STATUTORY INSTRUMENTS

2014 No. 894

The Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014

PART 3

Countercyclical Capital Buffer

CHAPTER 2

Exposures located in the United Kingdom

The buffer guide

9.—(1) The FPC must calculate for every quarter a buffer guide as a reference to guide its exercise of judgement in assessing and setting the buffer rate in accordance with regulation 10.

(2) The buffer guide must—

(a) reflect, in a meaningful way, the credit cycle and the risks due to excess credit growth in the United Kingdom; and

(b) duly take into account the specificities of the economy of the United Kingdom.

(3) The buffer guide must be based on the deviation of the ratio of credit to gross domestic product from its long term trend, taking into account—

(a) an indicator of the growth of levels of credit within the United Kingdom and, in particular, an indicator reflecting the changes in the ratio of credit granted in the United Kingdom to gross domestic product; and

(b) any guidance maintained by the ESRB in accordance with Article 135(1)(b) of the capital requirements directive.

Countercyclical buffer rate

10.—(1) The FPC must assess and set a buffer rate for the United Kingdom.

(2) The purpose of the buffer rate is to enable institutions with exposures located in the United Kingdom to calculate their institution-specific countercyclical capital buffers.

(3) The buffer rate must be assessed and set on a quarterly basis, taking into account—

(a) the buffer guide calculated in accordance with regulation 9(1);

(b) any current guidance maintained by the ESRB in accordance with Articles 135(1)(a), (c) and (d) of the capital requirements directive;

(c) any recommendation issued by the ESRB on setting buffer rates for the countercyclical capital buffer; and

(d) any other variables that the FPC considers relevant for addressing cyclical systemic risk.

(4) The buffer rate must be expressed as a percentage of the total risk exposure of institutions with exposures located in the United Kingdom.

(5) Total risk exposure must be calculated in accordance with Article 92(3) of the capital requirements regulation.

(6) The buffer rate must be—

(a) set between 0% and 2.5%, except where the matters referred to in paragraph (3) justify a higher rate; and

(b) an integer multiple of 0.25%.

Date from which changes to the buffer rate apply

11.—(1) Where the FPC—

(a) sets the buffer rate above zero for the first time; or

(b) increases the buffer rate;

it must decide the date from which UK institutions must apply the buffer rate for the purposes of calculating their institution-specific countercyclical capital buffers.

(2) The date referred to in paragraph (1) must be 12 months after the date when the buffer rate is published in accordance with regulation 12(1), unless an earlier date is justified on the basis of exceptional circumstances.

(3) Where the FPC reduces the buffer rate, it must decide on an indicative period during which no increase in that rate is expected.

(4) The indicative period referred to in paragraph (3) is not be binding on the FPC.

Announcement of changes to the buffer rate

12.—(1) The Bank must publish the following information on its website—

(a) the buffer rate assessed and set by the FPC in accordance with regulation 10(1);

(b) the relevant ratio of credit to gross domestic product and its deviation from the long-term trend;

(c) the buffer guide calculated by the FPC in accordance with regulation 9;

(d) the reasons for the FPC's decision on the level of the buffer rate.

(2) Where the FPC decides to increase the buffer rate, the Bank must publish on its website—

(a) the date from which UK institutions must apply the new buffer rate for the purposes of calculating their institution-specific countercyclical capital buffer; and

(b) any exceptional circumstances which justify any decision by the FPC to require institutions to apply the new buffer rate less than a year after it is published.

(3) Where the FPC decides to decrease the buffer rate, the Bank must publish on its website the indicative period referred to in regulation 11(3) and the FPC's reasons for choosing that period.

(4) The Bank must take all reasonable steps to co-ordinate the timing of the publication of the buffer rate with the publication by the EEA authorities of the buffer rates for the countercyclical capital buffer in the EEA.

(5) Every quarter, the Bank must notify the ESRB of the information referred to in paragraphs (1) to (3).