BANK OF ENGLAND

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

Table: minimum requirements for own funds and eligible liabilities (MRELs) for UK banks and building societies in scope of stabilisation powers (source data as at June 2021)						
Firm		Binding minimum capital requirement (as at June 2021)	Interim*		End-state*	
			MREL	Loss-absorbing capacity (MREL + buffers)	MREL	Loss-absorbing capacity (MREL + buffers)
Barclays		12.8% RWAs			25.6% RWAs	29.6% RWAs
Coventry Building Society		10.7% RWAs	18.0% RWAs	20.5% RWAs	21.4% RWAs	23.9% RWAs
HSBC	**Group**	10.9% RWAs			23.3% RWAs	27.8% RWAs
	European Resolution Group	11.6% RWAs			6.75% LEs	6.75% LEs
Leeds Building Society		10.5% RWAs	18.0% RWAs	20.5% RWAs	21.0% RWAs	23.5% RWAs
Lloyds Banking Group		11.8% RWAs			23.7% RWAs	26.2% RWAs
Metro Bank		9.1% RWAs	18.0% RWAs	20.5% RWAs	18.2% RWAs	20.7% RWAs
Monzo Bank		21.5% RWAs	21.5% RWAs	24.0% RWAs	2x binding minimum capital requirement	2x binding minimum capital requirement + buffers
Nationwide Building Society		3.25% LEs			6.50% LEs	6.85% LEs
NatWest Group		11.6% RWAs			23.1% RWAs	25.6% RWAs
OSB Group		9.4% RWAs	18.0% RWAs	20.5% RWAs	2x binding minimum capital requirement	2x binding minimum capital requirement + buffers
Santander UK		12.9% RWAs			25.9% RWAs	28.4% RWAs
Skipton Building Society		10.9% RWAs	18.0% RWAs	20.5% RWAs	21.8% RWAs	24.3% RWAs
Standard Chartered		11.1% RWAs			22.2% RWAs	25.7% RWAs
Starling Bank		17.5% RWAs	18.0% RWAs	20.5% RWAs	2x binding minimum capital requirement	2x binding minimum capital requirement + buffers
The Co-operative Bank		13.8% RWAs	22.6% RWAs	25.1% RWAs	27.6% RWAs	30.1% RWAs
Virgin Money UK		11.9% RWAs			23.9% RWAs	26.4% 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

***For dates from which interim and/or end-state MRELs apply to each firm, please see Notes 6 to 9 and 14**

Notes

1. On 3 December the Bank published revisions to its Statement of Policy on its approach to setting a minimum requirement for own funds and eligible liabilities (MREL). The MRELs set out in this disclosure have been set on the basis of the revised Statement of Policy (SoP)[1], which will apply from 1 January 2022.

2. This publication contains interim external MRELs and end-state external MRELs for all firms with a resolution entity incorporated in the UK for which an MREL has been communicated above minimum capital requirements. Individual external MRELs are based on balance sheet data and minimum capital requirements as at June 2021. Any subsequent changes to balance sheet data and minimum capital requirements are not reflected in this disclosure and may affect a firm's binding and indicative MRELs as set out in the Table.

3. 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. 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). This is based on the current definition of the 'total exposure measure' as set out in the Leverage Ratio Part of the Prudential Regulation Authority (PRA) Rulebook. Effective from 1 January 2022, leverage exposures will be calculated on the same basis as the 'total exposure measure', as defined in the Leverage Ratio (CRR) Part of the PRA Rulebook (the PRA definition).[2] MRELs 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. In the context of these notes, "binding" means the requirement which requires the most amount of resources at a given point in time. More than one requirement may be legally binding at one time. In addition to the requirements set out in the revised SoP, UK resolution entities of G-SIBs and material subsidiaries of non-UK G-SIBs are subject to additional requirements set by the retained EU law version of Regulation 575/2013/EU (CRR).[3]

[1] The Bank of England (2021). *The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL).* Available at: https://www.bankofengland.co.uk/paper/2021/the-boes-approach-to-setting-mrel-sop

[2] The Prudential Regulation Authority (2021). *The UK leverage ratio framework*. Available at: https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2021/ss4515-oct-2021.pdf.

[3] The retained EU law version of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012. The Financial Services Act 2021 gives HM Treasury the power to revoke provisions relating to certain matters of the onshored CRR, including leverage. The PRA is able to make rules in relation to these revoked matters, referred to as 'CRR rules' and is required to publish a document setting out whether and, if so, how CRR rules correspond to a provision revoked by HM Treasury: PRA CRR rules corresponding to revoked onshored provisions. With effect from 1 January 2022 the PRA has made a CRR rule to replace the definition of total exposure measure in Article 429(4) and has set out exposures excluded from the total exposure measure in Article 429a of Chapter 3 of the Leverage Ratio (CRR) Part – see PRA RULEBOOK: CRR FIRMS: LEVERAGE INSTRUMENT 2021 (bankofengland.co.uk). The Financial Services Act 2021 provides that any reference to a revoked provision, from before it was revoked, in any enactment (including the onshored CRR) should be treated as a reference to the corresponding CRR rule as set out in the PRA's corresponding provisions table, which is updated from time to time.

4. The Table reflects the PRA's update to the Pillar 2A capital framework as set out in PS15/20[4]. Where applicable, the Table accounts for the PRA's statement[5] on the conversion of Pillar 2A capital requirements to a nominal amount.

5. 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 2021 list of G-SIBs[6]; and
   c. The O-SII buffer, in line with the PRA's published approach[7] and rates[8].

   The UK countercyclical capital buffer (CCyB) is assumed to be 0%, as applicable at June 2021[9]. In all other jurisdictions the CCyB is assumed to be 0% (in practice positive rates do apply currently in some jurisdictions).

   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 16/16[10], where relevant.

6. From January 2022, UK resolution entities that are G-SIBs, other than HSBC Group (for which see paragraph 13 below), will be required to maintain end-state external MRELs equivalent to the higher of (on a consolidated basis):

   (i) 2x(Pillar 1 plus Pillar 2A); or

   (ii) the higher of two times the applicable leverage ratio requirement or 6.75% of LEs (PRA definition) (in line with the FSB's TLAC standard),

   provided that G-SIB entities are also subject in parallel to the requirements for TLAC set out in CRR which will be binding if higher in any case; that is, the higher of 18% of RWAs or 6.75% of LEs (PRA definition).

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[4] 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

[5] 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

[6] The Financial Stability Board (2021). *2021 list of global systemically important banks (G-SIBs)*. Available at: https://www.fsb.org/2021/11/fsb-publishes-2021-g-sib-list/

[7] 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

[8] 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

[9] The Bank of England (2020). *Financial Stability Report - December 2020.* Available at: https://www.bankofengland.co.uk/financial-stability-report/2020/december-2020

[10] 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

7. End-state external MRELs apply from January 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. As such, interim MRELs will no longer apply to these firms from that date and are not shown in the table.

8. The table shows the interim MRELs which currently apply to Coventry Building Society, Leeds Building Society, Metro Bank, Skipton Building Society, The Co-operative Bank and Yorkshire Building Society. End-state external MRELs are expected to apply from January 2023 for these firms with the exception of Leeds Building Society, for which the end-state external MREL is expected to apply from July 2023. These end-state MRELs should be considered indicative.

9. In light of its review of its approach to setting MREL[11], the Bank has decided to alter the dates at which the end-state MREL is expected to apply for Leeds Building Society, and at which the interim and end-state MRELs are expected to apply for Monzo Bank, Starling Bank and OSB Group, from those indicated in previous disclosures. Leeds Building Society is expected to meet its end-state MREL from July 2023. Both Monzo Bank and Starling Bank are now expected to meet their interim MRELs from April 2023 and their end-state MRELs from April 2025. OSB Group is expected to meet its interim MREL from July 2024 and its end-state MREL from July 2026. These interim and end-state MRELs should be considered indicative. These adjustments will mean that all mid-tier firms would have had at least six years from the point in time which they were determined to require an MREL exceeding their total capital requirement and the point in time at which they are required to meet an end-state MREL.

10. The Table does not specify the end-state MRELs as a percentage of RWAs/LEs for firms whose interim MRELs are not yet binding (Monzo Bank, OSB Group, and Starling Bank). End-state MRELs are calculated as two times the binding minimum capital requirements applicable as of each firm's end-state date.

11. The Bank sets the MRELs that will apply to individual firms on an annual basis for the year ahead, based on the latest available regulatory data on each firm. 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, including changes to its regulatory capital requirements and risk weighted assets;
    b. the Bank's preferred resolution strategy for the firm (which must be reviewed annually);
    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.

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[11] The Bank of England (2021). *The Bank of England's review of its approach to setting a minimum requirement for own funds and eligible liabilities (MREL) – Policy Statement.* Available at: https://www.bankofengland.co.uk/paper/2021/boes-review-of-its-approach-to-setting-mrel-consultation-paper-july-2021

12. Tesco Personal Finance has been removed from the Table because the Bank has decided to change its preferred resolution strategy from partial transfer to bank insolvency procedure. The Bank therefore no longer intends to apply an MREL exceeding the firm's minimum capital requirements.

13. 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 and Starling Bank. As noted in paragraph 4.8 of the MREL SoP, the Bank may choose to adjust downwards a firm's actual end-state MREL to take into account a partial transfer resolution strategy, reflecting the balance sheet of the firm at the time that the MREL is set. This has not been reflected in the indicative MRELs shown in the Table.

14. The preferred resolution strategy for HSBC Group is a multiple point of entry (MPE) bail-in strategy. The end-state external MRELs 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 end-state requirement from 1 January 2022 will reflect the higher of: (i) 18% of RWAs on a consolidated basis; (ii) 6.75% of LEs (PRA definition) on a consolidated basis; and (iii) the sum of requirements relating to other group entities or sub-groups. The end-state 'sum of parts' figures for (iii) are estimates based on current information about requirements that would apply to other group entities or sub-groups in other jurisdictions. HSBC European Resolution Group is not itself subject to a minimum capital requirement and the binding minimum capital requirement shown in the Table is for illustrative purposes in order to calculate MREL requirements.