

STATUTORY INSTRUMENTS

2014 No. 894

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

PART 4

G-SII Buffer

[^{F1}Duty of PRA to identify G-SIIs

21. The PRA must identify G-SIIs in accordance with the provisions of this Part.]

F1 Reg. 21 substituted (31.12.2020) by [The Capital Requirements \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1401\)](#), regs. 1(3), **49** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)

G-SIIs: location and nature

22.—(1) A G-SII must be—

- (a) a person with permission to carry on a regulated activity for the purposes of Part 4A of FSMA; or
- (b) a person established in the United Kingdom.

[^{F2}(2) A G-SII must also be—

- (a) a group, the parent undertaking of which is—
 - (i) a UK parent institution,
 - (ii) a UK parent financial holding company, or
 - (iii) a UK parent mixed financial holding company, or
- (b) an institution authorised in the United Kingdom which is not a subsidiary of a body mentioned in sub-paragraph (a)(i) to (iii).]

F2 Reg. 22(2) substituted (29.12.2020) by [The Capital Requirements \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1401\)](#), regs. 1(2A), **50** (as amended by S.I. 2020/1406, regs. 10, **16(1)**) and with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)

Identification methodology

23.—(1) In order to identify whether a [^{F3}particular group or body] (“the [^{F4}relevant institution]”) is a G-SII, the PRA must apply an identification methodology to the [^{F4}relevant institution] on a consolidated basis.

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[^{F5}(2) Where the parent undertaking of the relevant institution is a UK parent institution, a UK parent financial holding company or a UK parent mixed financial holding company, the identification methodology must be applied in accordance with Commission Delegated Regulation (EU) No 1222/2014 or any technical standards made by the PRA under the functions conferred on it by Article 464B(3) of the capital requirements regulation.]

(3) The identification methodology must be based on the following criteria—

- (a) the size of the group [^{F6}concerned];
- (b) the interconnectness of the group within the financial system;
- (c) the extent to which an entity or entities outside the group could provide the services or financial infrastructure which the group provides;
- (d) the complexity of the group;
- (e) the extent of the group's cross-border activity, including cross-border activity between EEA States and between an EEA State and a country outside the EEA.

(4) Each criteria in the identification methodology must consist of quantifiable indicators and be given an equal weighting.

(5) The identification methodology must result in an overall score for the [^{F7}relevant institution] which allows the PRA to—

- (a) determine whether the [^{F7}relevant institution] is a G-SII; and
- (b) if the [^{F7}relevant institution] is a G-SII, allocate the [^{F7}relevant institution] to an appropriate sub-category of G-SII;

in accordance with the sub-categories of G-SII defined by the PRA in accordance with regulation 24.

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|-----------|---|
| F3 | Words in reg. 23(1) substituted (29.12.2020) by S.I. 2018/1401, reg. 51(za)(i) (as inserted by <i>The Financial Holding Companies (Approval etc.) and Capital Requirements (Capital Buffers and Macro-prudential Measures) (Amendment) (EU Exit) Regulations 2020</i> (S.I. 2020/1406), regs. 1(2), 16(2)(a)) |
| F4 | Words in reg. 23(1) substituted (29.12.2020) by S.I. 2018/1401, reg. 51(za)(ii) (as inserted by <i>The Financial Holding Companies (Approval etc.) and Capital Requirements (Capital Buffers and Macro-prudential Measures) (Amendment) (EU Exit) Regulations 2020</i> (S.I. 2020/1406), regs. 1(2), 16(2)(a)) |
| F5 | Reg. 23(2) substituted (29.12.2020) by <i>The Capital Requirements (Amendment) (EU Exit) Regulations 2018</i> (S.I. 2018/1401), regs. 1(2A), 51(a) (as amended by S.I. 2020/1406, regs. 10, 16(2)(b) and with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1) |
| F6 | Words in reg. 23(3)(a) substituted (29.12.2020) by S.I. 2018/1401, reg. 51(b)(i) (as substituted by <i>The Financial Holding Companies (Approval etc.) and Capital Requirements (Capital Buffers and Macro-prudential Measures) (Amendment) (EU Exit) Regulations 2020</i> (S.I. 2020/1406), regs. 1(2), 16(2)(c)) |
| F7 | Words in reg. 23(5) substituted (29.12.2020) by S.I. 2018/1401, reg. 51(c) (as inserted by <i>The Financial Holding Companies (Approval etc.) and Capital Requirements (Capital Buffers and Macro-prudential Measures) (Amendment) (EU Exit) Regulations 2020</i> (S.I. 2020/1406), regs. 1(2), 16(2)(d)) |

Sub-categories of G-SII and corresponding buffer rates

24.—(1) The PRA must define the sub-categories of G-SII in accordance with this regulation and [^{F8}Commission Delegated Regulation (EU) 1222/2014 or any technical standards made by the PRA under the functions conferred on it by Article 464B(3) of the capital requirements regulation.]

(2) There must be five or six sub-categories of G-SII.

(3) The lowest boundary and the boundaries between each sub-category must be determined by the scores under the identification methodology.

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- (4) The cut-off scores between adjacent sub-categories must—
 - (a) be defined clearly; and
 - (b) ensure that there is a linear relationship between the systemic significance represented by the sub-categories and the G-SII buffer rates assigned to those sub-categories.
- (5) Where there are five sub-categories, the cut-off score between the highest sub-category and the sub-category immediately below it need not comply with paragraph (4)(b).
- (6) The following G-SII buffer rates must be assigned to the sub-categories—
 - (a) 1% for the lowest sub-category;
 - (b) 3.5% for the highest sub-category;
 - (c) for all other sub-categories, the rate must be 0.5% higher than the rate assigned to the sub-category immediately below it.

F8 Words in reg. 24(1) substituted (31.12.2020) by The Capital Requirements (Amendment) (EU Exit) Regulations 2018 (S.I. 2018/1401), regs. 1(3), **52** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)

Re-allocation in exercise of sound supervisory judgement

- 25. The PRA may, in the exercise of sound supervisory judgement—
 - (a) determine that [^{F9}a group or] a body is a G-SII, notwithstanding the fact that [^{F10}the group or] the body is not recognised as a G-SII in accordance with the PRA's identification methodology and the sub-categories which the PRA has defined;
 - (b) allocate a G-SII to a higher sub-category to that indicated by its score under the identification methodology and the sub-categories which the PRA has defined.

F9 Words in reg. 25(a) inserted (29.12.2020) by S.I. 2018/1401, reg. **52A(a)** (as inserted by The Financial Holding Companies (Approval etc.) and Capital Requirements (Capital Buffers and Macro-prudential Measures) (Amendment) (EU Exit) Regulations 2020 (S.I. 2020/1406), regs. 1(2), **16(3)**)

F10 Words in reg. 25(a) inserted (29.12.2020) by S.I. 2018/1401, reg. **52A(b)** (as inserted by The Financial Holding Companies (Approval etc.) and Capital Requirements (Capital Buffers and Macro-prudential Measures) (Amendment) (EU Exit) Regulations 2020 (S.I. 2020/1406), regs. 1(2), **16(3)**)

Notification, publication and review

- 26.—^{F11}(1)
- ^{F11}(2)
- ^{F11}(3)

(4) The PRA must publish an up-to-date list of the names of the G-SIIs it has identified and the sub-category to which each has been allocated.

(5) The PRA must review its identification of G-SIIs and their allocation to sub-categories annually and report the results of its review [^{F12}to the UK parent institution, UK parent financial holding company, UK parent mixed financial holding company or institution concerned], ^{F13}....

F11 Reg. 26(1)-(3) omitted (31.12.2020) by virtue of The Capital Requirements (Amendment) (EU Exit) Regulations 2018 (S.I. 2018/1401), regs. 1(3), **53(a)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)

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- F12** Words in reg. 26(5) substituted (29.12.2020) by virtue of [The Capital Requirements \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1401\)](#), regs. 1(2A), **53(b)(i)** (as substituted by S.I. 2020/1406, regs. 1(2), **16(4)**) and with savings in S.I. 2019/680, **reg. 11**)
- F13** Words in reg. 26(5) omitted (31.12.2020) by by virtue of [The Capital Requirements \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1401\)](#), regs. 1(2A), **53(b)(ii)** (as substituted by S.I. 2020/1406, regs. 1(2), **16(4)**) and with savings in S.I. 2019/680, **reg. 11**); 2020 c. 1, **Sch. 5 para. 1(1)**)

Appeals

- 27.—(1) Where a person is aggrieved at the PRA's decision—
- (a) that the person [^{F14}or a group for which the person is UK parent institution, UK parent financial holding company, UK parent mixed financial holding company (a “relevant group”),] is, or is not, a G-SII; or
 - (b) to allocate that person [^{F15}or the relevant group] to a particular sub-category of G-SII;

then the person may refer the matter to the Tribunal.

(2) The scope of an appeal under paragraph (1) is limited to the application of the PRA's identification methodology and sub-categories of G-SII to the aggrieved person [^{F16}or the relevant group] .

- F14** Words in reg. 27(1)(a) inserted (29.12.2020) by [The Capital Requirements \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1401\)](#), regs. 1(2A), **53A(a)(i)** (as inserted by S.I. 2020/1406, regs. 1(2), **16(5)**)
- F15** Words in reg. 27(1)(b) inserted (29.12.2020) by [The Capital Requirements \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1401\)](#), regs. 1(2A), **53A(a)(ii)** (as inserted by S.I. 2020/1406, regs. 1(2), **16(5)**)
- F16** Words in reg. 27(2) inserted (29.12.2020) by [The Capital Requirements \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1401\)](#), regs. 1(2A), **53A(b)** (as inserted by S.I. 2020/1406, regs. 1(2), **16(5)**)

Transitional provision: 1st January 2016 to 31st December 2019

^{F17}28.

- F17** [Reg. 28](#) omitted (31.12.2020) by virtue of [The Capital Requirements \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1401\)](#), regs. 1(3), **54** (with savings in S.I. 2019/680, **reg. 11**); 2020 c. 1, **Sch. 5 para. 1(1)**)

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Changes and effects yet to be applied to :

- Regulations revoked by [2023 c. 29 Sch. 1 Pt. 2](#)