BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

Publication

Supervisory Statement | SS16/16

The minimum requirement for own funds and eligible liabilities (MREL) – buffers and Threshold Conditions

January 2026

(updating July 2025)

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Prudential Regulation Authority | 20 Moorgate | London EC2R 6DA

Contents

1 Introduction

1.1 This supervisory statement (SS) is aimed at Prudential Regulation Authority (PRA)-regulated banks, building societies and PRA designated investment firms (firms).

1.2 This statement sets out the PRA's expectations on the relationship between the minimum requirement for own funds and eligible liabilities (MREL) and both capital and leverage ratio buffers, as well as the implications that a breach of MREL would have for the PRA's consideration of whether a firm is failing, or likely to fail, to satisfy the Threshold Conditions.

1.3 This SS provides further detail in relation to the high level expectations outlined in 'The PRA's approach to banking supervision'.[1] As set out in the approach document, firms are expected to engage directly with policy material, including SSs, and determine — bearing in mind the overarching principle of safety and soundness — whether they meet the PRA's expectations.

1.4 This SS should be read in conjunction with the Bank of England's (the Bank's) statement of policy (SoP) on its approach to setting MREL.[2] Firms, except Small Domestic Deposit Takers (SDDTs) and SDDT consolidation entities[3] should also read PRA SSs on risk-weighted capital buffers[4] and leverage buffers.[5] SDDTs should refer instead to SS4/25 – The Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP) for Small Domestic Deposit Takers (SDDTs)[6] and SoP5/25 – The PRA's methodologies for setting Pillar 2 capital for Small Domestic Deposit Takers (SDDTs).[7]

2 Buffers

Calculating an amount of common equity tier 1 capital (CET1) to meet buffer requirements that cannot also be counted to meet MREL

2.A The PRA expects firms to meet both MREL and maintain an amount of CET1 that reflects their risk-weighted capital and leverage buffers. The PRA expects firms not to double count CET1 towards both MREL and the amount reflecting the risk-weighted capital and leverage buffers. While firms can meet MREL with CET1, they do not have to meet it with CET1. See 'The Bank of England's approach to setting MREL' for details.

2.B The amount that reflects risk-weighted capital and leverage buffers should be calculated to be the amount of CET1 that a firm is required to maintain (in sterling terms) in addition to the largest minimum of either the risk-weighted capital or leverage regimes.[8] Where the firm is not subject to

1 The Prudential Regulation Authority's approach to banking supervision: www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/approach/banking-approach-2023.pdf
2 www.bankofengland.co.uk/paper/2021/the-boes-approach-to-setting-mrel-sop
3 The full definition of an SDDT and an SDDT consolidation entity, including the SDDT and SDDT consolidation entity criteria, are set out in the SDDT Regime – General Application Part of the PRA Rulebook: www.prarulebook.co.uk/pra-rules/sddt-regime--general-application/18-01-2024. For ease of reading, any references to SDDT(s) in this SS should be treated as applicable to both SDDTs and SDDT consolidation entities.
4 See SS6/14 'Implementing CRD IV: capital buffers': www.bankofengland.co.uk/prudential-regulation/publication/2014/implementing-crdiv-capital-buffers-ss, and SS31/15 'The Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP)': www.bankofengland.co.uk/prudential-regulation/publication/2013/the-internal-capital-adequacy-assessment-process-and-supervisory-review-ss.
5 See SS45/15 'The UK leverage ratio framework': www.bankofengland.co.uk/prudential-regulation/publication/2015/the-uk-leverage-ratio-framework-ss.
6 www.bankofengland.co.uk/prudential-regulation/publication/2026/january/the-icaap-and-the-srep-for-sddts.
7 www.bankofengland.co.uk/prudential-regulation/publication/2026/january/the-pras-methodologies-for-setting-pillar-2-capital-for-sddts.
8 The risk-weighted capital minimum is Pillar 1 plus Pillar 2A. As for the leverage ratio framework, the minimum leverage ratio capital requirement applies to firms on the basis set out in the Leverage Ratio - Capital Requirements and Buffers Part of the PRA Rulebook.

the leverage regime, the amount will be equal to the applicable risk-weighted capital buffers and paragraphs 2.6, 2.6A, 2.7 and 2.7A will not be relevant.

Risk-weighted capital buffers

2.1 The PRA's capital buffer framework for firms (apart from SDDTs) comprises the combined buffer[9] (which includes the capital conservation buffer, the countercyclical capital buffer, the Global Systemically Important Institutions buffer (G-SII buffer), and the other systemically important institutions buffer (O-SII buffer) – if applicable to a firm), and the PRA buffer.[10] For SDDTs, the PRA's capital buffer framework comprises the Single Capital Buffer (SCB).[11]

2.2 [Deleted]

2.2A The buffers are maintained in addition to minimum risk-weighted capital requirements.

2.3 If a firm does not have, or expects that it will not have, sufficient CET1, in addition to any own funds and liabilities counted towards its MREL, to meet the amount of CET1 calculated in paragraph 2.B, the firm will be considered to have used, or be about to use, the buffers of the regime where the total amount of capital required to meet minimum requirements plus buffers (risk-weighted capital or leverage) is largest.

2.4 Where that regime is the PRA's capital buffer framework as set out in paragraph 2.1 above the firm should notify the PRA as soon as practicable, consistent with Fundamental Rule 7,[12] explaining why this has happened or is expected to happen. The firm can expect enhanced supervisory action and should prepare a capital restoration plan. If the PRA is not satisfied with the capital restoration plan, or with the firm's reasons for the shortfall, it will consider using its firm-specific powers under section 55M of the Financial Services and Markets Act 2000 (FSMA) to require a firm to take steps to strengthen its capital position. Such steps could include restricting or prohibiting distributions where that is appropriate and proportionate. Distributions restrictions will not apply automatically.

2.5 Where a firm, apart from an SDDT, does not have sufficient CET1 to meet its minimum risk-weighted capital requirements and the combined buffer, automatic restrictions on distributions will apply under the Capital Buffers Part and firm-specific requirements.[13] For SDDTs, minimum risk-weighted capital requirements must be met at all times, but the SCB can be used to absorb losses in a time of stress. The use of the SCB would not automatically lead to restrictions on distributions.[14]

Leverage ratio buffers

2.6 The PRA's leverage ratio framework includes two leverage ratio buffers: a countercyclical leverage ratio buffer (CCLB) and an additional leverage ratio buffer (ALRB).[15] The Leverage Ratio – Capital Requirements and Buffers Part of the PRA Rulebook sets out the calculation of the CCLB, the ALRB, and the related obligations when these buffers are set by the PRA.

9 The combined buffer is set in the Capital Buffers Part of the PRA Rulebook.
10 See PS17/15 'Assessing capital adequacy under Pillar 2': www.bankofengland.co.uk/prudential-regulation/publication/2015/assessing-capital-adequacy-under-pillar-2.
11 See more details in SoP5/25 .
12 Fundamental Rule 7 states that a firm must deal with its regulators in an open and cooperative way and must disclose to the PRA appropriately anything relating to the firm of which the PRA would reasonably expect notice.
13 [Deleted]
14 SDDTs should refer for additional information to the section 'The use of the Single Capital Buffer' and the Annex 'Supervisory Approach to Single Capital Buffer Usage' in SoP5/25.
15 See SS45/15 'The UK leverage ratio framework': www.bankofengland.co.uk/prudential-regulation/publication/2015/the-uk-leverage-ratio-framework-ss.

2.6A The buffers are maintained in addition to minimum leverage requirements.

2.7 The PRA expects firms not to meet the amount of CET1 calculated in paragraph 2.B with any CET1 capital counted towards their MREL.

2.7A If a firm does not, or expects that it will not, have sufficient CET1, in addition to any own funds and liabilities counted towards MREL, to meet the amount of CET1 calculated in paragraph 2.B, the firm will be considered to have used, or be about to use, the buffers of the regime under which the total amount of capital required to meet minimum requirements plus buffers (risk-weighted capital or leverage) is largest.

3 Threshold Conditions

3.1 The PRA's statutory Threshold Conditions, which set out the minimum requirements that firms must meet in order to be permitted to carry on the regulated activities in which they engage, are designed to promote safety and soundness and are crucial to the operation of the PRA's regulatory regime.

3.2 Firms should expect the PRA to investigate whether any firm in breach or likely breach of its MREL is failing, or likely to fail, to satisfy the Threshold Conditions, with a view to taking further action as necessary. However, a breach or likely breach by a firm of its MREL does not automatically mean that the PRA will consider the firm is failing, or likely to fail, to satisfy Threshold Conditions.

4 Transitional arrangements

4.1 In the statement of policy on its approach to setting MREL, the Bank, as UK resolution authority, sets out the transitional arrangements that firms may be subject to. To ensure that firms make progress towards meeting their end-state requirements, the Bank expects to direct relevant firms to also meet an interim MREL. Please refer to Section 9 of the Bank statement of policy for these transitional arrangements.

4.2 The PRA will apply the MREL buffer policy (Chapter 2) and Threshold Conditions policy (Chapter 3) in respect of MREL set by the Bank with respect to both interim and end-state MREL requirements.

4.3 If a firm expects that it will not meet its interim or end-state MREL at the end of the relevant transitional period it should notify the PRA promptly and should expect the PRA to investigate whether the firm is failing or likely to fail to satisfy Threshold Conditions with a view to taking further action as necessary. However, a firm being likely to not meet its interim or end-state MREL at the end of the relevant transitional period will not automatically mean the PRA will consider the firm is failing or likely to fail to meet Threshold Conditions.

4.4 If a firm expects that it will not have sufficient CET1 to meet its interim or end-state MREL and its buffers at the end of the relevant transitional period, it should notify the PRA promptly. The PRA may consider requiring the firm to take steps to strengthen its capital position.