

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)

PART THREE

**CAPITAL REQUIREMENTS**

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 Title II and Article 379, in respect of all the business activities of an institution, excluding risk weighted exposure amounts from the trading book business of the institution;
  - b the own funds requirements, determined in accordance with Title IV of this Part or Part Four, as applicable, for the trading-book business of an institution, for the following:

*Status: Point in time view as at 26/06/2013.*

*Changes to legislation: There are currently no known outstanding effects for the Regulation (EU) No 575/2013 of the European Parliament and of the Council, Section 1. (See end of Document for details)*

- (i) position risk;
  - (ii) large exposures exceeding the limits specified in Articles 395 to 401, to the extent an institution is permitted to exceed those limits;
  - c the own funds requirements determined in accordance with Title IV or Title V with the exception of Article 379, as applicable, for the following:
    - (i) foreign-exchange risk;
    - (ii) settlement risk;
    - (iii) commodities risk;
  - 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 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 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.

### *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 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.

3 Authorised investment firms and firms that were covered by Article 6 of Directive 2006/49/EC which were in existence before 31 December 1995, the amount of own funds of which do not attain the amount of initial capital required may continue to carry out their activities. The own funds of such firms or investment firms shall not fall below the highest reference level calculated after the date of notification contained in Council Directive 93/6/EEC of 15 March 1993 on the capital adequacy of investment firms and credit institutions<sup>(1)</sup>.

---

*Status: Point in time view as at 26/06/2013.*

*Changes to legislation: There are currently no known outstanding effects for the Regulation (EU) No 575/2013 of the European Parliament and of the Council, Section 1. (See end of Document for details)*

---

That reference level shall be the average daily level of own funds calculated over a six month period preceding the date of calculation. It shall be calculated every six months in respect of the corresponding preceding period.

4 Where control of an institution falling within the category referred to in paragraph 2 or 3 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 or 3, 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 2 to 5 shall not apply.

#### *Article 94*

#### **Derogation for small trading book business**

1 Institutions may replace the capital requirement referred to in point (b) of Article 92(3) by a capital requirement calculated in accordance with point (a) of that paragraph in respect of their trading-book business, provided that the size of their on- and off-balance sheet trading-book business meets both the following conditions:

- a is normally less than 5 % of the total assets and EUR 15 million;
- b never exceeds 6 % of total assets and EUR 20 million.

2 In calculating the size of on- and off-balance sheet business, institutions shall apply the following:

- a debt instruments shall be valued at their market prices or their nominal values, equities at their market prices and derivatives according to the nominal or market values of the instruments underlying them;
- b the absolute value of long positions shall be summed with the absolute value of short positions.

3 Where an institution fails to meet the condition in point (b) of paragraph 1 it shall immediately notify the competent authority. If, following assessment by the competent authority, the competent authority determines and notifies the institution that the requirement in point (a) of paragraph 1 is not met, the institution shall cease to make use of paragraph 1 from the next reporting date.

---

**Status:** Point in time view as at 26/06/2013.

**Changes to legislation:** There are currently no known outstanding effects for the Regulation (EU) No 575/2013 of the European Parliament and of the Council, Section 1. (See end of Document for details)

---

- (1) OJ L 141, 11.6.1993, p. 1.

**Status:**

Point in time view as at 26/06/2013.

**Changes to legislation:**

There are currently no known outstanding effects for the Regulation (EU) No 575/2013 of the European Parliament and of the Council, Section 1.