



Banking Act 2009

2009 CHAPTER 1

PART 1 **U.K.**

SPECIAL RESOLUTION REGIME

[^{F1}CHAPTER 3 **U.K.**

SPECIAL RESOLUTION ACTION]

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

[^{F1}6C. **Mandatory reduction instruments: implementation of requirements of section 6B **U.K.****

- (1) Where the principal amount of a relevant capital instrument [^{F2}or a relevant internal liability] is reduced under section 6B—
 - (a) the reduction must be permanent, subject to any provision made by virtue of section 48Y(1)(a);
 - (b) no liability to the holder of the relevant capital instrument [^{F3}or the relevant internal liability] remains under, or in connection with, so much of the amount of the instrument [^{F4}or relevant internal liability] as constitutes the reduction, except for—
 - (i) any liability already accrued in a case where the principal amount of the instrument [^{F4}or the relevant internal liability] is not reduced or converted (or both) to the full extent of its capacity, and
 - (ii) any liability for damages that may arise as a result of any challenge to the legality of the exercise of the power of reduction;
 - (c) no compensation is to be paid to any holder of the relevant capital instrument [^{F5}or the relevant internal liability] other than in accordance with subsection (4).

Changes to legislation: Banking Act 2009, Section 6C is up to date with all changes known to be in force on or before 15 June 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

- (2) Nothing in subsection (1)(b) prevents the provision of Common Equity Tier 1 instruments to a holder of relevant capital instruments [^{F6}or relevant internal liabilities] in accordance with subsection (4).
- (3) In order to effect a conversion of relevant capital instruments [^{F7}or relevant internal liabilities] under section 6B, the Bank of England may require the bank, or a UK parent undertaking, to issue Common Equity Tier 1 instruments to the holders of the relevant capital instruments [^{F7}or relevant internal liabilities].
- (4) The relevant capital instruments [^{F8}or relevant internal liabilities] may only be so converted if—
- (a) the Common Equity Tier 1 instruments are issued by the bank, or by a [^{F9}UK parent] undertaking of the bank with the agreement of the [^{F10}Bank of England],
 - (b) the Common Equity Tier 1 instruments are issued prior to the issue of any shares by the bank, or by a parent undertaking of the bank, for the purposes of provision of own funds by the [^{F11}Treasury],
 - (c) the Common Equity Tier 1 instruments are awarded and transferred without delay following the exercise of the conversion power, and
 - (d) the conversion rate that determines the number of Common Equity Tier 1 instruments that are provided in respect of each relevant capital instrument [^{F12}or relevant internal liability][^{F13}represents appropriate compensation to the affected creditor for any loss incurred in consequence of the conversion of that instrument or liability.]

[Where different conversion rates are applied to different classes of instrument or ^{F14}(4A) liability, a lower conversion rate must be applied to subordinated debt than is applied to debts ranking higher in the hierarchy of claims in normal insolvency proceedings.]

- (5) For the purposes of the provision of Common Equity Tier 1 instruments in accordance with subsections (2), (3) and (4), the Bank of England may require the bank or a UK parent undertaking of the bank to maintain at all times the necessary prior authorisation to issue the relevant number of Common Equity Tier 1 instruments.
- (6) Before making a mandatory reduction instrument, the Bank must consult—
- (a) the PRA,
 - (b) the FCA, and
 - (c) the Treasury.
- (7) In this section—
- “parent undertaking” has the meaning given by Article 4.1(15)(a) of the capital requirements regulation,
^{F15}
 ...
- “UK parent undertaking” means a parent undertaking that is incorporated in, or formed under the law of, any part of the United Kingdom.]

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. 6C(1) inserted (28.12.2020) by [The Bank Recovery and Resolution \(Amendment\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1350\)](#), regs. 1(2), **8(a)**

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- F3** Words in s. 6C(1)(b) inserted (28.12.2020) by The Bank Recovery and Resolution (Amendment) (EU Exit) Regulations 2020 (S.I. 2020/1350), regs. 1(2), **8(b)**
- F4** Words in s. 6C(1)(b) inserted (28.12.2020) by The Bank Recovery and Resolution (Amendment) (EU Exit) Regulations 2020 (S.I. 2020/1350), regs. 1(2), **8(c)**
- F5** Words in s. 6C(1)(c) inserted (28.12.2020) by The Bank Recovery and Resolution (Amendment) (EU Exit) Regulations 2020 (S.I. 2020/1350), regs. 1(2), **8(b)**
- F6** Words in s. 6C(2) inserted (28.12.2020) by The Bank Recovery and Resolution (Amendment) (EU Exit) Regulations 2020 (S.I. 2020/1350), regs. 1(2), **8(d)**
- F7** Words in s. 6C(3) inserted (28.12.2020) by The Bank Recovery and Resolution (Amendment) (EU Exit) Regulations 2020 (S.I. 2020/1350), regs. 1(2), **8(e)**
- F8** Words in s. 6C(4) inserted (28.12.2020) by The Bank Recovery and Resolution (Amendment) (EU Exit) Regulations 2020 (S.I. 2020/1350), regs. 1(2), **8(f)**
- F9** Words in s. 6C(4)(a) 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. 10(2)(a)**; 2020 c. 1, Sch. 5 para. 1(1)
- F10** Words in s. 6C(4)(a) 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. 10(2)(b)**; 2020 c. 1, Sch. 5 para. 1(1)
- F11** Word in s. 6C(4)(b) 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. 10(3)**; 2020 c. 1, Sch. 5 para. 1(1)
- F12** Words in s. 6C(4)(d) inserted (28.12.2020) by The Bank Recovery and Resolution (Amendment) (EU Exit) Regulations 2020 (S.I. 2020/1350), regs. 1(2), **8(g)**
- F13** Words in s. 6C(4)(d) 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. 10(4)** (as amended by S.I. 2020/1350, regs. 1(2), **76(2)(a)**); 2020 c. 1, **Sch. 5 para. 1(1)**
- F14** S. 6C(4A) inserted (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. 10(5)** (as amended by S.I. 2020/1350, regs. 1(2), **76(2)(b)**); 2020 c. 1, **Sch. 5 para. 1(1)**
- F15** Words in s. 6C(7) omitted (31.12.2020) by virtue of The Bank Recovery and Resolution and Miscellaneous Provisions (Amendment) (EU Exit) Regulations 2018 (S.I. 2018/1394), reg. 1(2), **Sch. 1 para. 10(6)**; 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\(4\)\(b\)](#)