



PRA decision on Systemic Risk Buffer rates

Overview

In response to the economic shock from Covid-19, the PRA, with the support of the FPC, is today announcing its decision to maintain firms' Systemic Risk Buffer (SRB) rates at the rate set in December 2019 and will next reassess them in Dec 2021.

In December 2021, the PRA expects to set an SRB rate consistent with its statement of policy¹ and the FPC framework². In doing so, the PRA will take account of the evolution in firms' balance sheets in response to Covid-19 and the extent to which they are temporarily inflated. Any decision on SRB rates taken in December 2021 would take effect from January 2023 in line with our policy.

We are acting now to give lenders greater certainty over their capital requirements moving forward. This decision is consistent with ensuring firms can continue lending to the real economy; as their balance sheets grow in response to Covid-19, they can be certain that it will not result in higher SRB capital requirements.

This decision applies to the CRD IV SRB, and any successor buffer which could be implemented following the adoption of CRDV.

The Prudential Regulation Committee (PRC) and the Financial Policy Committee (FPC) also reiterate their expectation that all elements of banks' capital and liquidity buffers can be drawn down as necessary to support the economy through this temporary shock.

Scope

The decision is relevant only to ring-fenced banks (RFBs) and large building societies subject to the SRB.³

09 April 2020

¹ <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/statement-of-policy/2018/the-pras-approach-to-the-implementation-of-the-systemic-risk-buffer-sop-updatedec18.pdf?la=en&hash=7054A73B829E183D144BA66BF6B09951C4FD0093>

² <https://www.bankofengland.co.uk/-/media/boe/files/paper/2016/the-financial-policy-committees-framework-for-the-systemic-risk-buffer.pdf?la=en&hash=B354CE2068CD5B965DA07E15F6F10EFC80668B5F>

³ Only firms with greater than £175bn in total assets face a positive SRB rate.