
STATUTORY INSTRUMENTS

2013 No. 3115

The Capital Requirements Regulations 2013

PART 7

Exercise of supervision by the PRA and FCA

Supervisory powers: own funds

34.—(1) The PRA and FCA must require an institution to hold own funds in excess of—

- (a) the requirements of Chapter 4 of Title 7 of the capital requirements directive; and
- (b) the requirements of the capital requirements regulation relating to risks or elements of risks not covered by Article 1 of the capital requirements regulation;

in the circumstances mentioned in paragraph (2).

(2) The circumstances referred to in paragraph (1) are—

- (a) an institution does not meet the requirements set out in Articles 73 and 74 of the capital requirements directive or in Article 393 of the capital requirements regulation;
- (b) risks or elements of risks are not covered by the own funds requirements set out in Chapter 4 of Title 7 of the capital requirements directive or in the capital requirements regulation;
- (c) the sole application of other administrative measures is unlikely to improve the institution's arrangements, processes, mechanisms and strategies sufficiently within an appropriate timeframe;
- (d) the review referred to in Article 98(4) or Article 101(4) of the capital requirements directive reveals that non-compliance with the requirements for the application of the respective approach will likely lead to inadequate own funds requirements;
- (e) the risks are likely to be underestimated despite compliance with the applicable requirements of the capital requirements directive or capital requirements regulation; or
- (f) an institution reports to the competent authority in accordance with Article 377(5) of the capital requirements regulation that the stress test results referred to in that Article materially exceed its own funds requirement for the correlation trading portfolio.

(3) For the purposes of determining the appropriate level of own funds on the basis of the review and evaluation carried out in accordance with Section 3 of Chapter 2 of Title 7 to the capital requirements directive, the PRA and FCA must assess whether any imposition of an additional own funds requirement in excess of the own funds requirement is necessary to capture risks to which an institution is or might be exposed, taking into account the following:

- (a) the quantitative and qualitative aspects of the institution's assessment process referred to in Article 73 of the capital requirements directive;
- (b) the institution's arrangements, processes and mechanisms referred to in Article 74 of the capital requirements directive;
- (c) the outcome of the review and evaluation carried out in accordance with Article 97 or 101 of the capital requirements directive; and

(d) the assessment of systemic risk.