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News release

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Statement by the Bank of England and Prudential Regulation Authority on resolution measures and Covid-19

The Bank of England (Bank) and the Prudential Regulation Authority (PRA) have today announced changes to resolution measures aimed at alleviating operational burdens on PRA-regulated firms (firms) in response to the Covid-19 outbreak. The Bank has also provided an update for firms on the Minimum Requirement for Own Funds and Eligible Liabilities (MREL).

These announcements follow previous statements by the Bank and PRA setting out measures aimed at alleviating operational burdens on firms. The Bank and PRA are focused on ensuring that firms can play their part in supporting the UK economy to respond to the significant impact of Covid-19.

Resolvability Assessment Framework

The dates for the major UK banks and building societies to submit their first reports on their preparations for resolution and publicly disclose a summary of these reports have been extended by a year.

These firms will now be required to submit their first reports to the PRA by October 2021 and make public disclosures by June 2022. The Bank will also make its first public statement on these firms' resolvability by June 2022.

The decision to extend these deadlines has been taken to alleviate operational burdens on firms and ensure firms' senior management are able to engage fully in the RAF report submission and disclosure process. This is consistent with the intention of the RAF that firms take responsibility for their resolvability. Resolvability continues to be a strategic priority for the Bank and PRA and we will work with firms to ensure progress continues to be made.

The PRA intends to consult in due course on changes to its Resolution Assessment Rules.

Valuation in Resolution

To provide flexibility to firms' core operational teams, the compliance deadline for the Bank's Statement of Policy on valuation capabilities to support resolvability has been extended by three months to 1 April 2021. The deadline for firms to implement the Bank's other Statements of Policy relevant to resolvability remains 1 January 2022.

Resolution plan reporting

The Bank and PRA have taken steps to reduce the immediate operational burden of resolution plan reporting. Firms will not be required to submit certain resolution pack information under PRA Supervisory Statement SS19/13 'Resolution Planning' until the end of 2022, unless notified otherwise on an individual basis by the PRA. This is an extension to the existing delay to resolution pack submissions that had been due to expire at the end of 2020 and now applies to a wider range of firms. More information is available here.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

2021 MRELs will reflect the PRA's policy changes to Pillar 2A capital setting announced today. The Bank will also continue to keep MRELs under review and monitor market developments carefully in Q3 of this year to inform its approach in Q4 2020 to setting January 2021 MRELs and indicative January 2022 MRELs. In addition, the Bank is clarifying today that, in line with its current policy, the Bank intends to exercise its discretion with respect to the transition time firms are given to meet higher MRELs. Firms not currently subject to a leverage-based capital requirement, but which subsequently become subject to one, will be given at least 36 months after that requirement takes effect to meet the higher MREL resulting from it.

Notes to editors

1. For further details on the RAF see here - The Bank of England's approach to assessing resolvability.

2. The major UK banks and building societies for the purposes of the Resolution Assessment Rules are Barclays, HSBC, Lloyds Banking Group, Nationwide, The Royal Bank of Scotland, Santander UK, Standard Chartered and Virgin Money UK. These firms are eligible for a Modification By Consent to Rules 3.1(1) and 4.1(1) of the Resolution Assessment Part of the PRA Rulebook, available on the Waivers and Modification of rules page.

3. Firms should also take note of the statement made by the PRA on 2 April 2020 regarding amendments to regulatory reporting and disclosure. Following the European Banking Authority's statement on supervisory reporting and Pillar 3 disclosures in light of COVID-19, published on 31 March 2020, resolution plan reporting due to be submitted by 30 April 2020 may be delayed by up to one month. This delay does not, however, relate to information on institutions' liability structure, including intra-group financial connections that is required as part of reporting for resolution planning purposes.

4. Further details regarding re-prioritisation to the PRA's work announced by the Prudential Regulation Committee and the Financial Policy Committee are available here.

5. Further details on the UK's regulatory pipeline can be found on the Regulatory Initiatives Grid published by the Financial Services Regulatory Initiatives Forum. The Grid sets out the planned regulatory workplan over the next twelve months. It will help firms understand – and plan for – the timing of the initiatives that may have a significant operational impact on them.