Template for notifying the intended use of a systemic risk buffer (SRB)

Please send this template to

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- macropru.notifications@ecb.europa.eu when notifying the ECB;
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1. Notifying national authority and scope of the notification

1.1 Name of the notifying authority	Prudential Regulation Authority (PRA)
1.2 Type of measure intended (also for reviews of existing measures)	Activate a new SRB

2. Description of the notified measure

2.1 Institutions covered by the intended SRB

The PRA determines the SRB rates by applying the UK Financial Policy Committee's framework for the SRB to each of the institutions in scope of the framework, which are ring-fenced bodies[1] (RFBs) and large building societies.

A summary of the framework is shown below. Institutions with total assets greater than £175bn are subject to a positive SRB rate. Total assets are assessed on a sub-consolidated basis for RFBs, and on a consolidated basis for building societies.[2]

	Total Assets (£bns)	
Risk weighted SRB rate	Lower threshold	Upper threshold
0%	-	<175
1%	175	<320
1.5%	320	<465
2%	465	<610
2.5%	610	<755
3%	≥755	

Institutions covered by the intended SRB

The SRB applies on a sub-consolidated basis for RFBs.

[1] Within the meaning of section 142A of the Financial Services and Markets Act 2000.

[2] The PRA may, in the exercise of sound supervisory judgement, deviate from the SRB rates derived from the FPC framework.

RFB sub-group	RFBs covered by the SRB	LEI code
Barclays RFB sub-group	Barclays Bank UK Plc	213800UUGANOMFJ9X769
HSBC RFB sub-group	HSBC UK Bank Plc Marks and Spencer Financial Services Plc HSBC Private Bank (UK) Ltd HSBC Trust Company (UK) Ltd	21380081EP12LC86CB82 2138009M124EE2Q9ZK29 549300G717XMVN87UL79 213800L268IWWDMGE602
Lloyds Banking Group RFB sub-group	Lloyds Bank Plc Bank of Scotland Plc	H7FNTJ4851HG0EXQ1Z70 OQ3T05P7YR8P5YJEVI93
The Royal Bank of Scotland RFB sub-group	National Westminster Bank Plc Coutts & Company Ulster Bank Limited The Royal Bank of Scotland Plc	213800IBT39XQ9C4CP71 549300OLXJ4Y010LOT34 213800BZ9V4RRA2IRN26 549300WHU4EIHRP28H10
Santander UK RFB sub-group	Santander UK Plc Cater Allen Limited	PTCQB104N23FMNK2RZ28 NJ2Z3LWOIYWE0BE0UJ21

The SRB applies on a consolidated basis for building societies.

Building society	LEI code
Nationwide Building Society	549300XFX12G42QIKN82

2.2 Buffer rate

(Article 133(11)(f) of the CRD)

The SRB rate applies on a sub-consolidated basis for RFBs.

RFB sub-group	RFBs covered by the SRB	Buffer rate
Barclays RFB sub-group	Barclays Bank UK Plc	1%
HSBC RFB sub-group	HSBC UK Bank Plc Marks and Spencer Financial Services Plc HSBC Private Bank (UK) Ltd HSBC Trust Company (UK) Ltd	1%
Lloyds Banking Group RFB sub-group	Lloyds Bank Plc Bank of Scotland Plc	2%
The Royal Bank of Scotland RFB sub-group	National Westminster Bank Plc Coutts & Company Ulster Bank Limited The Royal Bank of Scotland Plc	1.5%

<table>
<tr><td></td><td>
<table>
<tr><td>Santander UK RFB sub-group</td><td>Santander UK Plc
Cater Allen Limited</td><td>1%</td></tr>
</table>
The SRB rate applies on a consolidated basis for building societies.
<table>
<tr><th>Building society</th><th>Buffer rate</th></tr>
<tr><td>Nationwide Building Society</td><td>1%</td></tr>
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<tr><td>2.3 Exposures covered by the SRB</td><td>All exposures.</td></tr>
<tr><td colspan="2">3. Timing of the measure</td></tr>
<tr><td>3.1 Timing of the Decision</td><td>19 March 2019</td></tr>
<tr><td>3.2 Timing of the Publication</td><td>30 April 2019</td></tr>
<tr><td>3.3 Disclosure</td><td>The PRA will disclose the measure on its CRD IV updates webpage on 30 April 2019, which will include the justification for the SRB.</td></tr>
<tr><td>3.4 Timing of Application</td><td>30 July 2019</td></tr>
<tr><td>3.5 Phasing in</td><td>The SRB will apply in full from 30 July 2019.</td></tr>
<tr><td>3.6 Review/deactivation of the measure</td><td>This is the PRA’s first setting of the SRB rates, and these rates are expected to be applied until 31 December 2020. The PRA expects to review the SRB rates annually. The PRA expects to announce the SRB rates by 15 December of each year, and to require institutions to apply them on an ongoing basis by 1 January of the second year following the calendar year when the rates were announced. The PRA will base its decision of SRB rates on the total assets of the RFB or the building society at the end of the previous calendar year.</td></tr>
<tr><td colspan="2">4. Reasons for the intended SRB</td></tr>
<tr><td>4.1 Description of the long-term non-cyclical systemic risk in your Member State

(Article 133(11)a of the CRD)</td><td>The systemic risk posed by RFBs and large building societies is the damage they could cause to the financial system and the real economy through the contraction of their UK household and non-financial corporate lending if they fell into distress. This systemic risk is concentrated in RFBs and large building societies as they account for a substantial proportion of lending to UK household and non-financial corporates.</td></tr>
<tr><td>4.2 Reasons why the dimension of the long-term non-cyclical systemic risk threatens the stability of the financial system in your Member State

(Article 133(11)(b) of the CRD)</td><td>RFBs and large building societies account for a substantial proportion of lending to UK household and non-financial corporates. Abrupt reductions in the availability of credit on a large scale can have a substantial impact on the stability of the UK financial system.

The SRB increases the capacity of these institutions to absorb stress, thereby increasing their resilience relative to the system as a whole. This reflects the greater damage these firms would cause to the economy in the event their buffers of equity were exhausted.</td></tr>
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4.3 Indicators used for the activation of the measure	Total assets, assessed on a sub-consolidated basis for RFBs, and on a consolidated basis for building societies
4.4 Effectiveness and proportionality of the measure **(Article 133(11)(c) of the CRD)**	The SRB will lead to higher capital buffers for RFBs and large building societies. This will increase their resilience through raising their capacity to absorb losses when in distress and continue to lend to UK households and non-financial corporates. The SRB rates are higher for firms that pose a greater systemic risk to the UK economy from their contraction of lending to UK households and non-financial corporates.
4.5 Justification of inadequacy of existing measures in the CRD or in the CRR, excluding Articles 458 and 459 of the CRR, to address the identified risks **(Article 133(11)(e) of the CRD)**	Countercyclical capital buffer (CCyB): the UK CCyB rate applies uniformly to the UK exposures of all institutions, and does not allow for higher capital buffers for systemic firms only. Its main purpose is to raise the resilience of the banking system against cyclical system-wide risks, and is not primarily aimed at raising resilience against long-term non-cyclical systemic risk. G-SII buffer: the G-SII buffer is not applicable to RFBs and large building societies as they are not identified as G-SIIs. O-SII buffer: current UK legislation does not empower the PRA to require a firm to maintain an O-SII buffer.
5. Cross-border and cross-sector impact of the measure	
5.1 Assessment of cross-border effects and the likely impact on the internal market **(Article 133(11)(d) of the CRD and Recommendation ESRB/2015/2)**	By reducing the risk that RFBs and large building societies contract their UK real economy lending if they fall into distress, the SRB will reduce the risk of possible contagion to other Member States in the internal market. There may be leakages to branches of foreign financial institutions. However, currently they do not account for a substantial proportion of UK real economy lending.
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	There may be leakages to entities outside of the scope of the SRB, for example non-ring-fenced entities. However, currently they do not account for a substantial proportion of UK real economy lending.
5.3 Reciprocation by other Member States **(Article 134(4) of the CRD and Recommendation ESRB/2015/2)**	No, branches of financial institutions from other Member States do not currently pose the long-term non-cyclical systemic risk described in Section 4.1 to the UK economy.
6. Combination of the SRB with other buffers	
6.1 Combination with G-SII and/or O-SII buffers (Article 133(4) and (5) of the CRD)	Currently, Barclays Plc, HSBC Holdings Plc, and RBS Group Plc are subject to the G-SII buffer, at a group consolidation level. The SRB applies at a sub-consolidated level for the RFB sub-groups of these institutions.
6.2 Other relevant information	N/A

7. Miscellaneous	
7.1 Contact person(s) at notifying authority	Alex Ying +44 (0)20 3461 8755 alexander.ying@bankofengland.co.uk
7.2 Any other relevant information	N/A