



## Systemic Risk Buffer rates for ring-fenced banks and large building societies - applicable from 1 August 2019

From 1 January 2019, the Prudential Regulation Authority (PRA) is required<sup>1</sup> to set Systemic Risk Buffer (SRB) rates for ring-fenced banks<sup>2</sup> (RFBs) and large building societies (together, 'SRB institutions') by applying the Financial Policy Committee (FPC)'s framework for the SRB.<sup>3</sup> The PRA has set out its approach to the implementation of the SRB in its Statement of Policy.<sup>4</sup>

The PRA has set SRB rates by applying the FPC's framework to the total assets of the SRB institutions as of end-December 2018, assessed on a sub-consolidated basis for RFBs, and on a consolidated basis for building societies.

The SRB rates set out in this document will apply from 1 August 2019. In future, the PRA expects to publish the SRB rates by 15 December of each year, with application by 1 January of the second year following the calendar year when the rates are published.

### Ring-fenced banks

The PRA has set SRB rates for the RFBs in the following RFB sub-groups, which apply to all exposures,<sup>5</sup> on a sub-consolidated basis:

	<b>Systemic Risk Buffer rate</b> (% of RWAs)
Lloyds Banking Group RFB sub-group	2%
Royal Bank of Scotland RFB sub-group	1.5%
Barclays RFB sub-group	1%
HSBC RFB sub-group	1%
Santander UK RFB sub-group	1%

*See Annex for the RFBs in the RFB sub-groups*

For these RFBs, if the group is not subject to a global systemically important bank (G-SIB) buffer, or if the group has a G-SIB buffer rate that is lower than the SRB rate, there will be an increase in both the group PRA buffer<sup>6</sup> and the Leverage Ratio Group Add-on.<sup>7</sup> This is to ensure that, where systemic buffers apply at different levels of consolidation, there is sufficient capital within the consolidated group, and distributed appropriately across it, to address both global systemic risks and domestic systemic risks.

### Building societies

The PRA has set an SRB rate for the following building society, which applies to all exposures, on a consolidated basis.

	<b>Systemic Risk Buffer rate</b> (% of RWAs)
Nationwide Building Society	1%

## Annex – RFBs in RFB sub-groups

RFB sub-group	RFBs in the RFB sub-group
Lloyds Banking Group RFB sub-group	Lloyds Bank Plc Bank of Scotland Plc
Royal Bank of Scotland RFB sub-group	National Westminster Bank Plc The Royal Bank of Scotland Plc Coutts & Company Ulster Bank Limited
Barclays RFB sub-group	Barclays Bank UK Plc
HSBC RFB sub-group	HSBC UK Bank Plc Marks and Spencer Financial Services Plc HSBC Private Bank (UK) Ltd HSBC Trust Company (UK) Ltd
Santander UK RFB sub-group	Santander UK Plc Cater Allen Limited

May 2019

<sup>1</sup> Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014 as amended by Capital Requirements (Capital Buffers and Macro-prudential Measures) (Amendment) Regulations 2015 (Part 5A).

<sup>2</sup> Within the meaning of section 142A of the Financial Services and Markets Act 2000.

<sup>3</sup> See 'The Financial Policy Committee's framework for the systemic risk buffer', May 2016:

<https://www.bankofengland.co.uk/paper/2016/the-financial-policy-committees-framework-for-the-systemic-risk-buffer> which maps total assets of SRB institutions to buffer rates.

<sup>4</sup> See 'The PRA's approach to the implementation of the systemic risk buffer', December 2018:

<https://www.bankofengland.co.uk/prudential-regulation/publication/2016/the-pras-approach-to-the-implementation-of-the-systemic-risk-buffer-sop>.

<sup>5</sup> The SRB applies to exposures located anywhere in the world (subject to any recognised European Economic Area (EEA) SRB rates).

<sup>6</sup> The amount of group PRA buffer for RFB group risk will be informed by the amount by which any SRB exceeds the RFB sub-group's share of any G-SIB buffer at the group level. See Section II: Pillar 2B of PRA Statement of Policy 'The PRA's methodologies for setting Pillar 2 capital', April 2018: <http://www.bankofengland.co.uk/prudential-regulation/publication/2015/the-pras-methodologies-for-setting-pillar-2-capital>.

<sup>7</sup> The 'Leverage Ratio Group Add-on' will be informed by the amount by which any additional leverage ratio buffer (ALRB) applicable on a sub-consolidated basis for the RFB sub-group is higher than the RFB subgroup's share of the ALRB on a consolidated basis. See PRA Supervisory Statement 45/15 'The UK leverage ratio framework', November 2018: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/the-uk-leverage-ratio-framework-ss>.