

PRA STANDARDS INSTRUMENT: THE TECHNICAL STANDARDS (SPECIFICATION OF THE METHODOLOGY FOR THE IDENTIFICATION OF G-SIIS) INSTRUMENT 2023

Powers exercised

- A. The PRA makes this instrument in the exercise of powers under section 138P (Technical standards) of the Act. In accordance with section 138P(2)(b) of the Act, this power includes power to modify or amend any EU tertiary legislation made by an EU entity under a power of that entity to make EU tertiary legislation which forms part of retained EU law under the EUWA. The UKTS forms such tertiary retained EU legislation.
- B. For the purposes of section 138P(1) of the Act, the power of the PRA to define, by means of technical standards, the identification methodology for G-SIIs derives from regulation 23(2) of the Regulations and article 464B(3) of the CRR.
- C. The powers referred to above are specified for the purpose of section 138Q(2) (Standards instruments) of the Act.

Interpretation

- D. In this instrument, any reference to any provision of direct EU legislation is a reference to it as it forms part of retained EU law.

- E. In this instrument:-

“G-SII” has the meaning given it in regulation 2 of the Regulations;

“PRA” means the Prudential Regulation Authority;

“retained EU law” has the meaning given it in section 6 of the EUWA;

“the Act” means the Financial Services and Markets Act 2000;

“the CRR” means 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);

“the EUWA” means the European Union (Withdrawal) Act 2018;

“the Regulations” means the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014; and

“the UKTS” means Commission Delegated Regulation (EU) No 1222/2014 of 8 October 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards for the specification of the methodology for the identification of global systemically important institutions and for the definition of subcategories of global systemically important institutions (OJ L330, 15.11.2014, p.27).

Modifications to the UKTS

- F. The PRA makes the modifications to the UKTS in the Annex to this instrument.

Commencement

- G. This instrument comes into force on 31 October 2023.

Citation

H. This instrument may be cited as the PRA Standards Instrument: The Technical Standards (Specification of the methodology for the identification of G-SIIs) Instrument 2023.

By order of the Prudential Regulation Committee

17 October 2023.

MODIFICATIONS TO THE UKTS

1. In this Annex, new text is underlined and deleted text is struck through.
 2. The UKTS is modified as follows:
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Article 5

Identification as G-SII, determination of the scores and allocation to subcategories

1. The indicator values shall be based on reported data of the relevant entity of the preceding financial year-end, on a consolidated basis, and for banks authorised in third countries on data disclosed in accordance with internationally agreed standards. The relevant authority may use indicator values of relevant entities whose financial year-end is 30 June based on their position on 31 December.
- 1a. By way of derogation from paragraph 1, the indicator values referred to in Article 6(1), Article 6(2), points (a), (b), and (c), and Article 6(4), points (a) and (b), shall include insurance subsidiaries.
2. The relevant authority shall determine the score of each relevant entity of the sample as the simple average of the category scores subject to a maximum category score of 500 base points for the category measuring the substitutability. ~~Each category score shall be calculated as the simple average of the values resulting from dividing each of the indicator values of that category by the denominator of the indicator computed in accordance with Article 3(3).~~

For the categories other than the category measuring the substitutability of the services and of the financial infrastructure provided by the group, the category shall be calculated as the simple average of the values resulting from dividing each of the indicator values of that category by the denominator of the indicator computed in accordance with Article 3(3).

For the category measuring the substitutability of the services and of the financial infrastructure, the category score shall be calculated by giving the indicator values the following weights within the category:

- (a) the indicator for assets under custody as referred to in Article 6(3), point (a): one third;
- (b) the indicator for payments activity as referred to in Article 6(3), point (b): one third;
- (c) the indicator for underwritten transactions in debt and equity markets as referred to in Article 6(3), point (c): one sixth;
- (d) the indicator for trading volume as referred to in Article 6(3), point (d): one sixth.

The scores shall be expressed in base points and shall be rounded to the nearest whole base point.

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Article 6

Indicators

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3. The category measuring the substitutability of the services or of the financial infrastructure provided by the group shall consist of all of the following indicators:
 - (a) assets under custody;
 - (b) payments activity;
 - (c) underwritten transactions in debt and equity markets;
 - (d) trading volume.

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Article 7

Transitional provisions

~~By way of derogation from the first subparagraph of Article 3(1), the EBA shall determine the sample to identify a relevant entity as a G-SII for the year 2014 by 14 January 2015. The relevant authorities shall report the indicator values regarding relevant entities within that sample based on data for financial year-ends prior to July 2014 to the EBA, by 21 January 2015. Based on those indicator values, the EBA shall calculate the denominators for the year 2014 by 30 January 2015. The relevant authorities shall determine, on the basis of those denominators, the scores for the relevant entities for the year 2014. They shall also identify G-SIIs and allocate them to subcategories. Concurrently, the relevant authority shall notify the identified G-SIIs to the Commission, the ESRB and EBA and publish their names together with their scores for the year 2014 by 28 February 2015.~~