BSA Response to CP8/24 Definition of capital

Restatement of CRR

December 2024

Building Societies Association

Summary

The Building Societies Association (BSA) represents all 42 UK building societies, as well as 7 credit unions. Building societies have total assets of almost £525 billion and together with their subsidiaries, hold residential mortgages of over £395 billion, 24% of the total outstanding in the UK. They also hold £399 billion of retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for 40% of all cash ISA balances. They employ around 52,300 full and part-time staff and operate through approximately 1,300 branches, a 30% share of branches across the UK.

The BSA welcomes the opportunity to comment on the proposals in CP8/24. As a general principle, the BSA supports the transfer of rules that were previously part of the Capital Requirements Regulation (CRR) into the PRA Rulebook. We believe it is appropriate and pragmatic for the detailed rules to be under the control of the PRA. This allows for the timely updating of the rules to keep pace with market developments, with the safeguards of open consultation and cost-benefit-analysis for any changes. The BSA continues to work with the PRA by responding to consultations and participating in other industry outreach. We encourage the PRA to look for opportunities to make refinements at the same time as bringing the rules into the PRA Rulebook, both in terms of substance and improving proportionality where appropriate, but also in terms of reducing ambiguity and improving the readability of the requirements. As such, we welcome that the proposals in CP8/24 generally introduce more proportionality into the requirements for capital instruments. We request that other areas of the Bank of England such as the Resolution Directorate also review their requirements for MREL instruments to ensure they mirror, where appropriate, the pragmatic and proportionate proposals being set out in CP8/24.

Proposal 1: general approach

As set out above, the BSA supports the general approach as proposed.

Proposal 2: proportionality in the PIN regime

The BSA supports the proposals to introduce more proportionality into the PIN regime. While building societies do not issue ordinary shares, they do issue CET1 instruments (in the form of CCDS) and AT1 instruments.

Proposal 3: inclusion of interim profits in CET1

The BSA supports the proposals to remove the requirement to obtain permission from the PRA prior to including interim profits in CET1 capital resources. We agree with the PRA’s view that the requirement for independent verification is sufficient assurance to mitigate the risks of mis-statement.

Proposal 4: reduction of AT1 and Tier 2 instruments

The BSA supports the proposals to widen the range of, and clarify in more detail, potential circumstances under which a firm can apply to the PRA to repurchase AT1 and Tier 2 instruments within five years of issuance.

Proposal 5: clarify the regulatory capital implications of non-CET1 shares

The BSA is not commenting on this proposal as we do not believe it is relevant for building societies.

Proposal 6: require PRA permission for additional forms of capital reduction

The BSA agrees with the PRA's proposal to move this requirement from the supervisory statement into the PRA Rulebook.

Proposal 7: permit the terms governing CET1 instruments to reflect the possibility of a future capital reduction

The BSA supports the proposals.

Proposal 8: amend SS7/13 to facilitate other proposals

The BSA supports the updates to SS7/13.

Proposal 9: set out the criteria for own funds-related permissions in a policy statement

The BSA supports the PRA setting out criteria in a Statement of Policy.

By Ruth Doubleday
Head of Prudential Regulation

York House
23 Kingsway
London WC2B 6UJ

020 7520 5900
@BSABuildingSocs
www.bsa.org.uk

www.bsa.org.uk

The Building Societies Association (BSA) is the voice of the UK's building societies and also represents a number of credit unions.

We fulfil two key roles. We provide our members with information to help them run their businesses. We also represent their interests to audiences including the Financial Conduct Authority, Prudential Regulation Authority and other regulators, the Government and Parliament, the Bank of England, the media and other opinion formers, and the general public.

Our members have total assets of almost £525 billion, and account for 24% of the UK mortgage market and 19% of the UK savings market.