Supervisory Statement | SS3/13

Capital requirements for major UK banks and building societies

November 2013

(Subsequently updated in June 2014 and December 2015)

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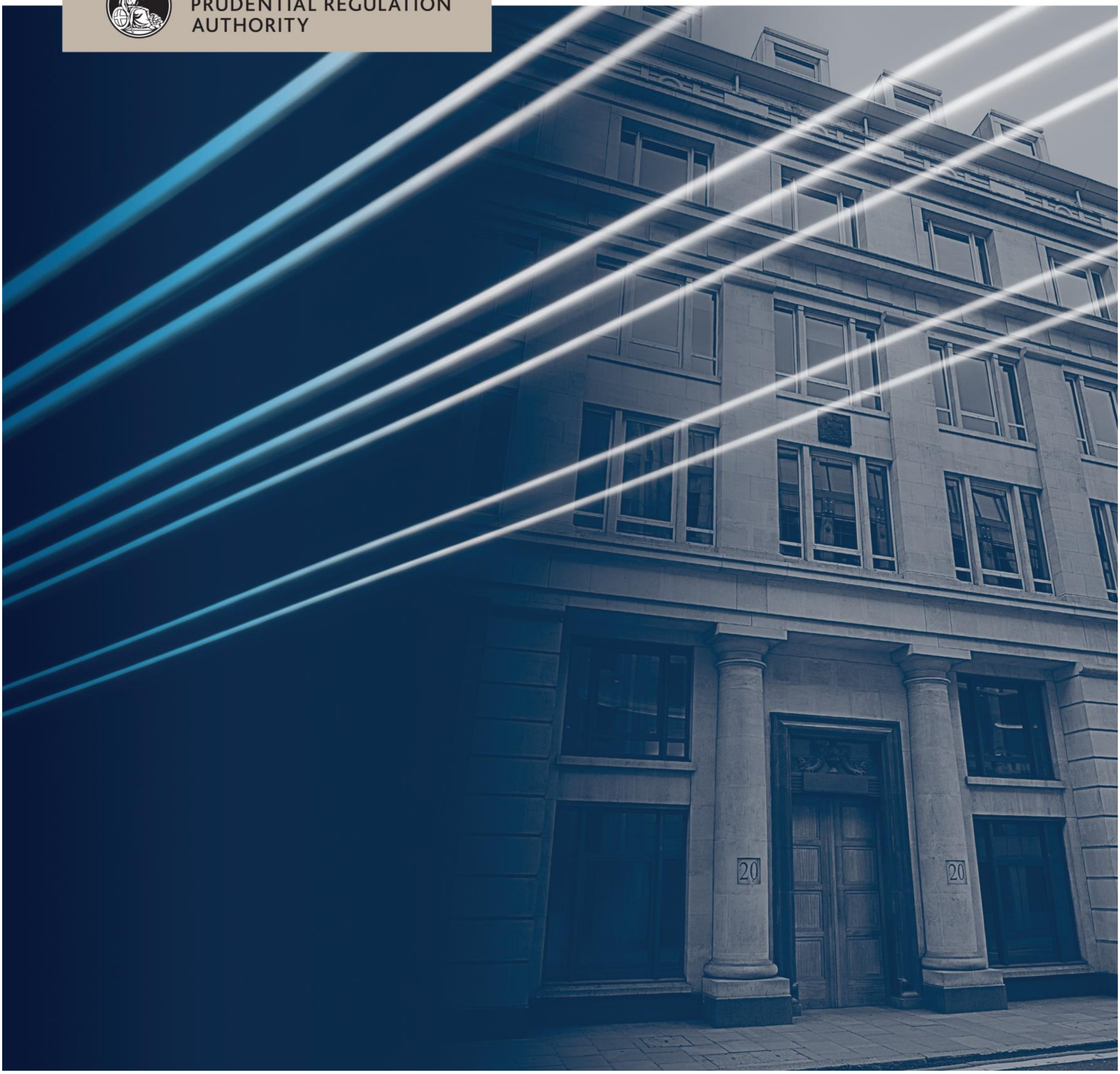

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1.1 The purpose of this supervisory statement is to set out the Prudential Regulation Authority's (PRA's) expectations in relation to capital requirements for the seven major UK banks and building societies (referred to hereafter as 'firms'). The seven firms are:

- Barclays
- HSBC
- Lloyds Banking Group
- Nationwide
- Royal Bank of Scotland
- Santander UK
- Standard Chartered

1.2 Firms will be expected to meet a 7% common equity Tier 1 (CET1) capital ratio on the definition of capital set out in the Capital Requirements Regulation (CRR) and the PRA Rulebook.

1.3 The PRA expects firms to meet the above standards at the level of the consolidated group from 1 January 2016, except where the PRA has agreed a plan with the firm to meet the standards over a longer timeframe. The PRA expects firms to meet the standards in this supervisory statement in addition to the requirements imposed on them by PRA rules and CRD IV.[1]

1.4 From 1 July 2014, the adjustments to CET1 capital and risk-weighted assets (RWA) set by the PRA for the purposes of the capital shortfall exercise in June 2013 no longer applied. Where material, it is important that these risks are addressed by appropriate adjustments to capital requirements, including following concurrent stress testing. In particular, the PRA intends to consult in due course on the way in which capital requirements for residential mortgages should reflect these risks. In the interim, the PRA expects firms not to reduce their capital in such a way that it could present them with challenges if similar adjustments for residential mortgages were introduced following the consultation.

[1] Capital Requirements Regulation (575/2013) (CRR) and the Capital Requirements Directive (2013/36/EU) (CRD), jointly CRD IV.