

Interim and end-state minimum requirements for own funds and eligible liabilities (MREs)

Table: minimum requirements for own funds and eligible liabilities (MREs) for UK banks and building societies in scope of stabilisation powers					
Firm	Binding minimum capital requirement	Interim		End-state	
		MREL	Loss-absorbing capacity (MREL + buffers)	MREL	Loss-absorbing capacity (MREL + buffers)
Barclays	13.0% RWAs	6.00% LEs (CRR definition)	6.95% LEs (CRR definition)	6.75% LEs (CRR definition)	7.70% LEs (CRR definition)
Coventry Building Society	11.2% RWAs	18.0% RWAs	20.5% RWAs	22.3% RWAs	24.8% RWAs
HSBC	11.1% RWAs	20.4% RWAs	24.9% RWAs	6.75% LEs (CRR definition)	8.10% LEs (CRR definition)
Group					
European Resolution Group	11.6% RWAs	6.00% LEs (CRR definition)	6.00% LEs (CRR definition)	6.75% LEs (CRR definition)	6.75% LEs (CRR definition)
Leeds Building Society	10.9% RWAs	18.0% RWAs	20.5% RWAs	21.8% RWAs	24.3% RWAs
Lloyds Banking Group	12.2% RWAs	6.50% LEs (FPC definition)	7.25% LEs (FPC definition)	24.4% RWAs	26.9% RWAs
Metro Bank	9.5% RWAs	18.0% RWAs	20.5% RWAs	19.0% RWAs	21.5% RWAs
Monzo Bank	24.1% RWAs	24.1% RWAs	26.6% RWAs	48.3% RWAs	50.8% RWAs
Nationwide Building Society	3.25% LEs (FPC definition)	6.50% LEs (FPC definition)	6.85% LEs (FPC definition)	6.50% LEs (FPC definition)	6.85% LEs (FPC definition)
NatWest Group	11.7% RWAs	6.50% LEs (FPC definition)	7.25% LEs (FPC definition)	23.4% RWAs	25.9% RWAs
OSB Group	9.9% RWAs	18.0% RWAs	20.5% RWAs	19.8% RWAs	22.3% RWAs
Santander UK	12.8% RWAs	6.00% LEs (CRR definition)	6.60% LEs (CRR definition)	6.75% LEs (CRR definition)	7.35% LEs (CRR definition)
Skipton Building Society	11.1% RWAs	18.0% RWAs	20.5% RWAs	22.1% RWAs	24.6% RWAs
Standard Chartered	11.3% RWAs	6.50% LEs (FPC definition)	7.65% LEs (FPC definition)	22.6% RWAs	26.1% RWAs
Starling Bank	10.7% RWAs	18.0% RWAs	20.5% RWAs	21.4% RWAs	23.9% RWAs
Tesco Personal Finance	12.8% RWAs	18.0% RWAs	20.5% RWAs	25.6% RWAs	28.1% RWAs
The Co-operative Bank	14.5% RWAs	23.1% RWAs	25.6% RWAs	29.1% RWAs	31.6% RWAs
Virgin Money UK	12.4% RWAs	18.0% RWAs	20.5% RWAs	24.8% RWAs	27.3% RWAs
Yorkshire Building Society	8.0% RWAs	16.0% RWAs	18.5% RWAs	16.0% RWAs	18.5% RWAs

Key: RWAs = Risk Weighted Assets; LEs = Leverage Exposures



Notes

1. Binding minimum capital requirements in the Table are as at September 2020. For firms whose binding minimum capital requirement is based on risk-weighted assets (RWAs), the Table contains each firm's Pillar 1 and Pillar 2A requirements expressed as a percentage of the firm's RWAs. Where otherwise specified, for firms with a leverage-based binding minimum capital requirement, the Table contains each firm's requirement expressed as a percentage of the total value of the firm's leverage exposures (LEs).
2. Individual external 'Minimum Requirements for own funds and Eligible Liabilities' (MREs) are based on balance sheet data as at September 2020. For firms whose binding MREL is based on RWAs, the Table shows each firm's MREL expressed as a percentage of the firm's RWAs. For firms with a leverage-based binding MREL, the Table contains each firm's MREL expressed as a percentage of the total value of the firm's LEs. MREs expressed as a percentage of LEs are given to the nearest 0.05% to align the number of decimal places with the leverage-based binding minimum capital requirement.
3. The Table does not reflect the PRA's update to the Pillar 2A capital framework as set out in PS15/20¹. Where applicable, the Table accounts for the PRA's statement² on the conversion of Pillar 2A capital requirements to a nominal amount.
4. The buffers included in the Table comprise:
 - a. A capital conservation buffer of 2.5%;
 - b. Financial Stability Board (FSB) global systemically important bank (G-SIB) buffers based on the FSB's 2019 list of G-SIBs³; and
 - c. The systemic risk buffer, in line with the Prudential Regulation Authority (PRA)'s published approach⁴ and rates⁵.

The UK countercyclical capital buffer (CCyB) is assumed to be 0%, as is currently the case⁶. In all other jurisdictions the CCyB is assumed to be 0% (in practice positive rates do apply currently in some jurisdictions).

¹ The Prudential Regulation Authority (2020). *Pillar 2A: Reconciling capital requirements and macroprudential buffers*. Available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2020/ps1520.pdf>

² The Prudential Regulation Authority (2020). *Conversion of Pillar 2A capital requirements from RWA percentage to a nominal amount*. Available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/publication/2020/conversion-of-pillar-2a-capital-requirements.pdf?la=en&hash=2A5E282730858C7A4C4E165E08C6F513F7709D0B>

³ The Financial Stability Board (2019). *2019 list of global systemically important banks (G-SIBs)* <https://www.fsb.org/wp-content/uploads/P221119-1.pdf>

⁴ The Prudential Regulation Authority (2018). *The PRA's approach to the implementation of the O-SII buffer*. Available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2016/the-pras-approach-to-the-implementation-of-the-systemic-risk-buffer-sop>

⁵ The Prudential Regulation Authority (2019). *Systemic Risk Buffer rates for ring-fenced banks and large building societies*. Available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/publication/2019/systemic-risk-buffer-rates-for-ring-fenced-banks-and-large-building-societies-may-2019.pdf?la=en&hash=C0EB566F4A61A5B7119F6FA1E39D252E8C7DEEE8>

⁶ The Bank of England (2020). *Financial Stability Report - December 2020*. Available at: <https://www.bankofengland.co.uk/financial-stability-report/2020/december-2020#report>



The buffers in the Table do not include the PRA buffer, the size of which is firm-specific and confidential. The calculation of firms' combined buffers above MREL is in line with PRA Supervisory Statement 16/16⁷, where appropriate.

5. Since 1 January 2019, UK resolution entities that are G-SIBs⁸ have been required to meet the minimum requirements set out in the FSB's Total Loss-Absorbing Capacity (TLAC) Standard⁹, as implemented through the Bank's Statement of Policy on MREL¹⁰ (the MREL SoP) in the UK, being the higher of 16% of RWAs on a consolidated basis or 6% leverage exposures on a consolidated basis. The FSB's TLAC requirements were implemented in the EU by amendments to the Capital Requirements Regulation (CRR)¹¹, which came into force on 27 June 2019 and has been subsequently onshored into UK law. The CRR sets different calculations of leverage requirements for G-SIBs than those set out in the MREL SoP. G-SIBs are required to meet both requirements and will be bound by the higher of either requirement. Where the binding MREL is the leverage-based requirement under the MREL SoP, it is calculated based on the Financial Policy Committee's (FPC's) definition of the total exposure measure as set out in the Bank's Policy Statement on the FPC's powers over leverage ratio tools, as updated in October 2017¹². Where the binding MREL is the leverage-based requirement under CRR, it is calculated based on the total exposure measure set out in Article 429(4) CRR.
6. This publication contains interim external MREs and end-state external MREs for all firms with a resolution entity incorporated in the UK for which an MREL has been communicated above minimum capital requirements. The interim MREs in the Table are binding on all firms in the Table in 2021 excluding Monzo Bank, Starling Bank and OSB Group, as the preferred resolution strategy for these firms changed to involve the use of the Bank's stabilisation powers more recently than for other firms. As such, they are subject to different timelines to meet MREL above capital requirements. Both Monzo Bank and Starling Bank are expected to meet their interim MREs from 2022 and their end-state MREs from 2024. OSB Group is expected to meet its interim MREL from 2023 and its end-state MREL from 2025. The interim MREs for these firms and the end-state MREs for all firms in the Table should not be construed as binding, nor are they a definitive indication of future MREs. The MREL set for a specific firm in any given year will ultimately depend on a number of factors including, but not limited to:
 - a. Changes to the firm and its balance sheet;
 - b. The Bank's preferred resolution strategy for the firm (which must be reviewed annually);

⁷ The Prudential Regulation Authority (2020). *Supervisory Statement | SS16/16 - The minimum requirement for own funds and eligible liabilities (MREL) – buffers and Threshold Conditions*. Available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2020/ss1616-update-dec-2020.pdf?la=en&hash=A410913FCA40702C100A7A94FA09F3ACC2AA91A8>

⁸ As defined by The Financial Stability Board (2019). *2019 list of global systemically important banks (G-SIBs)* <https://www.fsb.org/wp-content/uploads/P221119-1.pdf>

⁹ The Financial Stability Board (2015). *Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution. Total Loss-absorbing Capacity (TLAC) Term Sheet*. Available at: <http://www.fsb.org/wp-content/uploads/TLAC-Principles-and-Term-Sheet-for-publication-final.pdf>

¹⁰ The Bank of England (2018). *The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities*. Available at: <https://www.bankofengland.co.uk/-/media/boe/files/paper/2018/statement-of-policy-boes-approach-to-setting-mrel-2018.pdf?la=en&hash=BC4499AF9CF063A3D8024BE5C050CB1F39E2EBC1>

¹¹ Regulation (EU) No 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013. Available here: <https://www.legislation.gov.uk/eur/2013/575/contents>

¹² The Bank of England (2015, updated 2020). *The Financial Policy Committee's powers over leverage ratio tools*. Available at: <https://www.bankofengland.co.uk/-/media/boe/files/statement/2015/the-financial-policy-committees-powers-over-leverage-ratio-tools>



- c. An assessment of the concerns regarding the resolvability of the firm, including the progress of the firm in achieving resolvability;
 - d. Where applicable, discussions within international crisis management groups; and
 - e. Future changes in Bank, PRA or international policy, or in the applicable legal regime, which change the way MREL or capital requirements are calculated.
7. End-state external MREs are expected to apply from 2022 for: Barclays, HSBC (Group and European Resolution Group), Lloyds Banking Group, Nationwide Building Society, NatWest Group, Santander UK, Standard Chartered and Virgin Money UK. Further to the 18 December announcement¹³, end-state external MREs are expected to apply from 2023 for: Coventry Building Society, Leeds Building Society, Metro Bank, Skipton Building Society, Tesco Personal Finance, The Co-operative Bank and Yorkshire Building Society. As set out in note 6, Monzo Bank, Starling Bank and OSB Group are subject to different timelines to meet MREL above minimum capital requirements.
8. The firms that must meet MREL on the basis of a bail-in resolution strategy are: Barclays, Coventry Building Society, HSBC (Group and European Resolution Group), Leeds Building Society, Lloyds Banking Group, Metro Bank, Nationwide Building Society, NatWest Group, OSB Group, Santander UK, Skipton Building Society, Standard Chartered, The Co-operative Bank, Virgin Money UK and Yorkshire Building Society. The firms that must meet MREL on the basis of a partial transfer resolution strategy are: Monzo Bank, Starling Bank and Tesco Personal Finance. As noted in paragraph 4.8 of the MREL SoP, the Bank may choose to adjust downwards a firm's end-state MREL to take into account a partial transfer resolution strategy. This has not been done for the purposes of this publication.
9. The preferred resolution strategy for HSBC Group is a multiple point of entry (MPE) bail-in strategy. The interim and end-state external MREs given above that apply to the European Resolution Group (HSBC Holdings plc and HSBC UK Holdings Ltd and its subsidiaries) will contribute towards meeting HSBC's Group requirement, in line with the FSB's TLAC standard for G-SIBs. The HSBC Group interim requirement will reflect the higher of: (i) 16% of RWAs on a consolidated basis; (ii) 6% of leverage exposures under the CRR definition on a consolidated basis; (iii) 6% of leverage exposures under the FPC definition on a consolidated basis; and (iv) the sum of requirements relating to other group entities or sub-groups. The HSBC Group end-state requirement will reflect the higher of: (i) 18% of RWAs on a consolidated basis, (ii) 6.75% of leverage exposures under the CRR definition on a consolidated basis; (iii) 6.75% of leverage exposures under the FPC definition on a consolidated basis; and (iv) the sum of requirements relating to other group entities or sub-groups. The end-state 'sum of parts' figures for (iv) are estimates based on current information about requirements that would apply to other group entities or sub-groups in other jurisdictions.

¹³ The Bank of England (2020). *Bank of England statement on MREL and resolvability deadlines*. Available at: <https://www.bankofengland.co.uk/news/2020/december/boe-statement-on-mrel-and-resolvability-deadlines>



10. Further to the December 2020 Discussion Paper¹⁴, the Bank's MREL Review will consider the resolution strategy thresholds, the calibration of MREL, instrument eligibility, and the application of MREs within banking groups. In completing its MREL Review in 2021, the Bank will take into consideration the FPC and Prudential Regulation Committee (PRC)'s review of the UK leverage ratio framework.

¹⁴ The Bank of England (2020). *The Bank of England's review of its approach to setting a minimum requirement for own funds and eligible liabilities (MREL) - Discussion Paper*. Available at: <https://www.bankofengland.co.uk/paper/2020/boes-review-of-its-approach-to-setting-mrel>