STATUTORY INSTRUMENTS

2014 No. 894

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

PART 3

Countercyclical Capital Buffer

CHAPTER 3

Exposures located outside the United Kingdom

Buffer rates for EEA exposures: before 1st January 2016

13.—(1) This regulation([1]) applies where—

(a) an EEA State other than the United Kingdom has implemented the countercyclical capital buffer before 1st January 2016; and

(b) the EEA authority for that EEA State has set a buffer rate ("the EEA buffer rate") for that EEA State, for the purpose of enabling institutions with exposures located in that EEA State to calculate their institution-specific countercyclical capital buffers.

(2) The FPC may—

(a) recognise the EEA buffer rate; or

(b) set a buffer rate for that EEA State which is less than the EEA buffer rate.

(3) The purpose for which a buffer rate may be recognised or set under paragraph (2) is so that UK institutions with exposures located in that EEA State may be required by the PRA and FCA to apply that buffer rate in their calculation of their institution-specific countercyclical capital buffers.

(4) The FPC may not set a buffer rate for an EEA State other than the United Kingdom except as permitted by this regulation.

Buffer rates for EEA exposures: on or after 1st January 2016

14.—(1) This regulation([2]) applies where—

(a) an EEA authority has set a buffer rate ("the EEA buffer rate") for that EEA State, for the purpose of enabling institutions with exposures in that EEA State to calculate their institution-specific countercyclical capital buffer; and

(b) the EEA buffer rate exceeds 2.5%.

(2) The FPC may recognise the EEA buffer rate, so that UK institutions with exposures located in that EEA State may be required by the PRA and FCA to apply the EEA buffer rate in their calculation of their institution-specific countercyclical capital buffers.

(**1**) This regulation ceases to have effect on 1st January 2016. See regulation 1(5).
(**2**) This regulation commences on 1st January 2016. See regulation 1(3).

Buffer rates for exposures outside the EEA

15.—(1) This regulation specifies the circumstances in which the FPC may recognise or set a buffer rate for exposures—

(a) held by a UK institution; and

(b) located in a country outside of the EEA (a "third country").

(2) Where the supervisory authority of the third country has not set and published a buffer rate for a capital buffer serving the same purpose as the countercyclical capital buffer, the FPC may set a buffer rate for the third country.

(3) Where the supervisory authority of the third country sets a buffer rate of more than 2.5% for a capital buffer serving the same purpose as the countercyclical capital buffer, the FPC may recognise that buffer rate.

(4) Where the supervisory authority of the third country sets a buffer rate (the "third country buffer rate") for a capital buffer serving the same purpose as the countercyclical capital buffer and the FPC reasonably considers that the third country buffer rate is not sufficient to protect UK institutions from the risks of excessive credit growth in the third country, the FPC may—

(a) set a buffer rate for the third country which is higher than the third country buffer rate; or

(b) set a buffer rate for the third country which is lower than the third country buffer rate, provided the buffer rate set by the FPC exceeds 2.5%.

(5) The purpose for which a buffer rate may be recognised or set under this regulation is so that UK institutions with exposures located in the third country may be required by the PRA and FCA to apply that buffer rate in their calculation of their institution-specific countercyclical capital buffers.

Buffer rates: integer multiples of 0.25%

16. A buffer rate set by the FPC under regulation 13(2)(b), 15(2) or 15(4) must be an integer multiple of 0.25%.

Date of application of buffer rates

17.—(1) Where FPC—

(a) recognises or sets a buffer rate under regulations 13, 14 or 15 in relation to exposures located outside the United Kingdom; and

(b) the buffer rate is higher than the buffer rate which UK institutions are currently required to apply in relation to those exposures when calculating their institution-specific countercyclical capital buffers;

then the FPC 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)—

(a) may only be earlier than 12 months after the date when the buffer rate is published if such a date is justified on the basis of exceptional circumstances; and

(b) may not be later than 12 months after the date when the buffer rate is published where the FPC has set the buffer rate under regulation 15(2) or 15(4).

Announcement of changes to buffer rates

18.—(1) Where the FPC recognises or sets a buffer rate under regulations 13, 14 or 15, the Bank must publish the FPC's decision on its website.

(2) The Bank must also publish the following information when a decision is published under paragraph (1)—

(a) the buffer rate;

(b) where the FPC has set the buffer rate under regulation 15(2) or 15(4), the justification for the buffer rate;

(c) the EEA State or country to which that buffer rate applies;

(d) the date from which the buffer rate applies; and

(e) any exceptional circumstances justifying a date of application of less than twelve months after the date of publication.