BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Template CA3 – Capital ratios and Pillar II adjustments

Rows 70, 90, 110 – Relevant Capital Ratio including Pillar II adjustments and rows 80, 100, 120 – Relevant Target Capital Ratio due to Pillar II adjustments

The Instructions for completion of CA3, Annex II of Commission Implementing Regulation (EU) No 680/2014[1] specifies for rows 070 to 120 that they only have to be populated if the competent authority has made certain decisions:

- Rows 70, 90, 110 – Relevant Capital Ratio including Pillar II adjustments:
  "This cell only has to be populated if a decision of a competent authority has an impact on the CET1/T1/ total capital ratio."
- Rows 80, 100, 120 – Relevant Target Capital Ratio due to Pillar II adjustments:
  "This cell only has to be populated if a competent authority decides that an institution has to meet a higher target CET1/T1/total capital ratio."

CRR Article 92 defines 'Capital Ratio'.

Paragraph 2(a) states "the Common Equity Tier 1 Capital Ratio is the Common Equity Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount".

Paragraphs 2(b) and 2(c) give parallel definitions for T1 and Total Capital.

Buffers, including Capital Planning Buffers / PRA Buffers set by the PRA under the heading of Pillar 2B, are out of scope for these cells.

<u>'Capital Ratio including Pillar II adjustments'</u>

The PRA does not normally make decisions under CRD IV Article 104 (2) that would affect the capital ratios as defined. This could arise where a decision taken under this article would actually reduce the capital available to the firm, or where the decision increases the Pillar 1 risk-weighted averages (RWAs). Supervisors of such firms (if any) will be aware of this, and should discuss with their firms the completion of Template CA 03.00 Rows 70, 90 and 110. However, this would be an exceptional case. The norm should be that these rows are not required to be populated.

<u>'Target Capital Ratio due to Pillar II adjustments'</u>

For every reporting entity (solo firm or group) for which individual capital guidance (ICG) has been set which increases the capital requirements above the Pillar 1 level, the competent authority has made such a decision, and all such reporting entities should complete these rows.

Calculations of relevant Target Capital Ratio due to Pillar 2 adjustments are as follows.

- 'CET1 Capital Ratio including Pillar II adjustments':
  - add together those elements of Pillar 1 requirements that must be met from CET1, and those elements of Pillar 2 that that must be met out of CET1; and
  - express this as a percentage of Risk Weighted Exposure Amounts
- 'T1 and Total Capital' – as above, changing the title of the Capital Tier.

December 2014

[1] See http://eur-lex.europa.eu/mwg-internal/de5fs23hu73ds/progress?id=N8SIJbdjxSRBbFDOc9m67OcFBg8a7efeH4bBwUcyODo,&dl.