

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Text with EEA relevance)

[<sup>X1</sup>PART THREE

**CAPITAL REQUIREMENTS**

[<sup>X1</sup>TITLE I

**GENERAL REQUIREMENTS, VALUATION AND REPORTING**

CHAPTER 1

**Required level of own funds**

Section 1

**Own funds requirements for institutions**

*Article 92*

**Own funds requirements**

1 Subject to Articles 93 and 94, institutions shall at all times satisfy the following own funds requirements:

- a a Common Equity Tier 1 capital ratio of 4,5 %;
- b a Tier 1 capital ratio of 6 %;
- c a total capital ratio of 8 %.

2 Institutions shall calculate their capital ratios as follows:

- a the Common Equity Tier 1 capital ratio is the Common Equity Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;
- b the Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;
- c the total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount.

3 Total risk exposure amount shall be calculated as the sum of points (a) to (f) of this paragraph after taking into account the provisions laid down in paragraph 4:

- a the risk-weighted exposure amounts for credit risk and dilution risk, calculated in accordance with [<sup>F1</sup>Title II and Article 379 of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook], in respect of all the business activities of an institution, excluding risk-weighted exposure amounts from the trading book business of the institution;

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- b [<sup>F2</sup>the own funds requirements for the trading-book business of an institution for the following—
    - (i) market risk as determined in accordance with Title IV of this Part<sup>F3</sup>...;
    - (ii) large exposures exceeding the limits specified in Articles 395 to 401, to the extent that an institution is permitted to exceed those limits, as determined in accordance with [<sup>F4</sup>the Large Exposures (CRR) Part of the PRA Rulebook];
  - c the own funds requirements for market risk as determined in accordance with Title IV of this Part<sup>F5</sup>... for all business activities that are subject to foreign exchange risk or commodity risk;
  - ca the own funds requirements for settlement risk calculated in accordance with Title V of this Part, with the exception of Article 379;]
  - d the own funds requirements calculated in accordance with Title VI for credit valuation adjustment risk of OTC derivative instruments other than credit derivatives recognised to reduce risk-weighted exposure amounts for credit risk;
  - e the own funds requirements determined in accordance with Title III for operational risk;
  - f the risk-weighted exposure amounts determined in accordance with Title II [<sup>F6</sup>and Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook] for counterparty risk arising from the trading book business of the institution for the following types of transactions and agreements:
    - (i) contracts listed in Annex II and credit derivatives;
    - (ii) repurchase transactions, securities or commodities lending or borrowing transactions based on securities or commodities;
    - (iii) margin lending transactions based on securities or commodities;
    - (iv) long settlement transactions.
- 4 The following provisions shall apply in the calculation of the total risk exposure amount referred to in paragraph 3:
- a the own funds requirements referred to in points (c), (d) and (e) of that paragraph shall include those arising from all the business activities of an institution;
  - b institutions shall multiply the own funds requirements set out in points (b) to (e) of that paragraph by 12,5.

#### Textual Amendments

- F1** Words in Art. 92(3)(a) substituted (1.1.2022) by The Financial Services Act 2021 (Prudential Regulation of Credit Institutions and Investment Firms) (Consequential Amendments and Miscellaneous Provisions) Regulations 2021 (S.I. 2021/1376), regs. 1(3), **25(14)(a)**
- F2** Art. 92(3)(b)-(ca) substituted for Art. 92(3)(b)(c) (1.1.2022) by Financial Services Act 2021 (c. 22), s. 49(5), **Sch. 4 para. 3**; S.I. 2021/671, reg. 5(1)(c) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)
- F3** Words in Art. 92(3)(b)(i) omitted (1.1.2022) by virtue of The Financial Services Act 2021 (Prudential Regulation of Credit Institutions and Investment Firms) (Consequential Amendments and Miscellaneous Provisions) Regulations 2021 (S.I. 2021/1376), regs. 1(3), **25(14)(b)**
- F4** Words in Art. 92(3)(b)(ii) substituted (1.1.2022) by The Financial Services Act 2021 (Prudential Regulation of Credit Institutions and Investment Firms) (Consequential Amendments and Miscellaneous Provisions) Regulations 2021 (S.I. 2021/1376), regs. 1(3), **25(14)(c)**

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- F5** Words in Art. 92(3)(c) omitted (1.1.2022) by virtue of The Financial Services Act 2021 (Prudential Regulation of Credit Institutions and Investment Firms) (Consequential Amendments and Miscellaneous Provisions) Regulations 2021 (S.I. 2021/1376), regs. 1(3), **25(14)(d)**
- F6** Words in Art. 92(3)(f) inserted (1.1.2022) by The Financial Services Act 2021 (Prudential Regulation of Credit Institutions and Investment Firms) (Consequential Amendments and Miscellaneous Provisions) Regulations 2021 (S.I. 2021/1376), regs. 1(3), **25(14)(e)**

## <sup>F7</sup> Article 92a

### Requirements for own funds and eligible liabilities for G-SIIs

1 Subject to Articles 93 and 94 and to the exceptions set out in paragraph 2 of this Article, institutions identified as resolution entities and that are a G-SII or part of a G-SII shall at all times satisfy the following requirements for own funds and eligible liabilities:

- a a risk-based ratio of 18 %, representing the own funds and eligible liabilities of the institution expressed as a percentage of the total risk exposure amount calculated in accordance with Article 92(3) and (4);
- b a non-risk-based ratio of 6,75 %, representing the own funds and eligible liabilities of the institution expressed as a percentage of the total exposure measure referred to in Article 429(4).

2 The requirements laid down in paragraph 1 shall not apply in the following cases:

- a within the three years following the date on which the institution or the group of which the institution is part has been identified as a G-SII;
- b within the two years following the date on which the resolution authority has applied the bail-in tool in accordance with [<sup>F8</sup>section 48B of the Banking Act 2009];
- c within the two years following the date on which the resolution entity has put in place an alternative private sector measure <sup>F9</sup>... by which capital instruments and other liabilities have been written down or converted into Common Equity Tier 1 items in order to recapitalise the resolution entity without the application of resolution tools.

<sup>F10</sup> 3 .....

#### Textual Amendments

- F7** Inserted by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (Text with EEA relevance).
- F8** Words in Art. 92a(2)(b) substituted (31.12.2020) by The Capital Requirements (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1232), regs. 1(3), **32(2)(a)**; 2020 c. 1, Sch. 5 para. 1(1)
- F9** Words in Art. 92a(2)(c) omitted (31.12.2020) by virtue of The Capital Requirements (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1232), regs. 1(3), **32(2)(b)**; 2020 c. 1, Sch. 5 para. 1(1)
- F10** Art. 92a(3) omitted (31.12.2020) by virtue of The Capital Requirements (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1232), regs. 1(3), **32(3)**; 2020 c. 1, Sch. 5 para. 1(1)

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## Article 92b

### Requirement for own funds and eligible liabilities for <sup>F11</sup>non-UK] G-SIIs

1 Institutions that are material subsidiaries of <sup>F12</sup>non-UK] G-SIIs and that are not resolution entities shall at all times satisfy requirements for own funds and eligible liabilities equal to 90 % of the requirements for own funds and eligible liabilities laid down in Article 92a.

2 For the purpose of complying with paragraph 1, Additional Tier 1, Tier 2 and eligible liabilities instruments shall only be taken into account where those instruments are owned by the ultimate parent undertaking of the <sup>F12</sup>non-UK] G-SII and have been issued directly or indirectly through other entities within the same group, provided that all such entities are established in the same third country as that ultimate parent undertaking or <sup>F13</sup>in the United Kingdom].

3 An eligible liabilities instrument shall only be taken into account for the purpose of complying with paragraph 1 where it fulfils all the following additional conditions:

- a in the event of normal insolvency proceedings <sup>F14</sup>as defined in section 3(1) of the Banking Act 2009], the claim resulting from the liability ranks below claims resulting from liabilities that do not fulfil the conditions set out in paragraph 2 of this Article and that do not qualify as own funds;
- b it is subject to the write-down or conversion powers <sup>F15</sup>under sections 6A or 81AA of the Banking Act 2009].]

#### Textual Amendments

- F7** Inserted by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (Text with EEA relevance).
- F11** Word in Art. 92b heading substituted (31.12.2020) by The Capital Requirements (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1232), regs. 1(3), **33(2)**; 2020 c. 1, Sch. 5 para. 1(1)
- F12** Word in Art. 92b substituted (31.12.2020) by The Capital Requirements (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1232), regs. 1(3), **33(3)**; 2020 c. 1, Sch. 5 para. 1(1)
- F13** Words in Art. 92b(2) substituted (31.12.2020) by The Capital Requirements (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1232), regs. 1(3), **33(4)**; 2020 c. 1, Sch. 5 para. 1(1)
- F14** Words in Art. 92b(3)(a) substituted (31.12.2020) by The Capital Requirements (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1232), regs. 1(3), **33(5)(a)**; 2020 c. 1, Sch. 5 para. 1(1)
- F15** Words in Art. 92b(3)(b) substituted (31.12.2020) by The Capital Requirements (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1232), regs. 1(3), **33(5)(b)**; 2020 c. 1, Sch. 5 para. 1(1)

## Article 93

### Initial capital requirement on going concern

1 The own funds of an institution may not fall below the amount of initial capital required at the time of its authorisation.

2 Credit institutions that were already in existence on 1 January 1993 , the amount of own funds of which do not attain the amount of initial capital required may continue to carry out

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their activities. In that event, the amount of own funds of those institutions may not fall below the highest level reached with effect from 22 December 1989.

<sup>F16</sup> 3 .....

4 Where control of an institution falling within the category referred to in paragraph 2 <sup>F17</sup> ... is taken by a natural or legal person other than the person who controlled the institution previously, the amount of own funds of that institution shall attain the amount of initial capital required.

5 Where there is a merger of two or more institutions falling within the category referred to in paragraph 2 <sup>F18</sup> ..., the amount of own funds of the institution resulting from the merger shall not fall below the total own funds of the merged institutions at the time of the merger, as long as the amount of initial capital required has not been attained.

6 Where competent authorities consider it necessary to ensure the solvency of an institution that the requirement laid down in paragraph 1 is met, the provisions laid down in paragraphs [<sup>F19</sup>2, 4 and 5] shall not apply.

#### Textual Amendments

- F16** Art. 93(3) omitted (1.1.2022) by virtue of [Financial Services Act 2021 \(c. 22\)](#), s. 49(5), **Sch. 1 para. 16(a)**; S.I. 2021/671, reg. 5(1)(b) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)
- F17** Words in Art. 93(4) omitted (1.1.2022) by virtue of [Financial Services Act 2021 \(c. 22\)](#), s. 49(5), **Sch. 1 para. 16(b)**; S.I. 2021/671, reg. 5(1)(b) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)
- F18** Words in Art. 93(5) omitted (1.1.2022) by virtue of [Financial Services Act 2021 \(c. 22\)](#), s. 49(5), **Sch. 1 para. 16(b)**; S.I. 2021/671, reg. 5(1)(b) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)
- F19** Words in Art. 93(6) substituted (1.1.2022) by [Financial Services Act 2021 \(c. 22\)](#), s. 49(5), **Sch. 1 para. 16(c)**; S.I. 2021/671, reg. 5(1)(b) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

#### <sup>F20</sup> Article 94

### Derogation for small trading book business

#### Textual Amendments

- F20** Art. 94 omitted (1.1.2022) by virtue of [The Capital Requirements Regulation \(Amendment\) Regulations 2021 \(S.I. 2021/1078\)](#), regs. 1(1), **6(2)(a)**

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## Section 2

### **Own funds requirements for investment firms with limited authorisation to provide investment services]**

#### *F21 Article 95*

### **Own funds requirements for investment firms with limited authorisation to provide investment services**

#### **Textual Amendments**

- F21** Art. 95 omitted (1.1.2022) by virtue of [Financial Services Act 2021 \(c. 22\)](#), s. 49(5), **Sch. 1 para. 17**; S.I. 2021/671, reg. 5(1)(b) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

#### *F23 Article 96*

### **[<sup>F22</sup>Own funds requirements for IFPRU 730K firms]**

#### **Textual Amendments**

- F22** Art. 96 heading substituted (31.12.2020) by [The Capital Requirements \(Amendment\) \(EU Exit\) Regulations 2018 \(S.I. 2018/1401\)](#), regs. 1(3), **104(a)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F23** Art. 96 omitted (1.1.2022) by virtue of [Financial Services Act 2021 \(c. 22\)](#), s. 49(5), **Sch. 1 para. 18**; S.I. 2021/671, reg. 5(1)(b) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

#### *F24 Article 97*

### **Own Funds based on Fixed Overheads**

#### **Textual Amendments**

- F24** Art. 97 omitted (1.1.2022) by virtue of [Financial Services Act 2021 \(c. 22\)](#), s. 49(5), **Sch. 1 para. 19**; S.I. 2021/671, reg. 5(1)(b) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

#### *F25 Article 98*

### **Own funds for investment firms on a consolidated basis**

#### **Textual Amendments**

- F25** Art. 98 omitted (1.1.2022) by virtue of [Financial Services Act 2021 \(c. 22\)](#), s. 49(5), **Sch. 1 para. 20**; S.I. 2021/671, reg. 5(1)(b) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

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<sup>F26</sup>CHAPTER 2

**Calculation and reporting requirements**

*Article 99*

**Reporting on own funds requirements and financial information**

.....

*Article 100*

**Additional reporting requirements**

.....

*Article 101*

**Specific reporting obligations**

.....

**Textual Amendments**

**F26** Pt. 3 Title 1 Ch. 2 omitted (1.1.2022) by virtue of [The Capital Requirements Regulation \(Amendment\) Regulations 2021 \(S.I. 2021/1078\)](#), regs. 1(1), **6(2)(b)**

<sup>F27</sup>CHAPTER 3

**Trading book**

*Article 102*

**Requirements for the trading book**

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*Article 103*

**Management of the trading book**

.....

*Article 104*

**Inclusion in the trading book**

.....

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*Article 104b*

**Requirements for trading desk**

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*Article 105*

**Requirements for prudent valuation**

.....

*Article 106*

**Internal Hedges**

.....

**Textual Amendments**

- F27** Pt. 3 Title 1 Ch. 3 omitted (1.1.2022) by virtue of [The Capital Requirements Regulation \(Amendment\) Regulations 2021 \(S.I. 2021/1078\)](#), regs. 1(1), **6(2)(c)**

**Editorial Information**

- X1** Substituted by [Corrigendum to Regulation \(EU\) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation \(EU\) No 648/2012 \(OJ L 176, 27.6.2013, p. 1\)](#).



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