BANK OF ENGLAND

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Stress testing the UK banking system: guidance for participating firms

1 Background

The Financial Policy Committee (FPC) recommended in March 2013 that, 'looking to 2014 and beyond, the Bank and Prudential Regulation Authority (PRA) should develop proposals for regular stress testing of the UK banking system. The purpose of those tests would be to assess the system's capital adequacy'.(1)

In October 2013, the Bank of England published a Discussion Paper that set out the main features of the proposed stress-testing framework over the medium term.(2)(3) That paper noted that the 2014 exercise was expected to be a stepping stone towards that medium-term stress-testing framework. For example, the 2014 test would cover a smaller number of firms, be conducted over a longer timeframe and incorporate a more limited assessment of system-wide amplification mechanisms.

In January 2014, the European Banking Authority (EBA) announced plans for an EU-wide stress test to be conducted over the course of the year.(4) The EBA is an EU authority that works to ensure effective and consistent prudential regulation and supervision across the European banking sector. One of the key tools at its disposal is the power to initiate and co-ordinate EU-wide stress tests, in co-operation with the European Systemic Risk Board.

The EU-wide test seeks to provide supervisors, banks and other market participants with a common exercise that facilitates the comparison of outcomes across EU banks. As set out by the EBA, the EU-wide test is intended to complement, not substitute, other supervisory stress tests. The EU-wide stress-testing arrangements also make provision for national sensitivities and variations to allow relevant authorities to explore country-specific risks using their own scenarios and methodologies.

In line with those arrangements, the Bank of England will, in addition, conduct a variant of the EU-wide stress test in 2014, complementing the EU-wide exercise. The 'UK variant' test will explore particular UK macroeconomic vulnerabilities facing the UK banking system at the current conjuncture. Key parameters of the test — including the design of the UK elements of the stress scenario — have been designed by Bank staff, and approved by the FPC and the PRA Board. Ultimately, the results of the stress test will inform both system-wide policy interventions by the FPC and firm-specific supervisory actions by the PRA.

The UK variant test will extend the EU-wide stress test in a number of areas. Specifically, it will:

- cover a larger number of UK banks and building societies relative to the EU-wide stress test;(5)
- assess the impact of a variant of the EU-wide stress scenario, focused on exploring vulnerabilities stemming from the UK household sector in particular;
- use a dynamic balance sheet definition, so that the size and composition of banks' balance sheets are allowed to vary over the projection horizon;
- use a suite of models to assess the impact of scenarios on firms' profits and capital ratios, including firms' own models as well as models run by the Bank; and
- use a definition of capital that is consistent with the PRA's capital regime and, correspondingly, a different hurdle rate framework to assess the need for supervisory and system-wide actions by the PRA Board and the FPC.

2 Objectives of this guidance

This document provides participating firms with guidance for conducting their own analysis for the purposes of the UK variant stress test in 2014. The templates used for collecting data, along with the document setting out definitions of data items, have already been provided to participating firms. The scenario is published as a separate document. All these documents should be read in conjunction.

The structure of this document mirrors that of the EBA methodology.(6) This is to help firms that are taking part in both exercises to identify where the UK variant methodology differs from the EBA methodology. This document is also intended to be read as a standalone document for those firms not taking part in the EU-wide stress tests.

This document does not cover the full approach taken by the Bank to arriving at final stress-test results. In addition to firms' own analysis, Bank staff will be performing independent analysis to assess the impact of scenarios on bank profitability and capital ratios. Accordingly, the ultimate projections may differ from those submitted by firms themselves.

3 Firms participating in the UK variant stress test

The 2014 UK variant stress test will cover the eight major UK banks and building societies: Barclays, Co-operative Bank,

(1) See 'Financial Policy Committee statement from its policy meeting, 19 March 2013', available at www.bankofengland.co.uk/publications/pages/news/2013/013.aspx.
(2) Unless otherwise stated, references to the Bank of England throughout this document include the PRA.
(3) See 'A framework for stress testing the UK banking system: a Discussion Paper', available at www.bankofengland.co.uk/financialstability/fsc/Documents/discussionpaper1013.pdf.
(4) See 'Main features of the 2014 EU-wide stress test', available at https://www.eba.europa.eu/-/eba-announces-key-features-of-the-2014-eu-wide-stress-test.
(5) The terms 'bank' and 'firm' are used interchangeably throughout this document to refer to banks and building societies.
(6) See the EBA methodology, available at www.eba.europa.eu/risk-analysis-and-data/eu-wide-stress-testing/2014.

HSBC, Lloyds Banking Group, Nationwide, Royal Bank of Scotland, Santander UK and Standard Chartered.

4 Scope of consolidation

For the UK variant stress test, firms are expected to provide results at the highest level of UK consolidation. The scope of the consolidation is the perimeter of the banking group as defined by the CRR/CRD IV. Insurance activities are excluded although firms are expected to assess the impact of the stress scenario on insurance activities and model the impact on any dividend stream, material holdings or minority interest capital deductions and risk weightings.

5 Macroeconomic scenario

For the purposes of the UK variant stress test in 2014, firms should use the methodology outlined in this document to assess the combined impact of (i) the global macro and market elements of the EBA stress scenario; and (ii) the UK macro elements of the Bank-designed stress scenario. Firms should also produce projections of profitability and capital ratios under the EBA baseline scenario using the UK variant methodology as defined in this document. The details of the EBA stress and baseline scenario can be found on the EBA's website.(1) The details of the UK variant stress scenario can be found on the Bank of England's website.(2)

It is likely that firms will need to expand the limited set of macroeconomic and financial variables provided by the EBA and the Bank of England to run their analysis. For example, firms may need to derive variable paths for different macroeconomic variables (such as different measures of aggregate household income gearing) or to expand the scenario paths across a broader range of geographies. Where firms' models require macro variables that are not specified by the EBA or the Bank of England, they will need to derive those in a way that is consistent with the broad narrative of the scenario.

In doing so, firms should adhere to certain standards. In particular, firms are expected to:

- Ensure that the severity of the paths of the extra variables is consistent with the paths of the variables that are provided and with the scenario narrative.

- Display an awareness of the current state of the economy when projecting paths for extra variables. For example, other things being equal, if prices in a particular sector or region have recently seen large falls, then further price falls might be more muted. On the other hand, prices that have risen sharply in the recent past may be more susceptible to sharp falls in a stress.

- Use robust statistical techniques to derive additional variable paths as a starting point. These should be calibrated over long periods of historical data, seeking to capture a full credit cycle, and not restricted to periods of macroeconomic stability. Firms are expected to deviate from purely statistical techniques if there is a lack of historical data that is relevant to conditions today (such as factors relating to the exceptionally low level of Bank Rate). Where firms deviate from such statistical techniques, they are expected to explain how and why such judgements were made (see Section 13).

- Take a 'prudent' approach to deriving additional variable paths, and not to assume that past correlations will always hold in the future. For example, the UK variant stress scenario involves a snapback in long rates in the United Kingdom. Firms should assume that part of this is due to a rise in risk premia, so that interest rate hedges might not be perfectly effective.

6 Time horizon and reference date

The UK variant stress test will cover a three-year horizon. Where firms have a financial year ending 31 December, the reference date for the stress will be 31 December 2013 and for each subsequent year-end, firms are expected to provide projections as at 31 December. Firms that operate with a different financial year may apply to make alternative reporting arrangements.

7 Definition of capital and solvency ratios

In assessing the impact of the scenarios, firms will be expected to submit starting point capital positions and projections for the UK variant baseline and stress scenarios under two definitions of capital: the CRR/CRD IV definition set out in SS7/13,(3) and the definition used by UK firms taking part in the EU-wide exercise.(4) By way of summary only, SS7/13 is broadly a CRD IV end-point definition of capital for common equity Tier 1 and definitions of Tier 1 and Tier 2 capital follow the CRD IV transitional path.

As noted in the Discussion Paper, the adequacy of firms' capital resources will be judged not only with reference to risk-based capital ratios, but also leverage ratios. Therefore, for the purposes of the UK variant stress test, firms should submit projections of both risk-based capital ratios and leverage ratios under the baseline and stress scenarios

(1) See www.eba.europa.eu/risk-analysis-and-data/eu-wide-stress-testing/2014.
(2) See www.bankofengland.co.uk/financialstability/Pages/fpc/stresstest.aspx.
(3) The definition of capital is set out in the PRA Rulebook and in Supervisory Statement SS7/13, 'CRD IV and capital', December 2013, available at www.bankofengland.co.uk/pra/Documents/publications/policy/2013/crdcapital713.pdf.
(4) See 'Definition of capital for UK firms participating in the 2014 EBA stress-testing exercise', available at www.bankofengland.co.uk/financialstability/Pages/fpc/capital.aspx.

described in Section 5. Firms are expected to provide two separate definitions of the leverage ratio. The first is consistent with the most recent definition used by the PRA as set out in SS3/13.(1) The second is consistent with the latest announcement of the Basel Committee for Banking Supervision (BCBS) in January 2014.(2)

8 Publication of results

The results of the UK variant stress test will be published after the results of the EU-wide stress test have been released. The EBA expects to publish its results in 2014 Q4, with the UK results published towards the end of that quarter.

9 Submission

Submission instructions are outlined in the Firm Data Submission Framework (FDSF) Target Operating Model that was communicated to all firms with the data request in January 2014. These instructions need to be followed for both structured and unstructured data requests.

The macroeconomic scenarios begin in 2014 Q1. Firms should not replace forecasts with actuals where data for actuals exist — particularly in the stress scenario. Submission of actuals would only be considered in exceptional circumstances.

Firms are expected to report baseline and stress projections using their reporting currency.

10 Guidance on modelling risks and income

10.1 Guidance on balance sheet modelling

The UK variant stress test will be performed on a dynamic balance sheet basis, with the exception of assets subject to market risk. This means that projections of profits and capital ratios will take into account changes in the size and the composition of the balance sheet, both in the baseline and in the stress scenario. For traded assets and liabilities (trading book assets, structured finance assets, and available for sale portfolios) firms are expected to use the EBA static balance sheet methodology.(3)

Firms are expected to set out clearly their assumptions for balance sheet growth or reduction within the baseline and stress scenarios. These should be consistent with the macroeconomic scenarios provided. To ensure maximum comparability and consistency across firms, the Bank is providing the following guidance on the overall approach to balance sheet reduction:

- To the extent that firms expect to reduce the size of their overall balance sheet (or certain portfolios within it), either via outright asset sales or a reduction in the new flow of business as part of their corporate plan, they may incorporate that reduction in their baseline projections.(4)

- Where firms have planned asset sales in their baseline projection, firms are expected to consider the impact of the stress on these disposals in terms of both timing and price. Firms should document the reasoning behind the impact. In particular, firms are expected to provide clear evidence where it is assumed that a disposal in a stress would improve the capital position of the firm.

- For business lines or portfolios where firms have assumed negative asset growth relative to the end-2013 balance in the baseline scenario, firms may assume the same rate of negative growth for these books in the stress scenario but may not assume a faster run-off rate unless this is the result of higher impairments.

- For business lines or portfolios where firms have assumed positive growth in the baseline scenario, firms may assume slower growth but may not assume negative growth for these business lines or portfolios. Firms may, however, report the impact of negative growth relative to the end-2013 position for these books as a potential management action (see Section 11).

10.2 Credit risk

Firms should use their own stress-testing methodologies to translate the macroeconomic scenarios provided into projections for impairments and risk-weighted assets. In doing so, firms are expected to follow the same high level guidance set out in Section 5. That is, to ensure the appropriate level of severity is maintained; to take account of the current state of the economy; to take a 'prudent' approach; and to use robust statistical techniques (including calibrating models over appropriate timescales).

In line with that guidance, firms are expected to deviate from statistical techniques in cases where the relationships between variables in the scenario differ significantly from episodes seen in the past. In those cases, firms are expected to articulate clearly how they have formed their judgements as part of the qualitative request (see Section 13).

Firms are also expected to be able to articulate the extent to which they are choosing to forebear, and how their willingness or ability to forebear would change under the different paths for interest rates in the scenario. This should also be set out in the qualitative request that accompanies firms' results.

(1) See www.bankofengland.co.uk/pra/Documents/publications/policy/2013/capitalleveragess3-13.pdf.
(2) See www.bis.org/publ/bcbs270.pdf.
(3) See the EBA methodology, available at www.eba.europa.eu/risk-analysis-and-data/eu-wide-stress-testing/2014.
(4) Note that balance sheet reduction plans in the baseline scenario are not expected to be materially different than those set out in the firm's most recent corporate plans.

10.3 Market risk on the trading book

Firms with material trading books are expected to apply the six EBA scenarios (four historical market scenarios and two economic scenarios) to their trading positions, using the EBA methodology. Firms will not be required to apply the UK variant scenario to their trading books.

10.4 Market risk on the banking book

The UK variant stress test uses the definition of capital set out in SS7/13.(1) Broadly speaking, this is a CRD IV end-point definition of capital. Under this definition, movements in the market value of available-for-sale (AFS) portfolios will flow through directly to capital resources. As such, all firms will be expected to apply a market risk stress to banking book positions designated as AFS and to model the impact on capital.

Firms that have liquidity buffers as part of their AFS portfolios but with hedge positions in the trading book may treat these hedges as part of the AFS portfolio for the purpose of the UK variant stress test. When doing so, firms are expected to provide evidence that identifies these positions as hedges.

For sterling assets held in AFS, firms with material AFS portfolios should extrapolate relevant market risk parameters from the UK variant macroeconomic scenario, and revalue those positions accordingly. For non-sterling assets, firms should use the EU-wide stress scenario and methodology.

10.5 Prudential valuation adjustments

For both the trading book and banking books, firms should include the Prudent Valuation Adjustment (PVA) reported in their Prudent Valuation Return as at 31 December 2013 within the definition of capital resources for the starting point of the stress.

Firms should supplement the return with a quantitative assessment of how the stressed conditions may affect their own funding rate component of their PVA.(2) Firms should provide a description of how they have modelled the impact of the scenarios.

The format of the assessment and description is not prescribed, but for the trading book firms may report their assessment by using a Prudent Valuation Return for each of the six EBA scenarios and a revised version of the existing 31 December 2013 Prudent Valuation Return. For the banking book, firms may report their assessment by using a Prudent Valuation Return for the UK variant scenario. In each case showing just the own funding rate component of their PVA.

Firms are also expected to provide a qualitative analysis of how they might expect their PVA to change under the range of stressed conditions covered by the six EBA scenarios (for the trading book) or UK variant (for the banking book) for each of the other components listed in Articles 9 to 16 of the EBA Final Draft Regulatory Technical Standard (RTS) on prudent valuation.

10.6 Structured finance

The UK variant stress test will broadly adopt the EBA methodology for structured finance portfolios, with two additional elements:

- Firms are expected to provide data relating to asset-backed commercial paper and covered bonds (not in scope for the EU-wide stress test).
- Firms are expected to complete FDSF templates, to enable appropriate challenge to modelled outputs.

10.7 Interest income and interest expense

In the UK variant stress test, firms should assess the vulnerability of projected net interest income (NII) under the baseline and stress scenarios. Some firms may expect the rising interest rate environment in the UK variant stress scenario to translate into an increase in NII. However, firms are expected to demonstrate that they have critically analysed any potential benefit from rising interest rates. In particular:

- Firms should not assume they will benefit from a 'flight to quality' in the stress scenario.
- Firms should consider the possibility of increased competition in the retail savings markets that might result from reduced liquidity and higher risk-premia in wholesale funding markets, and the impact that this may have on deposit quantities and rates.
- Firms should also consider a range of impacts, including credit-driven affordability and possible conduct issues, when assessing their ability to increase key interest rates (such as standard variable rates) and manage pricing on the asset side of the balance sheet.

In addition, firms are expected to assess NII and margin impacts resulting from:

- balance sheet evolution;
- funding evolution (structure and cost) and liquidity adequacy assessments;
- product interest rate and margin movements;
- hedging impacts from yield curve shifts and/or foreign exchange movements; and

(1) See footnote (3) on page 4.
(2) See Article 13 of the EBA Final Draft Regulatory Technical Standards on prudent valuation, available at https://www.eba.europa.eu/documents/10180/642449/EBA-RTS-2014-06+RTS+on+Prudent+Valuation.pdf.

- reserve earnings (capital and current accounts) and structural hedging programmes.

Where firms are currently using central bank funding facilities (including the Funding for Lending Scheme, the ECB's longer-term refinancing operations, or the Bank of England's liquidity insurance facilities), this should be identified separately. Where firms intend to make additional recourse to such facilities (in either the baseline or stress), the marginal effect on funding costs and interest expense of using these facilities compared to wholesale market funding should be calculated and identified as a 'management action' (see Section 11).

10.8 Other income and costs

Firms are expected to model the impact of the baseline and stress scenarios on their other income, such as income from fees and commissions on both retail and wholesale products, and how this relates to the profiles for activity (GDP, unemployment etc).

Firms may factor in lower costs where there is a direct relationship with profitability, such as variable compensation, and may also include 'business as usual' cost reductions. However, these are expected to be modest. Significant cost reductions, for example those requiring senior management or board decisions, such as redundancy programmes, should be included within the management actions and not form part of the results of the stress (see Section 11).

10.9 Operational risk and conduct costs

Firms are expected to include all operational risk projections including conduct costs within the baseline projections.

For conduct costs that can be quantified, firms should provide supporting material alongside the projection. This material should explain how firms arrived at the cost projections. For example, for customer conduct issues, firms should provide total contract volumes and values.

Some conduct costs cannot be quantified easily, such as possible exposure to regulatory fines and penalties for issues where there are few precedents. For such risks, the firms should interpret the 'most likely' estimate as a probability-weighted expected cost, rather than what the firms may be required to provision under accounting rules. Firms should also provide quantitative and qualitative information about the extent of their business in that area.

For costs that can be quantified, any excess conduct cost estimate over what has been already captured by accounting provisions should be taken into account in the firm's projections. For other costs that cannot be as easily quantified, the impact of these will form part of the PRA's qualitative assessment.

In most cases, it is not expected that estimates of conduct costs will vary significantly between the baseline and stress scenarios. However there may be some variation in cases where redress is related to market prices.

10.10 Pension risk

Firms are expected to apply a stress across all balance sheet assets and liabilities. This includes the firm's pension scheme. The firms therefore need to model the IAS19 balance sheet position in each year of the scenario and apply the filters if the IAS19 position is in surplus. An IAS19 deficit would flow through to Other Comprehensive Income and so affect capital resources.

Firms should take appropriate account of the scenario and narrative when modelling the impact on pension assets and liabilities, paying particular attention to profiles for gilt yields, inflation, expected inflation, and equity prices.

11 Management actions

Firms are expected to include within their results 'business as usual' responses to the stress scenario, which are considered to be in the control of the firm and are a natural response to weakening economic conditions. This would include changes in product mix and margins.

Beyond that, 'strategic management actions' are defined as extraordinary actions taken in response to the stress scenario. These should not be included within the main results. Instead they should be set out separately in the management actions section of the projections templates.

Management actions should follow these main principles:

- Are part of, or consistent with, the firm's recovery plan.
- Are consistent with a market-wide stress. (For example, attempts to raise capital in a stress scenario are unlikely to be permitted.)
- Have a material benefit to the capital position, and can be executed in practice with no material impediments envisaged.

Firms should provide a qualitative assessment of the main risks to executing a management action, and a quantitative assessment of the impact across the balance sheet and capital position.

Firms should take into account the time necessary for full implementation of a management action (due to normal governance process of identifying an issue, deciding an action, and implementing an action), and the time it takes for the action to take effect (such as the lag between changing lending standards and observed changes in arrears).

There are at least three specific cases where firms are expected to report management actions:

- Balance sheet reduction in a stress scenario that is not included in the baseline scenario (see Section 10.1).
- Any additional projected recourse to central bank funding facilities, including a quantification of the marginal impact of these facilities versus wholesale market funding costs (see Section 10.7).
- Deferral or non-payment of coupons on capital instruments.

12 Capital actions

Firms should model regulatory restrictions on distributions, in line with use of their CRD IV buffers.

In the baseline scenario, firms may allow for the replacement of Tier 1 and Tier 2 capital instruments. However, in the stress scenario, firms should consider whether they would be able to replace Tier 1 and Tier 2 instruments with CRD IV-compliant instruments. Similarly, any liability management exercises should be accompanied by a written justification. Such exercises are unlikely to be permitted in a stress scenario. Instead, firms are expected to amortise Tier 1 and Tier 2 capital instruments in a stress.

Firms should model the impact of any triggers of contingent capital instruments. Firms should also have regard to their total Tier 1 capital position, which would not be expected to benefit from a conversion.

13 Qualitative information

As noted in the Discussion Paper, one of the key aims of stress testing is to improve risk and capital management practices within firms. To achieve that, firms are expected to provide qualitative information that will allow authorities to monitor their performance, and to ensure that banks are held to high standards in the areas of risk management and capital planning.

As part of that, in January 2014, firms received a request for 'unstructured data'. Firms have been asked to provide documentation on:

- The firm's existing stress-testing policies, methodologies, and overall framework across all risk types. This should include roles, responsibilities, governance arrangements, and coverage of portfolios.
- Modelling details, the nature of the input data, key assumptions and areas that are particularly reliant on expert judgement. Firms should highlight any aspects of existing methodology that will not apply during the 2014 stress tests.
- Recent stress-test results, and the supporting material that was presented to the relevant approving body within the firm.
- Corporate plans and funding plans at group level, and within specific business units.
- Risk reports and management information for specific credit risk portfolios.

In addition, specific to the 2014 stress tests, firms are expected to produce documentation on:

- Internal governance arrangements in place for the 2014 stress tests, governance documents (including review, challenge and approval), presentation material and minutes of key decision-making committees at aggregate results level and for each key risk strand.
- Details of how the baseline and stress scenarios have been translated into impacts on the income statement and balance sheet, including details of the assumptions made in applying methodologies and any deviations from the methodologies and frameworks that were provided.
- Specific details for identified portfolios, including selected retail and commercial portfolios, pension schemes, tax rates, deferred tax assets, dividends and management actions.

The documentation that is supplied will be reviewed alongside the stress-test results, and will be used as part of ongoing supervisory dialogue.

Annex: Hurdle rate framework

The results of the stress test will be used to: (a) inform the PRA's judgement on the capital adequacy of individual institutions, and the appropriate supervisory response; (b) inform the PRA's judgement on firms' risk management and capital planning processes and the appropriate supervisory response; and (c) inform the FPC's judgements on the resilience of the banking system as a whole and, in doing so, aid formulation of system-wide policy responses. Firms will be evaluated on their overall resilience over the whole period of stress.

A key threshold for the 'UK variant' test will be set at 4.5% of risk-weighted assets (RWAs), to be met with common equity Tier 1 (CET1) capital in the stress. The definition of capital is CRD IV end-point CET1 in line with the UK implementation of CRD IV.(1)

The evaluation of stress-test results will only allow for a limited set of credible management actions that firms could realistically take in a stress. Improving stressed capital ratios through deleveraging (in particular relative to firms' baseline plans) would be constrained, especially if it led to a material decline in aggregate credit supply.

If a firm's capital ratio was projected to fall below the 4.5% CET1 ratio in the stress, there is a strong presumption that the PRA would require the firm to take action to strengthen its capital position over a period of time to be agreed between the firm and the PRA. Firms that are already taking action to strengthen their capital position may not be required to take further action if, after considering the results of the stress test, the PRA is satisfied that the measures currently in place are sufficient.

If a firm's capital ratio was projected to remain above the 4.5% CET1 ratio in the stress, the PRA may still require it to take action to strengthen its capital position. Examples of factors the PRA might take into consideration in deciding whether action is needed include, but are not limited to: the firm's leverage ratio; their Tier 1 and total capital ratios; Pillar 2A capital requirements; the extent to which the firm had used up its CRD IV buffers (eg the SIFI and capital conservation buffers); the adequacy and quality of its recovery and resolution plans; and the extent to which potentially significant risks are not quantified adequately or fully as part of the stress.

The FPC will consider the stress-test results as it evaluates the overall capital adequacy and resilience of the UK financial system. In making these judgments, the FPC will be looking at, among other things, the number of institutions that suffer very sharp declines or very low capital ratios post stress; indications that system-wide bank behaviour in a stress could adversely affect the macroeconomy or the stability of other parts of the financial system; and widespread sectoral concentrations in losses. If the exercise reveals inadequate systemic resilience, the FPC will consider a variety of actions, depending on the sources of potential problems, including recommendations to the PRA and FCA, using its powers of direction to make adjustments to sectoral capital requirements and prospective powers to require a system-wide countercyclical capital buffer in order, among other things, to put firms into a better position to withstand stress.

Under the baseline scenario, the PRA expects firms to meet the capital standard set out in 'Capital and leverage ratios for major UK banks and building societies — SS3/13'. That is, 7% of RWAs to be met with CET1 capital and a 3% leverage ratio using a Tier 1 definition of capital.

(1) The definition of capital is set out in the PRA Rulebook and in Supervisory Statement SS7/13, 'CRD IV and capital', December 2013, available at www.bankofengland.co.uk/pra/Documents/publications/policy/2013/crdcapital713.pdf.