

[Note 1: This rule corresponds to Article 52(1) of *CRR* as it applied immediately before its revocation]

[Note 2: Related provisions in Articles 20 to 23 of Chapter 4 of the Own Funds (*CRR*) Part]

Article 53 RESTRICTIONS ON THE CANCELLATION OF DISTRIBUTIONS ON ADDITIONAL TIER 1 INSTRUMENTS AND FEATURES THAT COULD HINDER THE RECAPITALISATION OF THE INSTITUTION

For the purposes of points (l)(v) and (o) of Article 52(1), the provisions governing Additional Tier 1 instruments shall, in particular, not include the following:

- (a) a requirement for distributions on the instruments to be made in the event of a distribution being made on an instrument issued by the institution that ranks to the same degree as, or more junior than, an Additional Tier 1 instrument, including a Common Equity Tier 1 instrument;
- (b) a requirement for the payment of distributions on Common Equity Tier 1, Additional Tier 1 or Tier 2 instruments to be cancelled in the event that distributions are not made on those Additional Tier 1 instruments;
- (c) an obligation to substitute the payment of interest or dividend by a payment in any other form. The institution shall not otherwise be subject to such an obligation.

[Note: This rule corresponds to Article 53 of *CRR* as it applied immediately before its revocation]

Article 54 WRITE DOWN OR CONVERSION OF ADDITIONAL TIER 1 INSTRUMENTS

1. For the purposes of point (n) of Article 52(1), the following provisions shall apply to Additional Tier 1 instruments:

- (a) a trigger event occurs when the Common Equity Tier 1 capital ratio of the institution referred to in point (a) of Article 92(1) of *CRR* falls below either of the following:
 - (i) 5.125%;
 - (ii) a level higher than 5.125%, where determined by the institution and specified in the provisions governing the instrument;
- (b) institutions may specify in the provisions governing the instrument one or more trigger events in addition to that referred to in point (a);

- (c) where the provisions governing the instruments require them to be converted into Common Equity Tier 1 instruments upon the occurrence of a trigger event, those provisions shall specify either of the following:
 - (i) the rate of such conversion and a limit on the permitted amount of conversion;
 - (ii) a range within which the instruments will convert into Common Equity Tier 1 instruments;
 - (d) where the provisions governing the instruments require their principal amount to be written down upon the occurrence of a trigger event, the write down shall reduce all the following:
 - (i) the claim of the holder of the instrument in the insolvency or liquidation of the institution;
 - (ii) the amount required to be paid in the event of the call or redemption of the instrument;
 - (iii) the distributions made on the instrument;
 - (e) where the Additional Tier 1 instruments have been issued by a subsidiary undertaking established in a *third country*, the 5.125% or higher trigger referred to in point (a) shall be calculated in accordance with the national law of that *third country* or contractual provisions governing the instruments, provided that those provisions are at least equivalent to the requirements set out in this Article.
2. Write down or conversion of an Additional Tier 1 instrument must, under the applicable accounting framework, generate items that qualify as Common Equity Tier 1 items.
 3. The amount of Additional Tier 1 instruments recognised in Additional Tier 1 items is limited to the minimum amount of Common Equity Tier 1 items that would be generated if the principal amount of the Additional Tier 1 instruments were fully written down or converted into Common Equity Tier 1 instruments.
 4. The aggregate amount of Additional Tier 1 instruments that is required to be written down or converted upon the occurrence of a trigger event shall be no less than the lower of the following:
 - (a) the amount required to restore fully the Common Equity Tier 1 ratio of the institution to 5.125%;
 - (b) the full principal amount of the instrument.
 5. When a trigger event occurs institutions shall do the following:
 - (a) immediately inform the PRA;
 - (b) inform the holders of the Additional Tier 1 instruments;
 - (c) write down the principal amount of the instruments, or convert the instruments into Common Equity Tier 1 instruments without delay, but no later than within one *month*, in accordance with the requirement laid down in this Article.
 6. An institution issuing Additional Tier 1 instruments that convert to Common Equity Tier 1 on the occurrence of a trigger event shall ensure that its authorised share capital is at all times sufficient, for converting all such convertible Additional Tier 1 instruments into *shares* if a trigger event occurs. All necessary authorisations shall be obtained at the date of issuance of such convertible Additional Tier 1 instruments. The institution shall maintain at all times the necessary prior authorisation to issue the Common Equity Tier 1 instruments into which such Additional Tier 1 instruments would convert upon occurrence of a trigger event.

7. An institution issuing Additional Tier 1 instruments that convert to Common Equity Tier 1 on the occurrence of a trigger event shall ensure that there are no procedural impediments to that conversion by virtue of its incorporation or statutes or contractual arrangements.

[Note: This rule corresponds to Article 54 of *CRR* as it applied immediately before its revocation]

Article 55 CONSEQUENCES OF THE CONDITIONS FOR ADDITIONAL TIER 1 INSTRUMENTS CEASING TO BE MET

The following shall apply where, in the case of an Additional Tier 1 instrument, the conditions laid down in Article 52(1) cease to be met:

- (a) that instrument shall immediately cease to qualify as an Additional Tier 1 instrument;
- (b) the part of the share premium accounts that relates to that instrument shall immediately cease to qualify as an Additional Tier 1 item.

[Note 1: This rule corresponds to Article 55 of *CRR* as it applied immediately before its revocation]

[Note 2: Related provisions in Article 16 of Chapter 4 of the Own Funds (*CRR*) Part]

SECTION 2 DEDUCTIONS FROM ADDITIONAL TIER 1 ITEMS

Article 56 DEDUCTIONS FROM ADDITIONAL TIER 1 ITEMS

Institutions shall deduct the following from Additional Tier 1 items:

- (a) direct, indirect and synthetic holdings by an institution of own Additional Tier 1 instruments, including own Additional Tier 1 instruments that an institution could be obliged to purchase as a result of existing contractual obligations;
- (b) direct, indirect and synthetic holdings of the Additional Tier 1 instruments of financial sector entities where those entities have a reciprocal cross holding with the institution that have been designed to inflate artificially the own funds of the institution;
- (c) the applicable amount determined in accordance with Article 60 of direct, indirect and synthetic holdings of the Additional Tier 1 instruments of financial sector entities, where an institution does not have a significant investment in those entities;
- (d) direct, indirect and synthetic holdings by the institution of the Additional Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities, excluding underwriting positions held for five *working days* or fewer;
- (e) the amount of items required to be deducted from Tier 2 items pursuant to Article 66 that exceeds the Tier 2 items of the institution;
- (f) any tax charge relating to Additional Tier 1 items foreseeable at the moment of its calculation, except where the institution suitably adjusts the amount of Additional Tier 1 items insofar as such tax charges reduce the amount up to which those items may be applied to cover risks or losses.

[Note: This rule corresponds to Article 56 of *CRR* as it applied immediately before its revocation]

Article 57 DEDUCTIONS OF HOLDINGS OF OWN ADDITIONAL TIER 1 INSTRUMENTS

For the purposes of point (a) of Article 56, institutions shall calculate holdings of own Additional Tier 1 instruments on the basis of gross long positions subject to the following exceptions:

- (a) institutions may calculate the amount of holdings of own Additional Tier 1 instruments on the basis of the net long position provided that both the following conditions are met:

- (i) the long and short positions are in the same underlying exposure and the short positions involve no counterparty risk;
- (ii) either both the long and the short positions are held in the trading book or both are held in the non-trading book;
- (b) institutions shall determine the amount to be deducted for direct, indirect or synthetic holdings of index securities by calculating the underlying exposure to own Additional Tier 1 instruments in those indices;
- (c) institutions may net gross long positions in own Additional Tier 1 instruments resulting from holdings of index securities against short positions in own Additional Tier 1 instruments resulting from short positions in the underlying indices, including where those short positions involve counterparty risk, provided that both the following conditions are met:
 - (i) the long and short positions are in the same underlying indices;
 - (ii) either both the long and the short positions are held in the trading book or both are held in the non-trading book.

[Note: This rule corresponds to Article 57 of *CRR* as it applied immediately before its revocation]

Article 58 DEDUCTIONS OF HOLDINGS OF OWN ADDITIONAL TIER 1 INSTRUMENTS OF FINANCIAL SECTOR ENTITIES AND WHERE AN INSTITUTION HAS A RECIPROCAL CROSS HOLDING DESIGNED ARTIFICIALLY TO INFLATE OWN FUNDS

Institutions shall make the deductions required by points (b), (c) and (d) of Article 56 in accordance with the following:

- (a) holdings of Additional Tier 1 instruments shall be calculated on the basis of the gross long positions;
- (b) Additional Tier 1 own-fund insurance items shall be treated as holdings of Additional Tier 1 instruments for the purposes of this deduction requirement.

[Note: This rule corresponds to Article 58 of *CRR* as it applied immediately before its revocation]

Article 59 DEDUCTION OF HOLDINGS OF ADDITIONAL TIER 1 INSTRUMENTS OF FINANCIAL SECTOR ENTITIES

Institutions shall make the deductions required by points (c) and (d) of Article 56 in accordance with the following:

- (a) they may calculate direct, indirect and synthetic holdings of Additional Tier 1 instruments of the financial sector entities on the basis of the net long position in the same underlying exposure provided that both the following conditions are met:
 - (i) the maturity date of the short position is either the same as, or later than the maturity date of the long position or the residual maturity of the short position is at least one year;
 - (ii) either both the short position and the long position are held in the trading book or both are held in the non-trading book;
- (b) they shall determine the amount to be deducted for direct, indirect and synthetic holdings of index securities by calculating the underlying exposure to the capital instruments of the financial sector entities in those indices.

[Note: This rule corresponds to Article 59 of *CRR* as it applied immediately before its revocation]

Article 60 DEDUCTION OF HOLDINGS OF ADDITIONAL TIER 1 INSTRUMENTS WHERE AN INSTITUTION DOES NOT HAVE A SIGNIFICANT INVESTMENT IN A FINANCIAL SECTOR ENTITY

1. For the purposes of point (c) of Article 56, institutions shall calculate the applicable amount to be deducted by multiplying the amount referred to in point (a) of this paragraph by the factor derived from the calculation referred to in point (b) of this paragraph:
 - (a) the aggregate amount by which the direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments of financial sector entities in which the institution does not have a significant investment exceeds 10% of the Common Equity Tier 1 items of the institution calculated after applying the following:
 - (i) Articles 32 to 35;
 - (ii) points (a) to (g), points (k)(ii) to (iv) and point (l) of Article 36(1), excluding deferred tax assets that rely on future profitability and arise from temporary differences;
 - (iii) Articles 44 and 45;
 - (b) the amount of direct, indirect and synthetic holdings by the institution of the Additional Tier 1 instruments of those financial sector entities in which the institution does not have a significant investment divided by the aggregate amount of all direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments of those financial sector entities.
2. Institutions shall exclude underwriting positions held for five *working days* or fewer from the amount referred to in point (a) of paragraph 1 and from the calculation of the factor referred to in point (b) of paragraph 1.
3. The amount to be deducted pursuant to paragraph 1 shall be apportioned across all Additional Tier 1 instruments held. Institutions shall determine the amount of each Additional Tier 1 instrument to be deducted pursuant to paragraph 1 by multiplying the amount specified in point (a) of this paragraph by the proportion specified in point (b) of this paragraph:
 - (a) the amount of holdings required to be deducted pursuant to paragraph 1;
 - (b) the proportion of the aggregate amount of direct, indirect and synthetic holdings by the institution of the Additional Tier 1 instruments of financial sector entities in which the institution does not have a significant investment represented by each Additional Tier 1 instrument held.
4. The amount of holdings referred to in point (c) of Article 56 that is equal to or less than 10% of the Common Equity Tier 1 items of the institution after applying the provisions laid down in points (a)(i), (ii) and (iii) of paragraph 1 shall not be deducted and shall be subject to the applicable risk weights in accordance with Chapter 2 or 3 of Title II of Part Three *CRR*, Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (*CRR*) Part, and the requirements laid down in Title IV of Part Three *CRR*, as applicable.
5. Institutions shall determine the amount of each Additional Tier 1 instrument that is risk weighted pursuant to paragraph 4 by multiplying the amount specified in point (a) of this paragraph by the amount specified in point (b) of this paragraph:
 - (a) the amount of holdings required to be risk weighted pursuant to paragraph 4;
 - (b) the proportion resulting from the calculation in point (b) of paragraph 3.

[Note: This rule corresponds to Article 60 of *CRR* as it applied immediately before its revocation]

SECTION 3 ADDITIONAL TIER 1 CAPITAL

Article 61 ADDITIONAL TIER 1 CAPITAL

The Additional Tier 1 capital of an institution shall consist of Additional Tier 1 items after the deduction of the items referred to in Article 56 and the application of Article 79.

[Note: This rule corresponds to Article 61 of *CRR* as it applied immediately before its revocation]

CHAPTER 4 TIER 2 CAPITAL

SECTION 1 TIER 2 ITEMS AND INSTRUMENTS

Article 62 TIER 2 ITEMS

Tier 2 items shall consist of the following:

- (a) capital instruments where the conditions set out in Article 63 are met, and to the extent specified in Article 64;
- (b) the share premium accounts related to instruments referred to in point (a);
- (c) for institutions calculating risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three *CRR* and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part, general credit risk adjustments, gross of tax effects, of up to 1.25% of risk-weighted exposure amounts calculated in accordance with Chapter 2 of Title II of Part Three *CRR* and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part;
- (d) for institutions calculating risk-weighted exposure amounts under Chapter 3 of Title II of Part Three *CRR*, positive amounts, gross of tax effects, resulting from the calculation laid down in Articles 158 and 159 of *CRR* up to 0.6% of risk-weighted exposure amounts calculated under Chapter 3 of Title II of Part Three *CRR*.

Items included under point (a) shall not qualify as Common Equity Tier 1 or Additional Tier 1 items.

[Note: This rule corresponds to Article 62 of *CRR*]

[Note: This rule corresponds to Article 62 of *CRR* as it applied immediately before its revocation]

Article 63 TIER 2 INSTRUMENTS

Capital instruments shall qualify as Tier 2 instruments, provided that the following conditions are met:

- (a) the instruments are directly issued by an institution and fully paid up, and for this purpose only the part of the capital instrument that is fully paid up shall be eligible to qualify as a Tier 2 instrument;
- (b) the instruments are not owned by any of the following:
 - (i) the institution or its subsidiaries;
 - (ii) an undertaking in which the institution has participation in the form of ownership, direct or by way of control, of 20% or more of the voting rights or capital of that undertaking;

- (c) the acquisition of ownership of the instruments is not funded directly or indirectly by the institution;
- (d) the claim on the principal amount of the instruments under the provisions governing the instruments ranks below any claim from *eligible liabilities instruments*;
- (e) the instruments are not secured or are not subject to a guarantee that enhances the seniority of the claim by any of the following:
 - (i) the institution or its subsidiaries;
 - (ii) the parent undertaking of the institution or its subsidiaries;
 - (iii) the parent financial holding company of the institution or its subsidiaries;
 - (iv) the mixed activity holding company of the institution or its subsidiaries;
 - (v) the mixed financial holding company of the institution or its subsidiaries;
 - (vi) any undertaking that has close links with entities referred to in points (i) to (v);
- (f) the instruments are not subject to any arrangement that otherwise enhances the seniority of the claim under the instruments;
- (g) the instruments have an original maturity of at least five years;
- (h) the provisions governing the instruments do not include any incentive for their principal amount to be redeemed or repaid, as applicable, by the institution prior to their maturity;
- (i) where the instruments include one or more early repayment options, including call options, the options are exercisable at the sole discretion of the *issuer*;
- (j) the instruments may be reduced, called, redeemed, repaid or repurchased early only where the conditions set out in Article 77 are met;
- (k) the provisions governing the instruments do not indicate explicitly or implicitly that the instruments would be reduced, called, redeemed, repaid or repurchased early, as applicable, by the institution other than in the case of the insolvency or liquidation of the institution and the institution does not otherwise provide such an indication;
- (l) the provisions governing the instruments do not give the holder the right to accelerate the future scheduled payment of interest or principal, other than in the case of the insolvency or liquidation of the institution;
- (m) the level of interest or dividends payments, as applicable, due on the instruments will not be amended on the basis of the credit standing of the institution or its parent undertaking;
- (n) where:
 - (i) the *issuer* is established in a *third country* and has been designated by the *Bank of England* as part of a resolution group the resolution entity of which is established in the *United Kingdom* or where the *issuer* is established in the *United Kingdom*, the law or contractual provisions governing the instruments require that, upon a decision by the resolution authority to exercise the write-down and conversion powers referred to in section 6B of the Banking Act 2009, the principal amount of the instruments is to be written down on a permanent basis or the instruments are to be converted to Common Equity Tier 1 instruments;
 - (ii) the *issuer* is established in a *third country* and has not been designated by the *Bank of England* as a part of a resolution group the resolution entity of which is established in the *United Kingdom*, the law or contractual provisions governing the instruments require that, upon a decision by the relevant third-country authority, the principal

amount of the instruments is to be written down on a permanent basis or the instruments are to be converted into Common Equity Tier 1 instruments;

- (o) where the *issuer* is established in a *third country* and has been designated by the *Bank of England* as part of a resolution group the resolution entity of which is established in the *United Kingdom* or where the *issuer* is established in the *United Kingdom*, the instruments may only be issued under, or be otherwise subject to the laws of a *third country* where, under those laws, the exercise of the write-down and conversion powers referred to in section 6B of the Banking Act 2009 is effective and enforceable on the basis of statutory provisions or legally enforceable contractual provisions that recognise resolution or other write-down or conversion actions;
- (p) the instruments are not subject to set-off or netting arrangements that would undermine their capacity to absorb losses.

[Note 1: This rule corresponds to Article 63 of *CRR* with modifications to Article 63(j)]

[Note 2: Related provisions in Article 20 of Chapter 4 of the Own Funds (*CRR*) Part]

Article 64 AMORTISATION OF TIER 2 INSTRUMENTS

1. The full amount of Tier 2 instruments with a residual maturity of more than five years shall qualify as Tier 2 items.
2. The extent to which Tier 2 instruments qualify as Tier 2 items during the final five years of maturity of the instruments is calculated by multiplying the result derived from the calculation referred to in point (a) by the amount referred to in point (b) as follows:
 - (a) the carrying amount of the instruments on the first day of the final five-year period of their contractual maturity divided by the number of days in that period;
 - (b) the number of remaining days of contractual maturity of the instruments.

[Note: This rule corresponds to Article 64 of *CRR* as it applied immediately before its revocation]

Article 65 CONSEQUENCES OF THE CONDITIONS FOR TIER 2 INSTRUMENTS CEASING TO BE MET

Where in the case of a Tier 2 instrument the conditions laid down in Article 63 cease to be met, the following shall apply:

- (a) that instrument shall immediately cease to qualify as a Tier 2 instrument;
- (b) the part of the share premium accounts that relate to that instrument shall immediately cease to qualify as Tier 2 items.

[Note: This rule corresponds to Article 65 of *CRR* as it applied immediately before its revocation]

SECTION 2 DEDUCTIONS FROM TIER 2 ITEMS

Article 66 DEDUCTIONS FROM TIER 2 ITEMS

The following shall be deducted from Tier 2 items:

- (a) direct, indirect and synthetic holdings by an institution of own Tier 2 instruments, including own Tier 2 instruments that an institution could be obliged to purchase as a result of existing contractual obligations;

- (b) direct, indirect and synthetic holdings of the Tier 2 instruments of financial sector entities where those entities have a reciprocal cross holding with the institution that have been designed to inflate artificially the own funds of the institution;
- (c) the applicable amount determined in accordance with Article 70 of direct, indirect and synthetic holdings of the Tier 2 instruments of financial sector entities, where an institution does not have a significant investment in those entities;
- (d) direct, indirect and synthetic holdings by the institution of the Tier 2 instruments of financial sector entities where the institution has a significant investment in those entities, excluding underwriting positions held for fewer than five *working days*;
- (e) the amount of items to be deducted from *eligible liabilities items* that exceeds the *eligible liabilities items* of the institution.

[Note: This rule corresponds to Article 66 of *CRR* as it applied immediately before its revocation]

Article 67 DEDUCTIONS OF HOLDINGS OF OWN TIER 2 INSTRUMENTS

For the purposes of point (a) of Article 66, institutions shall calculate holdings on the basis of the gross long positions subject to the following exceptions:

- (a) institutions may calculate the amount of holdings on the basis of the net long position provided that both the following conditions are met:
 - (i) the long and short positions are in the same underlying exposure and the short positions involve no counterparty risk;
 - (ii) either both the long and the short positions are held in the trading book or both are held in the non-trading book;
- (b) institutions shall determine the amount to be deducted for direct, indirect and synthetic holdings of index securities by calculating the underlying exposure to own Tier 2 instruments in those indices;
- (c) institutions may net gross long positions in own Tier 2 instruments resulting from holdings of index securities against short positions in own Tier 2 instruments resulting from short positions in the underlying indices, including where those short positions involve counterparty risk, provided that both the following conditions are met:
 - (i) the long and short positions are in the same underlying indices;
 - (ii) either both the long and the short positions are held in the trading book or both are held in the non-trading book.

[Note: This rule corresponds to Article 67 of *CRR* as it applied immediately before its revocation]

Article 68 DEDUCTIONS OF HOLDINGS OF TIER 2 INSTRUMENTS OF FINANCIAL SECTOR ENTITIES AND WHERE AN INSTITUTION HAS A RECIPROCAL CROSS HOLDING DESIGNED ARTIFICIALLY TO INFLATE OWN FUNDS

Institutions shall make the deductions required by points (b), (c) and (d) of Article 66 in accordance with the following provisions:

- (a) holdings of Tier 2 instruments shall be calculated on the basis of the gross long positions;
- (b) holdings of Tier 2 own-fund insurance items and Tier 3 own-fund insurance items shall be treated as holdings of Tier 2 instruments for the purposes of this deduction requirement.

[Note: This rule corresponds to Article 68 of *CRR* as it applied immediately before its revocation]

Article 69 DEDUCTION OF HOLDINGS OF TIER 2 INSTRUMENTS OF FINANCIAL SECTOR ENTITIES

Institutions shall make the deductions required by points (c) and (d) of Article 66 in accordance with the following:

- (a) they may calculate direct, indirect and synthetic holdings of Tier 2 instruments of the financial sector entities on the basis of the net long position in the same underlying exposure provided that both the following conditions are met:
 - (i) the maturity date of the short position is either the same as, or later than the maturity date of the long position or the residual maturity of the short position is at least one year;
 - (ii) either both the long position and the short position are held in the trading book or both are held in the non-trading book;
- (b) they shall determine the amount to be deducted for direct, indirect and synthetic holdings of index securities by looking through to the underlying exposure to the capital instruments of the financial sector entities in those indices.

[Note: This rule corresponds to Article 69 of *CRR* as it applied immediately before its revocation]

Article 70 DEDUCTION OF TIER 2 INSTRUMENTS WHERE AN INSTITUTION DOES NOT HAVE A SIGNIFICANT INVESTMENT IN A RELEVANT ENTITY

1. For the purposes of point (c) of Article 66, institutions shall calculate the applicable amount to be deducted by multiplying the amount referred to in point (a) of this paragraph by the factor derived from the calculation referred to in point (b) of this paragraph:
 - (a) the aggregate amount by which the direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments of financial sector entities in which the institution does not have a significant investment exceeds 10% of the Common Equity Tier 1 items of the institution calculated after applying the following:
 - (i) Articles 32 to 35;
 - (ii) points (a) to (g), points (k)(ii) to (iv) and point (l) of Article 36(1), excluding the amount to be deducted for deferred tax assets that rely on future profitability and arise from temporary differences;
 - (iii) Articles 44 and 45;
 - (b) the amount of direct, indirect and synthetic holdings by the institution of the Tier 2 instruments of financial sector entities in which the institution does not have a significant investment divided by the aggregate amount of all direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments of those financial sector entities.
2. Institutions shall exclude underwriting positions held for five *working days* or fewer from the amount referred to in point (a) of paragraph 1 and from the calculation of the factor referred to in point (b) of paragraph 1.
3. The amount to be deducted pursuant to paragraph 1 shall be apportioned across each Tier 2 instrument held. Institutions shall determine the amount to be deducted from each Tier 2 instrument that is deducted pursuant to paragraph 1 by multiplying the amount specified in point (a) of this paragraph by the proportion specified in point (b) of this paragraph:
 - (a) the total amount of holdings required to be deducted pursuant to paragraph 1;

- (b) the proportion of the aggregate amount of direct, indirect and synthetic holdings by the institution of the Tier 2 instruments of financial sector entities in which the institution does not have a significant investment represented by each Tier 2 instrument held.
4. The amount of holdings referred to in point (c) of Article 66 that is equal to or less than 10% of the Common Equity Tier 1 items of the institution after applying the provisions laid down in points (a)(i) to (iii) of paragraph 1 shall not be deducted and shall be subject to the applicable risk weights in accordance with Chapter 2 or 3 of Title II of Part Three CRR, Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part, and the requirements laid down in Title IV of Part Three CRR, as applicable.
5. Institutions shall determine the amount of each Tier 2 instrument that is risk weighted pursuant to paragraph 4 by multiplying the amount specified in point (a) of this paragraph by the amount specified in point (b) of this paragraph:
- (a) the amount of holdings required to be risk weighted pursuant to paragraph 4;
- (b) the proportion resulting from the calculation in point (b) of paragraph 3.

[Note: This rule corresponds to Article 70 of *CRR* as it applied immediately before its revocation]

SECTION 3 TIER 2 CAPITAL

Article 71 TIER 2 CAPITAL

The Tier 2 capital of an institution shall consist of the Tier 2 items of the institution after the deductions referred to in Article 66 and the application of Article 79.

[Note: This rule corresponds to Article 71 of *CRR* as it applied immediately before its revocation]

CHAPTER 5 OWN FUNDS

Article 72 OWN FUNDS

The own funds of an institution shall consist of the sum of its *Tier 1 capital* and *Tier 2 capital*.

[Note 1: This rule corresponds to Article 72 of *CRR* as it applied immediately before its revocation]

CHAPTER 6 GENERAL REQUIREMENTS

Article 73 DISTRIBUTIONS ON INSTRUMENTS

1. Capital instruments and liabilities for which an institution has the sole discretion to decide to pay distributions in a form other than cash or own funds instruments shall not be eligible to qualify as Common Equity Tier 1, Additional Tier 1, or Tier 2 instruments, unless the institution has received the prior *138BA permission* from the *PRA*.
2. [Note: Provision left blank]
3. Capital instruments and liabilities for which a legal person other than the institution issuing them has the discretion to decide or require that the payment of distributions on those instruments or liabilities shall be made in a form other than cash or own funds instruments shall not be eligible to qualify as Common Equity Tier 1, Additional Tier 1, or Tier 2 instruments.
4. Institutions may use a broad market index as one of the bases for determining the level of distributions on Additional Tier 1 and Tier 2 instruments.
5. Paragraph 4 shall not apply where the institution is a reference entity in that broad market index unless both the following conditions are met:

(a) the institution considers movements in that broad market index not to be significantly correlated to the credit standing of the institution, its parent institution or parent financial holding company or parent mixed financial holding company or parent mixed activity holding company;

(b) the PRA has not reached a different determination from that referred to in point (a).

6. Institutions shall report and disclose the broad market indices on which their capital instruments rely.

[Note 1: This rule corresponds to Article 73 of *CRR* as it applied immediately before its revocation except that there is no corresponding rule for Article 73(7) of *CRR*]

[Note 2: Related provisions in Article 24A of Chapter 4 of the Own Funds (*CRR*) Part]

Article 74 HOLDINGS OF CAPITAL INSTRUMENTS ISSUED BY REGULATED FINANCIAL SECTOR ENTITIES THAT DO NOT QUALIFY AS REGULATORY CAPITAL

Institutions shall not deduct from any element of own funds direct, indirect or synthetic holdings of capital instruments issued by a regulated financial sector entity that do not qualify as regulatory capital of that entity. Institutions shall apply risk weights to such holdings in accordance with Chapter 2 or 3 of Title II of Part Three *CRR* and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (*CRR*) Part, as applicable.

[Note: This rule corresponds to Article 74 of *CRR* as it applied immediately before its revocation]

Article 75 DEDUCTION AND MATURITY REQUIREMENTS FOR SHORT POSITIONS

The maturity requirements for short positions referred to in point (a) of Article 45, point (a) of Article 59, and point (a) of Article 69 shall be considered to be met in respect of positions held where all the following conditions are met:

(a) the institution has the contractual right to sell on a specific future date to the counterparty providing the hedge the long position that is being hedged;

(b) the counterparty providing the hedge to the institution is contractually obliged to purchase from the institution on that specific future date the long position referred to in point (a).

[Note: This rule corresponds to Article 75 of *CRR* as it applied immediately before its revocation]

Article 76 INDEX HOLDINGS OF CAPITAL INSTRUMENTS

1. For the purposes of point (a) of Article 42, point (a) of Article 45, point (a) of Article 57, point (a) of Article 59, point (a) of Article 67 and point (a) of Article 69, institutions may reduce the amount of a long position in a capital instrument by the portion of an index that is made up of the same underlying exposure that is being hedged, provided that all the following conditions are met:

(a) either both the long position being hedged and the short position in an index used to hedge that long position are held in the trading book or both are held in the non-trading book;

(b) the positions referred to in point (a) are held at fair value on the balance sheet of the institution;

(c) the short position referred to in point (a) qualifies as an effective hedge under the internal control processes of the institution;

(d) the internal control processes referred to in point (c) are adequate.

2. An institution shall not use a conservative estimate of the underlying exposure of the institution to instruments included in indices as an alternative to an institution calculating its exposure to the items referred to in one or more of the following points:

- (a) own Common Equity Tier 1, Additional Tier 1, and Tier 2 included in indices;
- (b) Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments of financial sector entities, included in indices;

unless the institution has the prior 138BA permission from the PRA.

[Note 1: This rule corresponds to Article 76 of *CRR* as it applied immediately before its revocation, except that Article 76(3) and 76(4) of *CRR* have been revoked and not replaced in these rules]

[Note 2: Related provisions in Articles 25 and 26 of Chapter 4 of the Own Funds (*CRR*) Part]

Article 77 CONDITIONS FOR REDUCING OWN FUNDS

1. An institution shall not:

- (a) in any way reduce, redeem, repurchase, call, repay or reclassify own funds instruments; or
- (b) reduce, distribute or reclassify as another own funds item the share premium accounts related to own funds instruments;

unless the institution has received the prior 138BA permission from the PRA.

2. The requirement in paragraph 1 does not apply where own funds instruments:

- (a) reach contractual maturity; or
- (b) are converted or cancelled under their contractual terms.

[Note 1: This rule corresponds in relation to own funds to Article 77 of *CRR* as it applied immediately before its revocation]

[Note 2: Article 78 of *CRR* has been revoked and is not replaced in these rules]

[Note 3: Related provisions in Articles 28 to 32 of Chapter 4 of the Own Funds (*CRR*) Part]

Article 79 TEMPORARY WAIVER FROM DEDUCTION FROM OWN FUNDS

1. Where an institution holds capital instruments or liabilities that qualify as own funds instruments in a financial sector entity or in an institution and where the PRA considers those holdings to be for the purposes of a financial assistance operation designed to reorganise and restore the viability of that entity or that institution, the PRA may by a 138BA permission waive or modify on a temporary basis the provisions on deduction that would otherwise apply to those instruments.

[Note 1: This rule corresponds in relation to own funds to Article 79 of *CRR* as it applied immediately before its revocation]

[Note 2: Related provisions in Article 33 of Chapter 4 of the Own Funds (*CRR*) Part]

Article 79A ASSESSMENT OF COMPLIANCE WITH THE CONDITIONS FOR OWN FUNDS INSTRUMENTS

Institutions shall have regard to the substantial features of instruments and not only their legal form when assessing compliance with the requirements laid down in Chapter 3 of this Part. The assessment of the substantial features of an instrument shall take into account all arrangements related to the instruments, even where those are not explicitly set out in the terms and conditions of

the instruments themselves, for the purpose of determining that the combined economic effects of such arrangements are compliant with the objective of the relevant provisions.

[Note 1: This rule corresponds in relation to own funds to Article 79a of CRR as it applied immediately before its revocation]

[Note 2: Article 80 of CRR was repealed by the Capital Requirements (Amendment) (EU Exit) Regulations 2018/1401]

TITLE II MINORITY INTEREST AND ADDITIONAL TIER 1 AND TIER 2 INSTRUMENTS ISSUED BY SUBSIDIARIES

Article 81 MINORITY INTERESTS THAT QUALIFY FOR INCLUSION IN CONSOLIDATED COMMON EQUITY TIER 1 CAPITAL

1. Minority interests shall comprise the sum of Common Equity Tier 1 items of a subsidiary where the following conditions are met:
 - (a) the subsidiary is one of the following:
 - (i) an institution;
 - (ii) a CRR firm;
 - (iia) an intermediate financial holding company or intermediate mixed financial holding company that is subject to the requirements of CRR on a sub-consolidated basis;
 - (iib) an intermediate investment holding company that is subject to the requirements of rules made under Part 9C FSMA on a consolidated basis;
 - (iic) an FCA investment firm;
 - (b) the subsidiary is included fully in the consolidation pursuant to Chapter 2 of Title II of Part One of CRR;
 - (c) the Common Equity Tier 1 items, referred to in the introductory part of this paragraph, are owned by persons other than the undertakings included in the consolidation pursuant to Chapter 2 of Title II of Part One of CRR.
2. Minority interests that are funded directly or indirectly, through a special purpose entity or otherwise, by the parent undertaking of the institution, or its subsidiaries shall not qualify as consolidated Common Equity Tier 1 capital.

[Note: This rule corresponds to Article 81 of CRR as it applied immediately before its revocation except there is no corresponding rule for Article 81(1)(a)(iii)]

Article 82 QUALIFYING ADDITIONAL TIER 1, TIER 1, TIER 2 CAPITAL AND QUALIFYING OWN FUNDS

Qualifying Additional Tier 1, Tier 1, Tier 2 capital and qualifying own funds shall comprise the minority interest, Additional Tier 1 or Tier 2 instruments, as applicable, plus the related retained earnings and share premium accounts, of a subsidiary where the following conditions are met:

- (a) the subsidiary is either of the following:
 - (i) an institution;
 - (ii) a CRR firm;
 - (iia) an intermediate financial holding company or intermediate mixed financial holding company that is subject to the requirements of CRR on a sub-consolidated basis;

- (iib) an intermediate investment holding company that is subject to the requirements of rules made under Part 9C FSMA on a consolidated basis;
- (iic) an FCA investment firm;
- (b) the subsidiary is included fully in the scope of consolidation pursuant to Chapter 2 of Title II of Part One of CRR;
- (c) those instruments are owned by persons other than the undertakings included in the consolidation pursuant to Chapter 2 of Title II of Part One of CRR.

[Note 1: This rule corresponds to Article 82 of CRR as it applied immediately before its revocation except that there is no corresponding rule for Article 82(a)(iii)]

[Note 2: Article 83 of CRR has been revoked and not replaced in these rules]

Article 84 MINORITY INTERESTS INCLUDED IN CONSOLIDATED COMMON EQUITY TIER 1 CAPITAL

1. Institutions shall determine the amount of minority interests of a subsidiary that is included in consolidated Common Equity Tier 1 capital by subtracting from the minority interests of that undertaking the result of multiplying the amount referred to in point (a) by the percentage referred to in point (b):
 - (a) the Common Equity Tier 1 capital of the subsidiary minus the lower of the following:
 - (i) the amount of Common Equity Tier 1 capital of that subsidiary required to meet the following:
 - A the sum of the requirement laid down in point (a) of Article 92(1) of CRR, the requirements referred to in Articles 458 and 459 of CRR, the specific own funds requirements referred to in regulation 34 of the Capital Requirements Regulations 2013, the combined buffer defined in the Capital Buffers Part, and the requirements referred to in any additional local supervisory regulations in third countries insofar as those requirements are to be met by Common Equity Tier 1 capital; or
 - B where the subsidiary is an FCA investment firm, the sum of the own funds requirements set out in rules made under Part 9C FSMA which apply to the subsidiary and any requirements set out in additional local supervisory regulations in third countries insofar as those requirements are to be met by Common Equity Tier 1 capital;
 - (ii) the amount of consolidated Common Equity Tier 1 capital that relates to that subsidiary that is required on a consolidated basis to meet the sum of the requirement laid down in point (a) of Article 92(1) of CRR, the requirements referred to in Articles 458 and 459 of CRR, the specific own funds requirements referred to in regulation 34 of the Capital Requirements Regulations 2013, the combined buffer defined in the Capital Buffers Part, and the requirements referred to in any additional local supervisory regulations in third countries insofar as those requirements are to be met by Common Equity Tier 1 capital;
 - (b) the minority interests of the subsidiary expressed as a percentage of all Common Equity Tier 1 instruments of that undertaking plus the related share premium accounts, retained earnings and other reserves.
2. The calculation referred to in paragraph 1 shall be undertaken on a sub-consolidated basis for each subsidiary referred to in Article 81(1).

An institution may choose not to undertake this calculation for a subsidiary referred to in Article 81(1). Where an institution takes such a decision, the minority interest of that subsidiary may not be included in consolidated Common Equity Tier 1 capital.

3. Where the PRA derogates from the application of prudential requirements on an individual basis, as laid down in Article 7 of CRR, minority interests within the subsidiaries to which the waiver is applied shall not be recognised in own funds at the sub-consolidated or at the consolidated level, as applicable.
- 3A. Where rules made under Part 9C FSMA provide that, in relation to any subsidiaries which are FCA investment firms, the calculation referred to in paragraph 1 is to be undertaken on a consolidated basis so as to include those subsidiaries, minority interests within those subsidiaries shall not be recognised in own funds at the sub-consolidated or consolidated level, as applicable.
4. [Note: Provision left blank]
5. The PRA may grant a 138BA permission to waive the application of this Article to:
 - (a) a parent financial holding company; and
 - (b) a parent mixed financial holding company.

[Note 1: This rule corresponds to Article 84 of CRR as it applied immediately before its revocation except that there is no corresponding rule for Article 84(4)]

[Note 2: Related provisions in Article 34a of Chapter 4 of the Own Funds (CRR) Part]

Article 85 QUALIFYING TIER 1 INSTRUMENTS INCLUDED IN CONSOLIDATED TIER 1 CAPITAL

1. Institutions shall determine the amount of qualifying Tier 1 capital of a subsidiary that is included in consolidated own funds by subtracting from the qualifying Tier 1 capital of that undertaking the result of multiplying the amount referred to in point (a) by the percentage referred to in point (b):
 - (a) the Tier 1 capital of the subsidiary minus the lower of the following:
 - (i) the amount of Tier 1 capital of the subsidiary required to meet the following:
 - A the sum of the requirement laid down in point (b) of Article 92(1) of CRR, the requirements referred to in Articles 458 and 459 of CRR, the specific own funds requirements referred to in regulation 34 of the Capital Requirements Regulations 2013, the combined buffer defined in the Capital Buffers Part, and the requirements referred to in any additional local supervisory regulations in third countries insofar as those requirements are to be met by Tier 1 capital; or
 - B where the subsidiary is an FCA investment firm, the sum of the own funds requirements set out in rules made under Part 9C FSMA which apply to the subsidiary and any requirements set out in additional local supervisory regulations in third countries insofar as those requirements are to be met by Tier 1 capital;
 - (ii) the amount of consolidated Tier 1 capital that relates to the subsidiary that is required on a consolidated basis to meet the sum of the requirement laid down in point (b) of Article 92(1) of CRR, the requirements referred to in Articles 458 and 459 of CRR, the specific own funds requirements referred to in regulation 34 of the Capital Requirements Regulations 2013, the combined buffer defined in the Capital Buffers

Part, and the requirements referred to in any additional local supervisory regulations in *third countries* insofar as those requirements are to be met by *Tier 1 capital*;

(b) the qualifying *Tier 1 capital* of the subsidiary expressed as a percentage of all Tier 1 instruments of that undertaking plus the related share premium accounts, retained earnings and other reserves.

2. The calculation referred to in paragraph 1 shall be undertaken on a sub-consolidated basis for each subsidiary referred to in Article 81(1).

An institution may choose not to undertake this calculation for a subsidiary referred to in Article 81(1). Where an institution takes such a decision, the qualifying *Tier 1 capital* of that subsidiary may not be included in consolidated *Tier 1 capital*.

3. Where the *PRA* derogates from the application of prudential requirements on an individual basis, as laid down in Article 7 of *CRR*, Tier 1 instruments within the subsidiaries to which the waiver is applied shall not be recognised as own funds at the sub-consolidated or at the consolidated level, as applicable.

3A. Where rules made under Part 9C *FSMA* provide that, in relation to any subsidiaries which are *FCA investment firms*, the calculation referred to in paragraph 1 is to be undertaken on a consolidated basis so as to include those subsidiaries, Tier 1 instruments within those subsidiaries shall not be recognised in own funds at the sub-consolidated or consolidated level, as applicable.

[Note 1: This rule corresponds to Article 85 of *CRR* as it applied immediately before its revocation]

[Note 2: Related provisions in Article 34a of Chapter 4 of the Own Funds (*CRR*) Part]

Article 86 QUALIFYING TIER 1 CAPITAL INCLUDED IN CONSOLIDATED ADDITIONAL TIER 1 CAPITAL

Without prejudice to Article 84(5), institutions shall determine the amount of qualifying *Tier 1 capital* of a subsidiary that is included in consolidated Additional Tier 1 capital by subtracting from the qualifying *Tier 1 capital* of that undertaking included in consolidated *Tier 1 capital* the minority interests of that undertaking that are included in consolidated Common Equity Tier 1 capital.

[Note: This rule corresponds to Article 86 of *CRR* as it applied immediately before its revocation]

Article 87 QUALIFYING OWN FUNDS INCLUDED IN CONSOLIDATED OWN FUNDS

1. Institutions shall determine the amount of qualifying own funds of a subsidiary that is included in consolidated own funds by subtracting from the qualifying own funds of that undertaking the result of multiplying the amount referred to in point (a) by the percentage referred to in point (b):

(a) the own funds of the subsidiary minus the lower of the following:

(i) the amount of own funds of the subsidiary required to meet the following:

A the sum of the requirement laid down in point (c) of Article 92(1) of *CRR*, the requirements referred to in Articles 458 and 459 of *CRR*, the specific own funds requirements referred to in regulation 34 of the Capital Requirements Regulations 2013, the combined buffer defined in the Capital Buffers Part, and any additional local supervisory regulations in *third countries*; or

B where the subsidiary is an *FCA investment firm*, the sum of the own funds requirements set out in rules made under Part 9C *FSMA* which apply to the subsidiary and any requirements set out in additional local supervisory regulations in *third countries*;

- (ii) the amount of own funds that relates to the subsidiary that is required on a consolidated basis to meet the sum of the requirement laid down in point (c) of Article 92(1) of CRR, the requirements referred to in Articles 458 and 459 of CRR, the specific own funds requirements referred to in regulation 34 of the Capital Requirements Regulations 2013, the combined buffer defined in the Capital Buffers Part, and any additional local supervisory own funds requirement in *third countries*;
 - (b) the qualifying own funds of the undertaking, expressed as a percentage of all own funds instruments of the subsidiary that are included in Common Equity Tier 1, Additional Tier 1 and Tier 2 items and the related share premium accounts, the retained earnings and other reserves.
2. The calculation referred to in paragraph 1 shall be undertaken on a sub-consolidated basis for each subsidiary referred to in Article 81(1). An institution may choose not to undertake this calculation for a subsidiary referred to in Article 81(1). Where an institution takes such a decision, the qualifying own funds of that subsidiary may not be included in consolidated own funds.
3. Where the PRA derogates from the application of prudential requirements on an individual basis, as laid down in Article 7 of CRR, own funds instruments within the subsidiaries to which the waiver is applied shall not be recognised as own funds at the sub-consolidated or at the consolidated level, as applicable.
- 3A. Where rules made under Part 9C FSMA provide that, in relation to any subsidiaries which are FCA investment firms, the calculation referred to in paragraph 1 is to be undertaken on a consolidated basis so as to include those subsidiaries, own funds instruments within those subsidiaries shall not be recognised in own funds at the sub-consolidated or consolidated level, as applicable.

[Note 1: This rule corresponds to Article 87 of CRR as it applied immediately before its revocation]

[Note 2: Related provisions in Article 34a of Chapter 4 of the Own Funds (CRR) Part]

Article 88 QUALIFYING OWN FUNDS INSTRUMENTS INCLUDED IN CONSOLIDATED TIER 2 CAPITAL

Without prejudice to Article 84(5), institutions shall determine the amount of qualifying own funds of a subsidiary that is included in consolidated Tier 2 capital by subtracting from the qualifying own funds of that undertaking that are included in consolidated own funds the qualifying *Tier 1 capital* of that undertaking that is included in consolidated *Tier 1 capital*.

[Note: This rule corresponds to Article 88 of CRR as it applied immediately before its revocation]

TITLE III QUALIFYING HOLDINGS OUTSIDE THE FINANCIAL SECTOR

Article 89 RISK WEIGHTING OF QUALIFYING HOLDINGS OUTSIDE THE FINANCIAL SECTOR

1. A qualifying holding, the amount of which exceeds 15% of the eligible capital of the institution, in an undertaking which is not one of the following shall be subject to the provisions laid down in paragraph 3:
- (a) a financial sector entity;
 - (b) an undertaking, that is not a financial sector entity, carrying on activities which the PRA considers to be any of the following:
 - (i) a direct extension of banking;

- (ii) ancillary to banking;
 - (iii) leasing, factoring, the management of unit trusts, the management of data processing services or any other similar activity.
2. The total amount of the qualifying holdings of an institution in undertakings other than those referred to in points (a) and (b) of paragraph 1 that exceeds 60% of its eligible capital shall be subject to the provisions laid down in paragraph 3.
 3. For the purpose of calculating the capital requirement in accordance with Part Three CRR and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part, institutions shall apply a risk weight of 1250% to the greater of the following:
 - (a) the amount of qualifying holdings referred to in paragraph 1 in excess of 15% of eligible capital;
 - (b) the total amount of qualifying holdings referred to in paragraph 2 that exceed 60% of the eligible capital of the institution.

[Note: This rule corresponds to Article 89 of CRR as it applied immediately before its revocation]

Article 90 ALTERNATIVE TO 1250% RISK WEIGHT

As an alternative to applying a 1250% risk weight to the amounts in excess of the limits specified in Article 89(1) and (2), institutions may deduct those amounts from Common Equity Tier 1 items in accordance with point (k) of Article 36(1).

[Note: This rule corresponds to Article 90 of CRR as it applied immediately before its revocation]

Article 91 EXCEPTIONS

1. Shares of undertakings not referred to in points (a) and (b) of Article 89(1) shall not be included in calculating the eligible capital limits specified in that Article where any of the following conditions is met:
 - (a) those shares are held temporarily during a financial assistance operation as referred to in Article 79;
 - (b) the holding of those shares is an underwriting position held for five working days or fewer;
 - (c) those shares are held in the own name of the institution and on behalf of others.
2. Shares which are not participating interests, shares in affiliated undertakings or securities intended for use on a continuing basis in the normal course of an undertaking's activities shall not be included in the calculation specified in Article 89.

[Note 1: This rule corresponds to Article 91 of CRR as it applied immediately before its revocation]

[Note 2: Articles 465 and 466 of CRR were revoked by the Financial Services and Markets Act 2023]

PART TEN TRANSITIONAL PROVISIONS, REPORTS, REVIEWS AND AMENDMENTS

TITLE 1 TRANSITIONAL PROVISIONS

CHAPTER 2 SAVINGS PROVISIONS FOR CAPITAL INSTRUMENTS

SECTION 2 INSTRUMENTS NOT CONSTITUTING STATE AID

SUB-SECTION 1 ELIGIBILITY AND LIMITS

Article 485 EXCEPTIONS

1. This Article shall apply only to instruments that were issued prior to 31 December 2010.
2. Share premium accounts related to capital, which for these purposes comprises all amounts, regardless of their actual designations, which, in accordance with the legal structure of the institution concerned, are regarded under the applicable law of the *United Kingdom*, or any part of it, or of a *third country*, as equity capital subscribed by the shareholders or other proprietors that qualified as original own funds under measures implementing point (a) of Article 57 of Directive 2006/48/EC shall qualify as Common Equity Tier 1 items if they meet the conditions laid down in points (i) and (j) of Article 28.

[Note: This rule corresponds to Article 485 of *CRR* as it applied immediately before its revocation]

4. RULES SUPPLEMENTING THE CRR WITH REGARDS TO OWN FUNDS REQUIREMENTS (PREVIOUSLY REGULATION (EU) NO 241/2014)

...

Article 10 LIMITATIONS ON REDEMPTION OF CAPITAL INSTRUMENTS ISSUED BY MUTUALS, SAVINGS INSTITUTIONS, CO-OPERATIVES SOCIETIES AND SIMILAR INSTITUTIONS FOR THE PURPOSE OF ARTICLE 29(2)(B) AND ~~78(3)~~ OF CHAPTER 3 OF THE CRR

...

2. The ability of the institution to limit the redemption under the provisions governing capital instruments as referred to in Article 29(2)(b) and ~~78(3)~~ of Chapter 3 of this Part ~~the CRR~~, shall encompass both the right to defer the redemption and the right to limit the amount to be redeemed. The institution shall be able to defer the redemption or limit the amount to be redeemed for an unlimited period of time pursuant to paragraph 3.

...

[Note: This rule corresponds to Article 10 of Part 2 of Regulation (EU) No 241/2014 as it applied immediately before revocation by the *PRA*.]

Article 11 LIMITATIONS ON REDEMPTION OF CAPITAL INSTRUMENTS ISSUED BY MUTUALS, SAVINGS INSTITUTIONS, CO-OPERATIVE SOCIETIES AND SIMILAR INSTITUTIONS FOR THE PURPOSES OF ARTICLE 29(2)(B) AND ~~ARTICLE 78(3)~~ OF CHAPTER 3 ~~THE CRR~~

...

Article 15A INDIRECT HOLDINGS FOR THE PURPOSES OF ARTICLE 36(1)(F), (H) AND (I) OF ~~THE CRR~~

1. For the purposes of Articles 15c, 15d, 15e and 15i of this Chapter 4 of ~~the Own Funds and Eligible Liabilities (CRR)~~ this Part of the *PRA Rulebook*, 'intermediate entity' as referred to in Article 4(1)(114) of ~~the CRR~~ comprises any of the following entities that hold capital instruments of financial sector entities:

...

Article 15E STRUCTURE-BASED APPROACH FOR THE CALCULATION OF INDIRECT HOLDINGS FOR THE PURPOSES OF POINTS (F), (H) AND (I) OF ARTICLE 36(1) OF THE CRR

1. The amount to be deducted from Common Equity Tier 1 items referred to in point (f) of Article 36(1) of ~~the CRR Chapter 3 of this Part~~ shall be equal to the percentage of funding, as defined in Article 15d(3) of this Chapter 4 of ~~the Own Funds and Eligible Liabilities (CRR) this Part of the PRA Rulebook~~, multiplied by the amount of Common Equity Tier 1 instruments of the institution held by the intermediate entity.
2. The amount to be deducted from Common Equity Tier 1 items referred to in points (h) and (i) of Article 36(1) of ~~the CRR Chapter 3 of this Part~~ shall be equal to the percentage of funding, as defined in Article 15d(3) of this Chapter 4 of ~~the Own Funds and Eligible Liabilities (CRR) this Part of the PRA Rulebook~~, multiplied by the aggregate amount of Common Equity Tier 1 instruments of financial sector entities held by the intermediate entity.

...

Article 15G CALCULATION OF SIGNIFICANT INVESTMENTS FOR THE PURPOSES OF ARTICLE 36(1)(I) OF THE CRR

1. For the purposes of Article 36(1)(i) of ~~Chapter 3 of this Part the CRR~~, in order to assess whether an institution owns more than 10% of the Common Equity Tier 1 instruments issued by a financial sector entity, in accordance with point (a) of Article 43 of ~~Chapter 3 of this Part the CRR~~, institutions shall add the amounts of their gross long positions in direct holdings, as well as indirect holdings of Common Equity Tier 1 instruments of this financial sector entity referred to in points (d) to (h) of Article 15a(1) of this Chapter 4 of ~~the Own Funds and Eligible Liabilities (CRR) Part of the PRA Rulebook~~ this Part.

...

[Note: This rule corresponds to Article 15g of Part 2 of Regulation (EU) No 241/2014 as it applied immediately before revocation by the *Treasury*.]

Article 15H HOLDINGS OF ADDITIONAL TIER 1 AND TIER 2

The methodology referred to in Articles 15a to 15f of this Chapter 4 of ~~the Own Funds and Eligible Liabilities (CRR) this Part of the PRA Rulebook~~ shall apply mutatis mutandis to Additional Tier 1 holdings for the purposes of points (a), (c) and (d) of Article 56 of ~~the CRR Chapter 3 of this Part~~, and to Tier 2 holdings for the purposes of points (a), (c) and (d) of Article 66 of ~~the CRR Chapter 3 of this Part~~, where references to Common Equity Tier 1 shall be read as references to Additional Tier 1 or Tier 2, as applicable.

[Note: This rule corresponds to Article 15h of Part 2 of Regulation (EU) No 241/2014 as it applied immediately before revocation by the *Treasury*.]

...

Article 17 OTHER DEDUCTIONS FOR CAPITAL INSTRUMENTS OF FINANCIAL INSTITUTIONS FOR THE PURPOSES OF ARTICLE 36(3) OF THE CRR

...

**Article 18 CAPITAL INSTRUMENTS OF THIRD COUNTRY INSURANCE AND
REINSURANCE UNDERTAKINGS FOR THE PURPOSES OF ARTICLE 36(3) OF
THE CRR**

...

**Article 19 CAPITAL INSTRUMENTS OF UNDERTAKINGS EXCLUDED FROM THE SCOPE
OF DIRECTIVE 2009/138/EC FOR THE PURPOSES OF ARTICLE 36(3) OF THE
CRR**

...

**Article 24 USE OF SPECIAL PURPOSE ENTITIES FOR INDIRECT ISSUANCE OF OWN
FUNDS INSTRUMENTS FOR THE PURPOSES OF ARTICLE 52(1)(P) AND
ARTICLE 63(N) OF THE CRR [DELETED]**

1. ~~Where the institution or an entity within the consolidation pursuant to Chapter 2 of Title II of Part One of the CRR issues a capital instrument that is subscribed by a special purpose entity, this capital instrument shall not, at the level of the institution or of the above-mentioned entity, receive recognition as capital of a higher quality than the lowest quality of the capital issued to the special purpose entity and the capital issued to third parties by the special purpose entity. That requirement shall apply at the consolidated, sub-consolidated and individual levels of application of prudential requirements.~~[Deleted]
2. ~~The rights of the holders of the instruments issued by a special purpose entity shall be no more favourable than if the instrument was issued directly by the institution or an entity within the consolidation pursuant to Chapter 2 of Title II of Part One of the CRR.~~[Deleted]

~~[Note: This rule corresponds to Article 24 of Part 2 of Regulation (EU) No 241/2014 as it applied immediately before revocation by the PRA.]~~

...

**Article 27 MEANING OF SUSTAINABLE FOR THE INCOME CAPACITY OF THE
INSTITUTION FOR THE PURPOSES OF ARTICLES 78(1) AND 78(4)(D) OF THE
CRR [DELETED]**

1. ~~Sustainable for the income capacity of the institution under point (a) of Article 78(1) and under point (d) of Article 78(4) of the CRR shall mean that the profitability of the institution, continues to be sound or does not see any negative change after the replacement of the instruments or the related share premium accounts referred to in Article 77(1) of the CRR with own funds instruments of equal or higher quality, at that date and for the foreseeable future. In this, the institution shall take into account its institution's profitability in stress situations.~~[Deleted]

~~[Note: This rule corresponds to Article 27 of Part 2 of Regulation (EU) No 241/2014 as it applied immediately before revocation by the PRA.]~~

...

Annex D

Amendments to the Definition of Capital Part

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

...

3 QUALIFYING HOLDINGS OUTSIDE THE FINANCIAL SECTOR ~~[DELETED]~~

- 3.1 In respect of the qualifying holdings described in Article 89(1) and (2) of the *CRR*, a *firm* must, in accordance with Article 89(3), comply with the requirement in Article 89(3)(a). ~~[Deleted]~~

[Note: Art 89(3) of the *CRR*]

...

7A PRE-ISSUANCE NOTIFICATION (PIN) REGIME FOR COMMON EQUITY TIER 1 INSTRUMENT

...

- 7A.3 Where a *firm* intends to make use of the derogation in the second subparagraph of Article 26(3) of the *CRR*, 7A.1 shall not apply. The *firm* must instead send to the *PRA* at the same time as it sends the notification under point (b) of the second paragraph of Article 26(3) 7A.1 and 7A.2 shall not apply to subsequent issuances of a form of *Common Equity Tier 1 instruments* for which the *firm* has already received a *138BA permission* from the *PRA* and that the provisions governing those subsequent issuances are substantially the same as the provisions governing those issuances for which the institutions have already received a *138BA permission*. Instead the *firm* must:
- (1) written confirmation that the capital instrument notify the *PRA* as soon as is reasonably practicable after the capital instrument's classification as a *Common Equity Tier 1 instrument*, or in the case of an amendment or variation, as soon as is reasonably practicable after that amendment or variation has taken effect, such notice confirming that the instrument:
 - (a) meets the condition in point (a) of the second subparagraph of Article 26(3) of *CRR* has been issued on substantially the same terms as the previously notified issuance, or in the case of an amendment or variation, the instrument as so amended or varied takes effect on substantially the same terms as the previously notified issuance; and
 - (b) qualifies as a *Common Equity Tier 1 instrument* under Chapter 3 of the Own Funds (*CRR*) Part ~~Part Two of *CRR*~~;
 - (2) a completed form referred to in 7D.3(1) (*Pre/Post-Issuance Notification (PIN) Form*) complete and submit the form referred to in 7D.3(1) (*Pre/Post-Issuance Notification (PIN) Form*); and
 - (3) a copy of the terms and conditions of the instrument together with any *side agreement* send to the *PRA* a copy of the terms and conditions of the instrument or, in the case of an amendment or variation, the instrument as it is proposed to be amended or varied, together with any *side agreement*.
- 7A.4 7A.1, 7A.2 and 7A.3 shall not apply to subsequent issuances of a form of *Common Equity Tier 1 instruments* for which the *firm* has already received a *138BA permission* from the *PRA* and that the provisions governing those subsequent issuances are identical to the provisions

governing those issuances for which the institutions have already received a 138BA permission.

7B PRE-ISSUANCE NOTIFICATION (PIN) REGIME FOR ADDITIONAL TIER 1 INSTRUMENT

...

7B.4 Where 7B.1 and 7B.2 does not apply by virtue of 7B.3 the ~~firm shall~~ must:

- (1) ~~give the notice of the issuance to the PRA sufficiently in advance of the capital instrument's classification as an Additional Tier 1 instrument or, in the case of an amendment or variation, sufficiently in advance of that amendment or variation taking effect;~~~~[deleted]~~
- (2) ~~send to the PRA written confirmation that the capital instrument will~~ notify the PRA as soon as is reasonably practicable after the capital instrument's classification as an Additional Tier 1 instrument, or in the case of an amendment or variation, as soon as is reasonably practicable after that amendment or variation has taken effect, such notice confirming that the instrument:
 - (a) ~~be~~has been issued on substantially the same terms as the previously notified issuance, or in the case of an amendment or variation, the instrument as so amended or varied, ~~will take~~ effect on substantially the same terms as the previously notified issuance; and
 - (b) ~~qualify~~qualifies as an *Additional Tier 1 instrument* under Chapter 3 of the Own Funds (CRR) Part Two of CRR;

...

11 TRANSITIONAL PROVISIONS FOR OWN FUNDS

...

11.7 ~~The applicable percentage for the purposes of Article 469(1)(c) of the CRR as it applies to the items referred to in point (c) of Article 36(1) that existed prior to 1 January 2014 shall be:~~

- ~~(1) 100% for the period from 1 January 2014 to 31 December 2014;~~
 - ~~(2) 100% for the period from 1 January 2015 to 31 December 2015;~~
 - ~~(3) 100% for the period from 1 January 2016 to 31 December 2016;~~
 - ~~(4) 100% for the period from 1 January 2017 to 31 December 2017;~~
 - ~~(5) 100% for the period from 1 January 2018 to 31 December 2018;~~
 - ~~(6) 100% for the period from 1 January 2019 to 31 December 2019;~~
 - ~~(7) 100% for the period from 1 January 2020 to 31 December 2020;~~
 - ~~(8) 100% for the period from 1 January 2021 to 31 December 2021;~~
 - ~~(9) 100% for the period from 1 January 2022 to 31 December 2022; and~~
 - ~~(10) 100% for the period from 1 January 2023 to 31 December 2023.~~~~[Deleted]~~
- ~~[Note: Art 469(1)(c), 478(2) of the CRR]~~

...

11.15 ~~The applicable percentage for the purposes of Article 486(2), (3) and (4) of the CRR shall be:~~

- ~~(1) 80% for the period from 1 January 2014 to 31 December 2014;~~

- ~~(2) 70% for the period from 1 January 2015 to 31 December 2015;~~
 - ~~(3) 60% for the period from 1 January 2016 to 31 December 2016;~~
 - ~~(4) 50% for the period from 1 January 2017 to 31 December 2017;~~
 - ~~(5) 40% for the period from 1 January 2018 to 31 December 2018;~~
 - ~~(6) 30% for the period from 1 January 2019 to 31 December 2019;~~
 - ~~(7) 20% for the period from 1 January 2020 to 31 December 2020; and~~
 - ~~(8) 10% for the period from 1 January 2021 to 31 December 2021. [Deleted]~~
- ~~[Note: Art 486 of the *CRR*]~~

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