
STATUTORY INSTRUMENTS

2014 No. 894

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

PART 4

G-SII Buffer

Designated authority

21. The PRA is the authority responsible for identifying G-SIIs and requiring G-SIIs to maintain a G-SII buffer.

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.

(2) A G-SII must also be—

- (a) an EEA parent institution;
- (b) an EEA parent financial holding company;
- (c) an EEA parent mixed financial holding company; or
- (d) an institution authorised in the EEA which is not a subsidiary of a body mentioned in subparagraphs (a) to (c).

Identification methodology

23.—(1) In order to identify whether a particular body (“the relevant body”) is a G-SII, the PRA must apply an identification methodology to the relevant body on a consolidated basis.

(2) Where the relevant body is an EEA parent institution, an EEA parent financial holding company or an EEA parent mixed financial holding company, the identification methodology must be applied in accordance with any directly applicable regulation made under Article 131(18) of the capital requirements directive.

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

- (a) the size of the group to which the relevant body belongs;
- (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 relevant body which allows the PRA to—
 - (a) determine whether the relevant body is a G-SII; and
 - (b) if the relevant body is a G-SII, allocate the relevant body 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.

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 any directly applicable regulation made under Article 131(18) of the capital requirements directive.
- (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.
 - (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.

Re-allocation in exercise of sound supervisory judgement

- 25.** The PRA may, in the exercise of sound supervisory judgement—
- (a) determine that a body is a G-SII, notwithstanding the fact that 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.

Notification, publication and review

- 26.**—(1) The PRA must provide the names of the G-SIIs it has identified, together with the sub-category to which each has been allocated, to the Commission, the ESRB and EBA.
- (2) The PRA must notify EBA when it allocates a G-SII to a higher sub-category than its score under the identification methodology would indicate, in accordance with regulation 25(b).

(3) The PRA's notification under paragraph (2) must include its reasons for exercising its discretion under regulation 25(b).

(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 to the bodies concerned, the Commission, the ESRB and EBA.

Appeals

27.—(1) Where a person is aggrieved at the PRA's decision—

- (a) that the person is, or is not, a G-SII; or
- (b) to allocate that person 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.

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

28. In the period beginning with 1st January 2016 and ending on 31st December 2019, the PRA must apply the G-SII buffer in accordance with the transitional provisions at Article 162(5) of the capital requirements directive.