



Banking Act 2009

2009 CHAPTER 1

PART 1

SPECIAL RESOLUTION REGIME

[^{F1}CHAPTER 3

SPECIAL RESOLUTION ACTION]

[^{F1}Mandatory write-down, conversion etc of capital instruments

[^{F1}6B. Mandatory write-down, conversion, etc of capital instruments [^{F2}and liabilities]

- (1) In a case where this section applies, the Bank of England must without delay make—
- an instrument in relation to the bank containing the mandatory reduction provision, or
 - two or more instruments which (taken together) contain that provision.

An instrument made under this subsection is a “mandatory reduction instrument”.

- (2) “The mandatory reduction provision” is provision which produces the following results—
- existing Common Equity Tier 1 instruments of the bank are cancelled, transferred or diluted in accordance with the principle that losses should be borne first by the holders of such instruments,
 - the principal amount of Additional Tier 1 instruments of the bank is reduced or such instruments are converted (directly or indirectly) into Common Equity Tier 1 instruments (or both)—
 - to the extent required to achieve the special resolution objectives set out in section 4, or
 - to the extent of the capacity of the relevant capital instruments, whichever is lower; ^{F3} ...

Changes to legislation: *Banking Act 2009, Section 6B is up to date with all changes known to be in force on or before 26 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

- (c) the principal amount of Tier 2 instruments [^{F4}of the bank] is reduced or Tier 2 instruments are converted (directly or indirectly) into Common Equity Tier 1 instruments (or both)—
 - (i) to the extent required to achieve the special resolution objectives set out in section 4 (so far as not achieved under paragraph (b)), or
 - (ii) to the extent of the capacity of the relevant capital instruments, whichever is lower; [^{F5}and
 - (d) where this section applies by virtue of section 6A(3) (Case 2) and the bank is not a resolution entity, but is in a resolution group, the principal amount of the relevant internal liabilities is reduced or such liabilities are converted (directly or indirectly) into Common Equity Tier 1 instruments (or both)—
 - (i) to the extent required to achieve the special resolution objectives set out in section 4 (so far as not achieved under paragraphs (b) and (c)), or
 - (ii) to the extent of the capacity of such liabilities, whichever is lower.]
- (3) For the purposes of subsection (2), a mandatory reduction instrument may contain—
- (a) provision cancelling existing Common Equity Tier 1 instruments of the bank,
 - (b) provision transferring (directly or indirectly), to holders of Additional Tier 1 instruments [^{F6}, Tier 2 instruments or relevant internal liabilities] of the bank, Common Equity Tier 1 instruments of the bank,
 - (c) provision converting relevant capital instruments [^{F7}or relevant internal liabilities] of the bank (directly or indirectly) into Common Equity Tier 1 instruments of the bank or a parent undertaking of the bank,
 - (d) provision cancelling a liability owed by the bank,
 - (e) provision modifying, or changing the form of, a liability owed by the bank,
 - (f) provision that a contract under which the bank has a liability is to have effect as if a specified right had been exercised under it.
- (4) The following rules apply to the interpretation of subsection (3)—
- A. The reference to cancelling a liability owed by the bank includes a reference to cancelling a contract under which the bank has a liability.
 - B. The reference to modifying a liability owed by the bank includes a reference to modifying the terms (or the effect of the terms) of a contract under which the bank has a liability.
 - C. The reference to changing the form of a liability owed by the bank includes, for example—
 - (i) converting an instrument under which the bank owed a liability from one form or class to another,
 - (ii) replacing such an instrument with another instrument of a different form or class, or
 - (iii) creating a new security (of any form or class) in connection with the modification of such an instrument.
- (5) Provision made by virtue of subsection (3) may include—
- (a) provision for securities issued by a specified bank to be transferred to a resolution administrator (see section 62B) or another person;
 - (b) where a previous mandatory reduction instrument (“the original instrument”) has contained provision under paragraph (a), provision for the transfer of—

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- (i) securities which were transferred by the original instrument, or
 - (ii) securities which were issued by the bank after the original instrument was made.
- (6) Provision made in accordance with subsection (5) may relate to—
 - (a) specified securities, or
 - (b) securities of a specified description.
- (7) Where the Bank of England has exercised the power in subsection (5)(a) to transfer securities to a resolution administrator, the Bank must exercise its functions under this Part with a view to ensuring that any securities held by that person in the capacity of resolution administrator are so held only for so long as is, in the Bank of England’s opinion, appropriate having regard to the special resolution objectives.
- (8) Where Case 1 in section 6A applies, the Bank must comply with subsection (1) before or at the same time as exercising the stabilisation power.
- (9) Where Case 3 in section 6A applies, the principal amount of a relevant capital instrument issued by the bank must not be reduced under this section to a greater extent, or converted on worse terms, than equally ranked capital instruments at the level of any parent undertaking of the bank which are reduced, or converted
 - [^{F8}(a) pursuant to this section as it applies in relation to a banking group company by virtue of section 81AA, or
 - (b) in the course of applying the bail-in option provided for by section 12A or section 81BA.]
- (10) In this section “parent undertaking” has the meaning given by Article 4.1(15)(a) of the capital requirements regulation.]

Textual Amendments

- F1** Ss. 6A-6D and cross-heading inserted (1.1.2015) by [The Bank Recovery and Resolution Order 2014 \(S.I. 2014/3329\)](#), arts. 1(2), **10**
- F2** Words in s. 6B heading inserted (28.12.2020) by [The Bank Recovery and Resolution \(Amendment\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1350\)](#), regs. 1(2), **6**
- F3** Word in s. 6B(2)(b) omitted (28.12.2020) by virtue of [The Bank Recovery and Resolution \(Amendment\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1350\)](#), regs. 1(2), **7(a)(i)**
- F4** Words in s. 6B(2)(c) inserted (28.12.2020) by [The Bank Recovery and Resolution \(Amendment\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1350\)](#), regs. 1(2), **7(a)(ii)**
- F5** S. 6B(2)(d) and word inserted (28.12.2020) by [The Bank Recovery and Resolution \(Amendment\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1350\)](#), regs. 1(2), **7(a)(iii)**
- F6** Words in s. 6B(3)(b) substituted (28.12.2020) by [The Bank Recovery and Resolution \(Amendment\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1350\)](#), regs. 1(2), **7(b)(i)**
- F7** Words in s. 6B(3)(c) inserted (28.12.2020) by [The Bank Recovery and Resolution \(Amendment\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1350\)](#), regs. 1(2), **7(b)(ii)**
- F8** Words in s. 6B(9) substituted (31.12.2020) by [The Bank Recovery and Resolution and Miscellaneous Provisions \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1394\)](#), reg. 1(2), **Sch. 1 para. 9**; 2020 c. 1, Sch. 5 para. 1(1)

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 4(8A)(8B) inserted by [2012 c. 21 s. 96\(3\)](#)
- s. 8(2)(d) and word inserted by [2012 c. 21 s. 96\(4\)\(b\)](#)