BANK OF ENGLAND

Resolution

Statement of Policy

The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)

December 2021 (updating June 2018)

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This document contains the Bank of England's policy for exercising its power to direct relevant persons to maintain a minimum requirement for own funds and eligible liabilities (MREL) under section 3A(4) and (4B) of the Banking Act 2009.

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Statement of Policy: The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities

1 Background and statutory framework

1.1 This Statement of Policy is issued by the Bank of England (the Bank), as UK resolution authority, under section 3B (9) of the Banking Act 2009 as amended (the Banking Act). The Statement of Policy sets out how the Bank expects to use its power to direct a 'relevant person' to maintain a minimum requirement for own funds and eligible liabilities (MREL).

1.2 A 'relevant person' means:

(a) an institution[1] authorised for the purpose of the Financial Services and Markets Act 2000 (FSMA) by the Prudential Regulation Authority (PRA) or Financial Conduct Authority (FCA);[2]

(b) a parent of such an institution which (i) is a financial holding company or a mixed financial holding company; and (ii) is established in, or formed under the law of any part of, the United Kingdom; or

(c) a subsidiary of such an institution or of such a parent which (i) is a financial institution[3] authorised by the PRA or FCA; and (ii) is established in, or formed under the law of any part of, the United Kingdom.

1.3 The Bank is required to set MREL for all institutions. MREL must be set on both an individual institution and group consolidated basis. The Bank may set MREL for certain types of other relevant persons in an institution's group, specifically those entities listed under (b) and (c) above. As required by the Bank Recovery and Resolution (No.2) Order 2014 (the No.

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1 In this Statement of Policy, the term 'institution' means UK-incorporated banks, UK-incorporated building societies and investment firms in scope of the UK's special resolution regime pursuant to section 258A of the Banking Act. From 1 January 2022, subject to Parliamentary approval of The Financial Services Act 2021 (Prudential Regulation of Credit Institutions and Investment Firms) (Consequential Amendments and Miscellaneous Provisions) Regulations 2021, investment firms which are regulated only by the Financial Conduct Authority will be removed from the provisions related to the special resolution regime set out in the Banking Act.
References in this Statement of Policy to an 'institution' shall, in general and unless otherwise stated, be taken to also include 'relevant persons'.

2 The PRA and FCA are the UK competent authorities. According to article 2 of the No. 2 Order 'competent authority' means the supervisor of an authorised person under FSMA.

3 The term 'financial institution' has the meaning given by article 4 (1) (26) of Regulation 575/2013/EU as it forms part of retained EU law.

2 Order), the Bank will use its power of direction pursuant to section 3A (4) and (4B) of the Banking Act to set MREL, in consultation with the PRA or FCA. References in this Statement of Policy to a 'group' means any group comprising one or more entities referred to in paragraph 1.2 above, whether established and authorised in the United Kingdom or elsewhere.

1.4 MREL must be set in line with the provisions of the No. 2 Order and the retained EU law version of the European Commission Delegated Regulation (EU) 2016/1450, referred to as the MREL UK Technical Standards or MREL UKTS. The Bank will also consider the Financial Stability Board's total loss-absorbing capacity (TLAC) standard (FSB TLAC standard) when setting MREL.

1.5 The No. 2 Order requires the Bank to set MREL on the basis of the following criteria, which are further specified in the MREL UKTS:[1]

(a) the need to ensure that the institution can be resolved by the application of the stabilisation powers including, where appropriate, by making special bail-in provision within the meaning of section 48B of the Banking Act 2009, in a way that meets the special resolution objectives set out in section 4 of the Banking Act (resolution objectives);

(b) the need to ensure, in appropriate cases, that the institution has sufficient eligible liabilities to ensure that, if mandatory reduction provision within the meaning of section 6B of the Banking Act or special bail-in provision were made, losses could be absorbed and the capital ratio and, as applicable, the leverage ratio of the institution could be restored to a level necessary to enable it to continue to comply with the conditions for authorisation under Part 4A of the Financial Services and Markets Act 2000 (FSMA), to continue to carry out the activities for which it is authorised and to sustain sufficient market confidence in the institution or entity;

(c) the need to ensure that, if the resolution plan anticipates that certain classes of eligible liabilities might be excluded from bail-in under section 48B(10) of the Banking Act or that certain classes of eligible liabilities might be transferred to a recipient in full under a partial transfer, the institution has sufficient other eligible liabilities to ensure that losses could be absorbed and the capital ratio and, as applicable, the leverage ratio of the institution could be restored to a level necessary to enable it to continue to comply with the conditions for authorisation and to continue to carry out the activities for which it is authorised;

(d) the size, the business model, the funding model and the risk profile of the institution;

(e) the extent to which the failure of the institution would have adverse effects on financial stability, including due to its interconnectedness with other institutions or with the rest of the financial system, through contagion to other institutions.

1 In accordance with the MREL UKTS, the Bank may reduce MREL to take account of the amount which the UK deposit guarantee scheme is expected to contribute to the financing of the preferred resolution strategy.

1.6 MREL is an institution-specific requirement, and the Bank will set MREL with the goal that individual institutions and groups can be resolved consistently with the resolution objectives under a preferred resolution strategy. This Statement of Policy describes the general framework the Bank will use when setting MREL, but is not definitive of any given relevant person's MREL.

Interaction of MREL and the capital framework

1.7 The PRA has published a supervisory statement on the interaction of MREL and the capital framework.[1] The statement sets out the PRA's approach to:

(a) the interaction of MREL and the capital framework; and

(b) the interaction of MREL and the PRA Threshold Conditions.

1.8 Please consult the PRA's supervisory statement for further details.

1.9 In addition to the requirements set out in this Statement of Policy, UK resolution entities of G-SIBs[2] and material subsidiaries of non-UK G-SIBs are subject to additional requirements set by the retained EU law version of Regulation 575/2013/EU (CRR).[3]

2 Definitions and interpretation

2.1 'Own funds' has the same meaning as in article 4(1)(118) of the CRR.

2.2 'Own funds instruments' has the same meaning as in article 4(1)(119) of the CRR.

2.3 'MREL eligible liabilities' means eligible liabilities as defined in the Banking Act which meet the MREL eligibility criteria set out in this Statement of Policy.

2.4 There are two categories of MREL referred to in this document: 'external MREL' and 'internal MREL'.

2.5 External MREL instruments are issued from a 'resolution entity' in a group, that is to say, the entity that would be subject to the use of resolution powers under the preferred resolution strategy.

2.6 Internal MREL instruments are issued from legal entities in a group that are not themselves resolution entities. They are issued directly or indirectly to the resolution entity in their group.

1 PRA (2020), 'The minimum requirement for own funds and eligible liabilities (MREL) – buffers and Threshold Conditions ', PRA Supervisory Statement 16/16, available at https://www.bankofengland.co.uk/prudential-regulation/publication/2016/the-minimum-requirement-for-own-funds-and-eligible-liabilities-mrel-ss

2 Global systemically important banks (G-SIBs) as identified by the Financial Stability Board in consultation with the Basel Committee on Banking Supervision and national authorities.

3 The retained EU law version of 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.

2.7 In developing the preferred resolution strategies, the Bank will identify the institution within the group (if any) to which the Bank would expect to apply its resolution powers and which would therefore be the UK resolution entity[1] for which 'external MREL' is set.

2.8 The group resolution strategy may either rely upon the use of resolution powers only at the parent of the group — known as a single point of entry (SPE) — or may depend upon resolution powers being used at more than one entity within the group — known as a multiple point of entry (MPE).

2.9 Under SPE, the internal MREL will be issued by other entities in the group to the resolution entity. In resolution, the write-down and/or conversion to equity of internal MREL will always result in the whole banking group remaining together as a group during the resolution, although parts of it may in time be wound down or sold off.

2.10 Under MPE, some of the resolution entities may issue MREL eligible liabilities either externally or alternatively to another entity higher up in the group. Where an MPE resolution entity has issued MREL eligible liabilities externally, the write-down and/or conversion of the instrument may cause the sub-group that it heads to separate from the rest of the banking group as part of the resolution. This is because the holders of the external MREL resources issued by these resolution entities may become the new shareholders of that entity, leading to a change in control.

3 Framework for setting MREL

3.1 This section sets out the framework the Bank uses to inform the calibration of an institution's MREL. Section 4 describes additional adjustments which may be made on the basis of the preferred resolution strategy for an institution, Section 5 describes additional criteria which liabilities must meet in order to qualify as external MREL resources, Section 6 sets out the Bank's principles for setting MRELs within groups, Section 7 describes internal MREL scope and calibration, Section 8 sets out internal MREL instrument eligibility, and Section 9 sets out the Bank's approach to the transition to final (end-state) MRELs, including interim requirements.

3.2 The Bank will communicate to institutions or their parent companies their resolution strategies, the critical functions[2] (if any) that they or their group provide, and their external and internal MREL (if any).

3.3 The No. 2 Order and the MREL UKTS provide the framework for the calibration of MREL. The Bank will set MREL in accordance with this framework. The MREL UKTS uses capital requirements (Pillar 1, Pillar 2A and capital buffer requirements and any applicable leverage ratio requirement) as reference points.

1 Those institutions within a group in respect of which the use of stabilisation powers (other than third country instrument powers) as defined in the Banking Act is envisaged under the preferred resolution strategy.

2 See section 3 (1) of The Banking Act.

3.4 The Bank will calculate an institution's baseline MREL as the sum of two components: a loss absorption amount and a recapitalisation amount.

Loss absorption amount

3.5 The Bank will set the loss absorption amount to cover the losses that would need to be absorbed up to and in resolution. The starting point in the MREL UKTS is that the loss absorption amount will equal an institution's 'capital requirements'[1] (Pillar 1 plus Pillar 2A or, if applicable and higher, the institution's leverage ratio requirement) plus its capital buffers.

3.6 The MREL UKTS gives the Bank the discretion to remove capital buffers from the loss absorption amount if they are deemed not to be relevant to absorbing losses in resolution involving stabilisation powers. The Bank must take into account information received from the PRA or FCA, as the competent authority, relating to the institution's business model, funding model and risk profile.

3.7 In light of the PRA policy on the interaction of MREL and capital buffers, in particular that CET1 cannot be used simultaneously to meet both MREL and capital buffers, the Bank expects to exclude buffers from the loss absorption amount for institutions subject to that policy. This includes those institutions with a modified insolvency resolution strategy, including those for which the FCA is the sole competent authority. Therefore the Bank expects generally to set the loss absorption amount equal to an institution's regulatory capital requirements.[2]

4 Resolution strategies and external MREL

4.1 MREL will be set to ensure that institutions can be resolved in line with the resolution objectives. In particular MREL will be set to enable the preferred resolution strategy for an institution to be effected. This section outlines key factors the Bank will consider when determining the preferred resolution strategy, and how this determination may affect any external MREL that is set for an institution.

4.2 It is important to note that the actual approach taken to resolve an institution will depend on the circumstances at the time of its failure. The preferred resolution strategy may not necessarily be followed if a different approach would better meet the resolution objectives at the time.

Modified insolvency

4.3 The Banking Act provides for a number of modified insolvency regimes for certain institutions (the bank insolvency procedure (BIP), building society insolvency procedure

1 References to 'capital requirements' mean: (i) the amount and quality of own funds the appropriate regulator (PRA or FCA) thinks the institution should maintain at all times under the overall financial adequacy rule (for PRA-authorised persons the Internal Capital Adequacy Assessment 2.1 PRA Rulebook and for FCA-authorised persons IFPRU 2.2.1R of the FCA Handbook) as it applies on a solo or a consolidated level; and (ii) (if applicable) the minimum leverage ratio in Leverage Ratio 3.1 of the PRA Rulebook.

2 As set out in the MREL UKTS, the loss absorption amount may be adjusted in certain circumstances.

(BSIP) and the special administration regime (SAR)).[1] Where an institution can enter one of these modified insolvency regimes at the point of failure, without adversely affecting the achievement of the resolution objectives, the Bank expects to set the recapitalisation component of external MREL at zero. This would mean that an institution's external MREL would be set at a level equal to its capital requirements excluding buffers (Pillar 1 plus Pillar 2A or, if higher, any applicable leverage ratio requirement).

4.4 The Bank will consider a number of factors when determining if it is reasonable to assume that an institution can generally be expected to enter modified insolvency upon failure rather than being resolved using stabilisation powers. Factors indicating that an institution is likely to be able to enter modified insolvency include:

(a) if the institution's failure is unlikely to cause disruption to the wider UK financial system, either directly through the cessation of services it provides or indirectly by negatively affecting confidence in the financial system or similar institutions;

(b) if the institution does not provide significant amounts of transactional banking services or other critical functions, particularly those which depend on continuous access to a service which would not be provided in a modified insolvency. The Bank considers that provision of fewer than around 40,000 to 80,000 transactional bank accounts (accounts from which withdrawals have been made nine or more times within a three-month period) is generally likely to indicate that a modified insolvency would be appropriate.

Partial transfer

4.5 In some cases the Bank may determine that, although modified insolvency would not meet the resolution objectives, an institution could feasibly be resolved without use of the bail-in stabilisation power. Where it is feasible for the critical functions of an institution to be transferred to another entity at the point of the institution's failure, the Bank may determine that use of one or more of the Banking Act's transfer powers is appropriate for the institution.

4.6 Factors indicating that it may be possible to rely on a partial transfer, rather than bail-in, include:

(a) if the institution's business and asset/liability structure are sufficiently simple so as to make rapidly separating and transferring critical functions feasible using the Bank's statutory powers;

(b) if the institution's systems are able to provide the necessary information to support a transfer within the required timeframe;

[1] The special administration regime is set out in the Investment Bank Special Administration Regulations 2011 issued by HM Treasury pursuant to section 233 of the Banking Act.

(c) if some or all of the institution's business, assets and liabilities (particularly those associated with critical functions) are reasonably likely to be attractive to a private sector purchaser; and

(d) if the institution is of a size such that the number of potential purchasers is reasonably high.

4.7 The Bank considers that above around £15 billion-£25 billion in total assets a bail-in strategy is more likely to be appropriate, but will make this assessment on an institution-specific basis.

4.8 Where an institution meets the necessary conditions for a partial transfer resolution strategy to be appropriate, its external MREL will be set taking this into account. The Bank may consider the following principal adjustments to external MREL for such institutions relative to that set to enable a bail-in strategy for institutions that are D-SIBs:

(a) Quantum: the recapitalisation component of external MREL might be reduced to reflect the fact that less than the entire balance sheet of the institution will need to be recapitalised at the point of resolution. For example, to the extent that an institution's critical liabilities[1] represent only a proportion of its total liabilities, the recapitalisation component of external MREL may be reduced to reflect this. The Bank will also consider whether any components of Pillar 2A will cease to be relevant as a result of the transfer.

(b) Subordination: where a partial transfer resolution strategy assumes that only liabilities benefitting from preference in insolvency[2] will be transferred, the Bank may not require MREL resources to be subordinated to senior operating liabilities. This is because the transfer can allow all non-transferred liabilities to receive pari passu treatment in a bank administration procedure. This reduces the risk of breaches of the 'no creditor worse off than insolvency' (NCWO) safeguard which might occur if the bail-in stabilisation power had been applied but exclusions were made for certain senior liabilities.

Bail-in

4.9 The stabilisation power that is most likely to be appropriate for large complex institutions and groups is bail-in. The Bank will consider whether a bail-in strategy is appropriate for institutions and groups with total assets above £15 billion-£25 billion. The Bank's case-by-case assessment will depend on each institution's business model, scale and complexity. The Bank expects UK resolution entities subject to a bail-in strategy to ensure that their MREL resources are subordinated to operating liabilities, using structural subordination except in the case of building societies which may use contractual

1 Those liabilities necessary for the continuity of a critical function.

2 The Insolvency Act 1986 and equivalent provisions in Northern Ireland provides for preferential treatment in insolvency of the part of deposits covered by the FSCS, and secondary preference for uncovered eligible deposits of natural persons and small and medium-sized enterprises as well as deposits that would be eligible deposits of natural persons and small and medium–sized enterprises were they not made through branches located outside the UK.

subordination or statutory subordination.[1] Subordination of MREL resources reduces the risk of breaches of the NCWO safeguard in the event of a bail-in. Further detail is provided in Section 6.

4.10 The Bank expects to direct UK resolution entities in respect of which bail-in is the preferred resolution strategy to comply with the following end-state external MREL, as applicable:

(a) G-SIBs will be required to meet an external MREL equivalent to the higher of:

i. two times the sum of Pillar 1 and Pillar 2A, ie 2x(Pillar 1 plus Pillar 2A); or

ii. the higher of two times the applicable leverage ratio requirement or 6.75% of leverage exposures[2] (in line with the FSB's TLAC standard).[3]

(b) D-SIBs[4] and any other UK bail-in resolution entities will be required to meet an external MREL equivalent to the higher of:

i. two times the sum of Pillar 1 and Pillar 2A, ie 2x(Pillar 1 plus Pillar 2A); or

ii. if subject to a leverage ratio requirement, two times the applicable requirement (ie 6.5% if the leverage ratio is 3.25%).

5 External MREL instrument eligibility

5.1 In order for MREL resources to fulfil their intended purpose, it must be practically straightforward for the Bank to apply its stabilisation powers to them, including the bail-in stabilisation power.

5.2 The No. 2 Order sets out a number of requirements that liabilities must meet in order to qualify as MREL eligible liabilities.[5] One of these is that the liability must have an effective remaining maturity (taking account of any rights for early repayment available to the investor) of greater than one year.

5.3 In addition, the Bank expects institutions to consider the overall maturity profile of their externally issued MREL eligible liabilities, and to ensure that temporary difficulties in

1 As effected by section 176AZA of the Insolvency Act 1986.

2 Leverage exposures to be calculated on the same basis as the 'total exposure measure', as defined in the Leverage Ratio (CRR) Part of the PRA Rulebook (LEM). The LEM excludes assets constituting claims on central banks, where they are matched by liabilities denominated in the same currency and of identical or longer maturity. See PRA Supervisory Statement | SS45/15 The UK leverage ratio framework October 2021, effective from 1 January 2022.

3 The Bank does not expect that setting a level below the internationally agreed minimum for G-SIBs would be sufficient to ensure market confidence.

4 Domestic systemically important banks (D-SIBs) are institutions with retail deposits over £50 billion and/or any institutions that are designated as an O-SII (other systemically important institution) by the PRA pursuant to article 131(3) of the Capital Requirements Directive (EU Directive 2019/878 amending Directive 2013/36/EU) (CRD) as implemented in the Capital Requirements (Capital Buffers and Macroprudential measures) Regulations 2014, and which have a resolution entity in the United Kingdom.

5 See in particular article 123(4).

accessing capital markets would not be likely to cause a breach of their MREL. The average maturity of institutions' MREL eligible liabilities may decrease in periods of market stress, and the Bank does not intend to apply a minimum maturity requirement to eligible liabilities beyond that applicable under the No. 2 Order. The Bank may use its powers of direction to further specify eligibility criteria for MREL eligible liabilities for individual institutions.

5.4 The No. 2 Order states that where a liability confers a right to early reimbursement upon its owner the maturity date of the liability shall, for the purposes of determining whether it is an MREL eligible liability, be considered to be the first date at which such a right arises. The Bank expects institutions not to structure their MREL eligible liabilities in such a way as to reduce their effective maturity, for example liabilities which create incentives for the issuer to redeem them ahead of the contractual maturity date. An increase in the interest rate payable on a liability (a 'step up') coinciding with an issuer call option is an example of an incentive to redeem in this context. Where liabilities do include such an incentive, the maturity date of the liability shall, for the purposes of determining whether it is an MREL eligible liability, be considered to be the date at which the incentive arises.

5.5 An institution should not call or redeem an MREL eligible liability if that would cause it to breach its MREL, or if the institution is already in breach of its MREL, unless the Bank approves such a transaction.

5.6 The Bank does not consider liabilities the value of which is dependent on derivatives to be appropriate to qualify as MREL eligible liabilities. The Bank does not consider liabilities which only include put or call options to be dependent on derivatives for this purpose.

5.7 Liabilities subject to contractual set-off or netting arrangements are not appropriate MREL eligible liabilities.

5.8 Where a liability is governed by non-UK law,[1] institutions will need to ensure that the liability could absorb losses and contribute to recapitalisation costs in resolution, having regard to the terms of the contract and legal opinions, in line with the EU Bank Recovery and Resolution Directive[2] and contractual recognition of bail-in rules in the PRA Rulebook and FCA Handbook.[3]

5.9 MREL eligible liabilities should be issued externally from the resolution entity, subject to the provision in paragraph 6.6 permitting internal issuance for MPE resolution entities.

5.10 The Bank's view is that institutions should consider whether having non-CET1 own funds instruments that do not meet the eligibility criteria, as described above, could create

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[1] As regards liabilities governed by the law of an EEA State that were made before the IP completion date, as defined in section 39(1) of the European Union (Withdrawal Agreement) Act 2020, all references in this Statement of Policy to liabilities governed by non-UK law should be considered in line with Rules 2.1B and 2.1C of the Contractual Recognition of Bail-in Part of the PRA Rulebook.

[2] Directive 2014/59/EU.

[3] See https://www.prarulebook.co.uk/rulebook/Content/Part/211722 and https://www.handbook.fca.org.uk/handbook/IFPRU/11/6.html.

difficulties for resolution. The resolution authority will want assurance about the quantum of loss-absorbing capacity that will be available should the institution find itself in stress. In cases (either outside or in the course of resolution proceedings) where it is not possible to write down and/or convert the non-CET1 own funds instruments to CET1 using statutory powers,[1] for example instruments governed by non-UK law where there is no statutory or contractual recognition of UK bail-in rules, the Bank could determine that it needs to use its powers under section 3A of the Banking Act to direct relevant persons to address impediments to resolution, in particular through a direction to endeavour to renegotiate instruments under section 3A(4-5). The Bank may consider the challenges to resolvability presented by such instruments as part of assessing institutions' resolvability, including, where relevant, through the Resolvability Assessment Framework.[2]

5.11 Where own funds instruments issued externally by non-resolution entity subsidiaries count towards group consolidated capital, such instruments can count towards group consolidated MREL. The FSB's TLAC standard provides that such externally issued non-CET1 own funds instruments should not count towards TLAC from 1 January 2022. Institutions should consider whether the location of external MREL outside the resolution entity could create difficulties for resolution. The Bank may consider any challenges to resolvability presented by such instruments as part of assessing institutions' resolvability, including, where relevant, through the Resolvability Assessment Framework. From 1 January 2022, outstanding non-CET1 own funds instruments issued from non-resolution entity subsidiaries to holders outside the group will not be eligible to count towards external or internal MREL.

5.12 The responsibility for ensuring that liabilities, including own funds instruments, are eligible as MREL rests with institutions. Institutions should obtain independent legal advice on a liability's eligibility, and provide this to the Bank where required.

5.13 In line with the continuous resolvability assessment process and, where relevant, the Resolvability Assessment Framework, institutions will also be expected to demonstrate compliance with the eligibility criteria on request.

6 MREL in the context of groups

6.1 The Bank will set an external MREL at the group consolidated level. In addition, the Bank will set individual MRELs for all institutions within the group. The Bank may also set individual MRELs for relevant persons that are important from a resolution perspective (for example holding companies) on an entity-specific basis. The individual MRELs may be determined on the basis of consolidated or sub-consolidated balance sheets, in addition to an entity's own balance sheet (see paragraphs 7.4-7.5 below).

6.2 The Bank will require groups or institutions in respect of which bail-in is the preferred resolution strategy to structure their liabilities to achieve structural subordination of external MREL resources issued by resolution entities. MREL resources which are structurally subordinated may also be contractually or statutorily subordinated. Mutually owned

1 Under sections 6A to 6D of the Banking Act.

2 See 'The Bank of England's Approach to Assessing Resolvability', in particular Chapter 4.

institutions such as building societies may not be able to operate with holding companies without changes to their form of incorporation, limiting their ability to achieve structural subordination of MREL resources. In such cases the Bank expects institutions with a bail-in strategy to issue contractually or statutorily subordinated liabilities to satisfy their MRELs.

6.3 For institutions subject to structural subordination, MREL resources issued externally by resolution entities should not rank pari passu with significant amounts of other liabilities that do not meet the MREL eligibility criteria set out in the No. 2 Order and this Statement of Policy. Accordingly, the sum of a resolution entity's liabilities that do not qualify as MREL (excluding liabilities that previously met the MREL eligibility criteria but no longer meet the minimum maturity requirement as referred to in paragraph 5.2 above) should not exceed 5% of the resolution entity's overall external MREL resources. In addition, the sum of those liabilities that do not qualify as MREL in each creditor class should not exceed 10% of the resolution entity's MREL resources in that same creditor class.

Availability of surplus MREL in groups

6.4 Resolution entities will be required to issue external MREL resources at least equal to all the internal MREL resources that are issued to them from their subsidiaries or, in other jurisdictions, equivalent subordinated instruments that can absorb losses and recapitalise a subsidiary, such as through being written down and/or converted to equity, without the use of stabilisation or resolution powers at the subsidiary level (internal loss-absorbing resources). For groups with UK resolution entities, the Bank expects that any 'surplus MREL' – the difference in requirements between external MREL and the sum of what must be issued to the resolution entity as internal loss-absorbing resources – should be readily available to recapitalise any direct or indirect subsidiary as necessary to support the execution of the resolution strategy and there should be no legal or operational barriers to this. The Bank thinks it is appropriate to consider in more detail the issues relating to surplus MREL, in consultation with other authorities in crisis management groups (CMGs), and may review its approach as part of assessing institutions' resolvability.

External MREL for MPE resolution entities

6.5 For groups with an MPE strategy, the Bank expects that each resolution entity will be set an external MREL or an equivalent requirement if applicable in non-UK jurisdictions. The Bank will set MREL for any UK resolution entity, based on the balance sheet of the local resolution group, in line with the calibration framework set out in this Statement of Policy. As this is external MREL, there will be no scaling of the requirement applicable at a resolution entity even if it issues MREL instruments to another member of its group. This is because each resolution group needs to have sufficient MREL to be self-sufficient in resolution.

6.6 The Bank proposes to permit the resolution entities of UK headquartered groups with an MPE resolution strategy to issue MREL eligible liabilities either to investors outside the group or, alternatively, to another entity higher up in the group provided the Bank is given sufficient assurance that any issuance strategy proposed by an MPE group supports a feasible and credible resolution plan. Where MREL of a resolution entity is issued internally, the Bank will require this internally issued MREL to meet the same eligibility criteria as internal MREL of a material subsidiary.

6.7 A UK resolution entity should not double count MREL resources. In order to achieve this, the Bank expects that the external MREL for a UK MPE resolution entity will be increased by the amount of any MREL or equivalent investments its resolution group has made in its other resolution groups or entities or sub-groups located outside these resolution groups, where the investments are not covered by arrangements that ensure this outcome (such as a capital deductions regime for investments in own funds instruments in subsidiaries).

Group consolidated MREL for MPE groups

6.8 Where it is the home authority for the ultimate parent company of an MPE banking group, the Bank expects to set a consolidated external MREL that the group as a whole must meet, in addition to any requirement that it imposes on the UK resolution entity in respect of its resolution group (which would be calibrated in accordance with Section 4). This is consistent with the FSB's TLAC standard for G-SIBs. It reduces the risk that there will be insufficient MREL if losses arise in parts of the group that have no or low levels of MREL resources.

6.9 Accordingly, where the Bank is the home authority for the ultimate parent of a G-SIB, the Bank proposes that in end-state the group consolidated MREL that would apply to the parent reflect the FSB's TLAC standard and therefore constitute the highest of: (i) 18% of risk-weighted assets; (ii) 6.75% of leverage exposures on a consolidated basis; and (iii) the sum of requirements relating to each of its resolution groups and entities or sub-groups located outside these resolution groups. The 'sum of requirements' is the sum of the binding MREL (or equivalent requirement) or capital requirement for each of the resolution groups or other entities or sub-groups outside these resolution groups.

7 Internal MREL

Scope

7.1 Internal MREL above capital requirements is likely to be necessary only where the Bank considers that the insolvency of the institution would put the resolution objectives at risk.[1] The Bank expects to set internal MREL above capital requirements for a 'material subsidiary' of a group where either (a) there is a UK resolution entity in the same group which is, or will become, subject to an external MREL above its capital requirements or (b) in the case of UK subsidiaries of overseas groups, the subsidiary delivers critical functions in the United Kingdom.

7.2 The Bank expects to set internal MREL equal to capital requirements (where applicable) for institutions that are not material but for which the Bank is required to set MREL.

7.3 An institution is a 'material subsidiary' if it is incorporated in the United Kingdom, is

[1] For example, paragraph 4.4 provides an indicative threshold that institutions with below 40,000-80,000 transactional accounts would have a modified insolvency resolution strategy.

not a UK resolution entity, and it meets at least one of the following criteria:

(a) has more than 5% of the consolidated risk-weighted assets of the group; or

(b) generates more than 5% of the total operating income of the group; or

(c) has a total leverage exposure measure larger than 5% of the group's consolidated leverage exposure measure; or

(d) exceptionally, is otherwise 'material', either directly or through its subsidiaries, to the delivery of a group's critical functions. The Bank will continue to review groups' structures and critical functions to judge if this criterion applies to any entities.

7.4 Internal MREL will generally apply to the parent institution in an existing prudential consolidation or sub-consolidation – where the consolidated or sub-consolidated regulatory group meets the criteria in paragraphs 7.1-7.3 – which will be calculated with reference to its consolidated or sub-consolidated prudential requirements. The consolidation or sub-consolidation which is used to calculate internal MREL in such cases is referred to as a 'material sub-group'. A material subsidiary that heads up such a sub-group will be bound by the higher of its internal MREL calculated on an individual or consolidated /sub-consolidated balance sheet basis.

7.5 Where no prudential sub-consolidation currently exists for a material subsidiary, the Bank reserves the right to require the institution to draw up a sub-consolidated balance sheet to enable the Bank to calculate internal MREL for that material subsidiary on a consolidated or sub-consolidated basis. Such circumstances might arise if the material subsidiary owned a group of subsidiaries that did not meet the conditions for internal MREL themselves but together constituted a significant proportion of the group's risk-weighted assets. This is independent from any decision by the PRA or FCA on whether to set prudential requirements for the material subsidiary on a consolidated or sub-consolidated basis.

Calibration

7.6 The intra-group distribution of internal MREL resources must ensure that sufficient loss-absorbing capacity is pre-positioned within the group to ensure that losses can be absorbed and passed up to the resolution entity or entities from material subsidiaries.

7.7 The Bank expects that internal MREL for a material subsidiary will be scaled in the range of 75% to 90% of the full amount of external MREL that it would otherwise be required to maintain if the material subsidiary were itself a UK resolution entity and its external MREL were set in accordance with Section 4. In deciding whether to set internal MREL for a material sub-group or subsidiary above 75% scaling, the Bank will take into account the following considerations:

- The resolution strategy applicable to the group and the credibility of the resolution plan for delivering it.

- The availability of other uncommitted resources within the group that could be readily deployed to support the material subsidiary.

- The scaling of internal loss-absorbing resources applied by overseas authorities to material subsidiaries located in their jurisdiction.

7.8 These factors allow the Bank to set internal MREL based on discussion with other authorities in CMGs – as envisaged in the TLAC standard, or other forums.

7.9 The largest banking groups in the United Kingdom are subject to legislation[1] which will require them to carry out their core UK financial services activities within a ring-fenced body (RFB) and separate these from certain other activities of the wider group. Where an RFB is part of a material sub-group (see paragraph 7.4), the Bank expects to scale the internal MREL for the top entity of the material sub-group at 90%, as a starting point, unless the Bank is satisfied that the wider group has sufficient readily-deployable resources to justify moving to a lower calibration in the 75% to 90% range.[2] This approach is intended to ensure that the setting of internal MREL for RFBs is in line with the range set out in the FSB's TLAC standard while minimising the RFB's dependence on the rest of the group, consistent with the PRA's ring-fencing objectives. The Bank is committed to working with overseas resolution authorities to build confidence in each other's resolution regimes. This could help contribute towards circumstances in which this scaling can be reduced in future.

7.10 Within an RFB's material sub-group, the Bank intends to set internal MREL for individual RFBs in line with the approach for setting internal MREL for other types of material subsidiary.

7.11 For UK groups with a simple structure – for example, a single material subsidiary that sits below a UK resolution entity with few, if any, other subsidiaries – the Bank would not expect to adjust downwards the internal MREL for that UK material subsidiary. This means the internal MREL would be set at 100% of the external MREL that would have applied to the material subsidiary if it were a resolution entity. The Bank would also apply this approach for the top entity of material sub-groups containing an RFB or for an RFB which is not part of a material sub-group if the RFB's group has a simple structure. The Bank's approach will be judgement-based, and decided on a case-by-case basis, giving due consideration to the relationship between the risk profile of a material subsidiary and its wider group. The Bank reserves the right to take appropriate steps using its statutory powers to ensure that MREL is distributed within groups in such a way as to support the group resolution strategy, including, in the case of MPE groups, so as to ensure that a resolution group has sufficient MREL to be self-sufficient in resolution.

7.12 In the case of an institution that is a material subsidiary of a banking group that is not headquartered in the United Kingdom, the Bank will set the amount of internal MREL following discussion with the home authority in CMGs or other forums.

[1] The Financial Services and Markets Act 2000, as amended by the Financial Services (Banking Reform) Act 2013.

[2] This may not apply in certain cases, including: (1) where the top entity within an RFB's material sub-group is a resolution entity, it will be subject to external MREL and so scaling will not apply to it; and (2) where the RFB's group has a simple structure, the Bank would not expect to adjust downwards the internal MREL (see paragraph 7.11).

7.13 The Bank expects to propose a quantum for internal MREL for non-UK material subsidiaries – where the host authority has not published regulations or regulatory proposals. In doing so, the Bank expects to be guided by the principles set out in this Statement of Policy.

7.14 A subsidiary or sub-group should only count the internal MREL resources that it issues itself towards meeting its own internal MREL. Where an institution has subsidiaries that also have internal MREL or equivalent resources, it should ensure that it has sufficient internal MREL resources to match both its own individual MREL as well as the internal MREL or equivalent resources of its subsidiaries. In order to achieve this, the Bank expects that internal MREL for an institution will be increased by the amount of any internal MREL or equivalent investments it has made in other entities in the same group, where the investments are not covered by arrangements that ensure this outcome (such as a capital deductions regime for investments in own funds instruments in subsidiaries).

8 Internal MREL instrument eligibility

8.1 All the eligibility criteria set out in paragraphs 5.2–5.8 that apply to external MREL eligible liabilities apply equally to internal MREL eligible liabilities. The considerations in paragraph 5.10 apply to non-CET1 own funds instruments in respect of internal MREL.

8.2 In addition to these eligibility criteria, internal MREL eligible liabilities will be subject to some additional eligibility criteria in order to achieve their purpose. In summary, these are eligibility criteria relating to:

(1) subordination;

(2) the holder of the instrument;

(3) contractual triggers; and

(4) mismatching of internal and external MREL.

Subordination

8.3 As in the case of eligibility for external MREL liabilities, internal MREL resources must be subordinated to the operating liabilities of the group entities issuing them. This is necessary to ensure that, in converting internal MREL, the Bank is not required to bail-in liabilities that might otherwise rank pari passu and which may either be difficult to bail in or would result in a change of ownership of the entity if converted into equity. Internal MREL eligible liabilities will need to be contractually or statutorily subordinated. However, if the entity is a holding company, it may be permitted to issue internal MREL instruments as senior liabilities provided that the sum of its liabilities that do not meet the other internal MREL eligibility criteria (excluding liabilities that previously met the internal MREL eligibility criteria but no longer meet the minimum maturity requirement referred to in paragraph 5.2) do not exceed 5% of the entity's overall internal MREL resources (see Section 6). In addition, the sum of those liabilities that do not qualify as internal MREL in each creditor class should not exceed 10% of the entity's internal MREL resources in that same creditor class.

The holder of the instrument

8.4 Institutions and groups should ensure that the issuance of internal MREL by a material subsidiary or sub-group credibly supports the resolution strategy and the passing of losses and recapitalisation needs to the resolution entity. Internal MREL eligible liabilities must be issued either directly or indirectly via other entities in the same resolution group to the parent resolution entity. The Bank generally expects to accept issuance indirectly to the resolution entity along the chain of ownership, as long as there are no technical obstacles to the resolution entity becoming exposed to losses through this chain. Direct issuance, or indirect issuance to the resolution entity that is not along the chain of ownership, could also be acceptable unless this poses a technical obstacle; for example, there are circumstances in which writing down or converting internal MREL could result in a change of control or if there were significant governance or tax issues as a result.

8.5 As part of resolution planning, the Bank will consider the extent to which subsidiaries' non-CET1 MREL resources are issued to group entities other than their direct parent in relation to their potential effects on a group resolution as well as on post-resolution restructuring options. The Bank will discuss the distribution of MREL resources generally with institutions as part of the process of setting MREL.

8.6 Internal MREL eligible liabilities should be issued internally from non-resolution entity subsidiaries. Where own funds instruments issued externally by a non-resolution entity subsidiary count towards that subsidiary's individual capital requirement, such instruments can count towards that subsidiary's individual internal MREL. The FSB's TLAC standard provides that such externally issued non-CET1 own funds instruments should not count towards internal TLAC from 1 January 2022. Institutions should consider whether the conversion to CET1 of externally issued non-CET1 own funds instruments counting towards MREL could lead to a change in control of a subsidiary. The Bank may consider any challenges to resolvability presented by such instruments as part of assessing institutions' resolvability, including, where relevant, through the Resolvability Assessment Framework. From 1 January 2022, outstanding non-CET1 own funds instruments issued from non-resolution entity subsidiaries to holders outside the group will not be eligible to count towards external or internal MREL.

Contractual triggers

8.7 Internal MREL eligible liabilities must be capable of being written down and/or converted to equity without or ahead of any use of stabilisation or (in the case of paragraph 8.8(b)) other statutory powers in relation to the entity which issues them.

8.8 As a general matter, the trigger for an internal MREL eligible liability will need to provide the Bank as resolution authority of the material subsidiary with the opportunity to direct an immediate write-down or conversion to CET1 of the instrument, to an extent (which could be in full) determined by the Bank at the time of the triggering, where:

(a) any own funds instruments of the material subsidiary have been written down and/or converted into equity pursuant to any statutory or regulatory power linked to the financial condition or viability of the institution; provided that, in the case of eligible liability instruments issued by subsidiaries of non-UK groups, the Bank includes in its direction a statement that the home resolution authority has either consented or has not, within 24 hours of the Bank having given it notice, objected to the write-down or conversion; or

(b) a resolution entity in the material subsidiary's group, which is a direct or indirect parent of the material subsidiary, is subject to resolution proceedings in the United Kingdom or elsewhere.[1]

8.9 The contractual trigger should provide the resolution authority of the material subsidiary with the opportunity to direct either a write-down or a conversion (as directed by the resolution authority) in the circumstances specified in paragraph 8.8 above. However, the contractual trigger may be limited to provide for only write-down or only conversion if institutions can demonstrate to the Bank that this credibly supports the group resolution strategy and the passing of losses and recapitalisation needs to the resolution entity. Institutions should consider whether the specification of only write-down or only conversion in the contractual trigger could pose a technical obstacle to resolution; for example, if there are circumstances in which writing down or converting internal MREL instruments could result in a change of control or significant governance or tax issues as a result. The Bank may consider any challenges to resolvability presented by the specification of contractual triggers as part of assessing institutions' resolvability, including, where relevant, through the Resolvability Assessment Framework.

8.10 With respect to non-CET1 own funds instruments, institutions should consider whether the absence of such contractual triggers, covering the circumstances described in (b) in paragraph 8.8 above could create difficulties for resolution. Such contractual triggers support the ability to co-ordinate the write-down and/or conversion of internal MREL instruments across other subsidiaries, where this is deemed helpful to supporting the group resolution, so that all relevant subsidiaries are well-capitalised. In cases (either outside or in the course of resolution proceedings)[2] where it is not possible to write down and/or convert the non-CET1 own funds instruments to CET1 using statutory powers, for example instruments governed by non-UK law where there is no statutory or contractual recognition of UK bail-in rules, the Bank may use its powers under section 3A of the Banking Act to direct relevant persons to address impediments to resolution, in particular through a direction to endeavour to renegotiate instruments under section 3A(4-5). The Bank may consider any challenges to resolvability presented by such instruments as part of assessing institutions' resolvability, including, where relevant, through the Resolvability Assessment Framework.

8.11 In the Bank's opinion, there is likely to be significant merit in including the contractual trigger features in a single 'umbrella' agreement. This approach has the benefit of providing

1 'Resolution proceedings' mean the exercise by the Bank of a stabilisation power under the Banking Act or a third country resolution action taken by a third-country resolution authority.

2 Under sections 6A and/or 12A of the Banking Act.

greater simplicity, transparency and assurance on the circumstances under which a group's internal MREL or equivalent instruments in other jurisdictions will trigger.

8.12 The particular features of the contractual terms of an institution's internal MREL may depend on the group's or institution's resolution strategy and may require discussion between the group and the Bank. Having confirmed these features, the responsibility for ensuring that instruments, including own funds instruments, are eligible as MREL rests with the institution. Institutions should obtain independent legal advice on a liability's eligibility, and provide this to the Bank where required. Institutions are expected to notify the Bank where they do not intend to include the additional contractual provisions in own funds instruments. In line with the continuous resolvability assessment process and, where relevant, the Resolvability Assessment Framework, institutions will also be expected to demonstrate compliance with the eligibility criteria on request.

Mismatching of internal and external MREL

8.13 The Bank will periodically review the extent to which internal MREL resources of a material subsidiary differ in form – such as equity or debt, currency, maturity, interest rate, and other terms and covenants – from the MREL issued externally from the resolution entity where this may pose risks to the resilience and resolvability of the group. Institutions should notify the Bank if they expect there to be any material change in the form of their internal MREL resources. Institutions should not change the form of their internal MREL resources in any way, such as through cancellation or conversion to equity, that reduces the amount of MREL eligible liabilities, unless the Bank approves such a transaction.

8.14 Where the Bank identifies instruments, including those that are pari passu with internal MREL resources, or features or mismatches, that constitute an impediment to successful resolution, the Bank may consider using its powers under section 3A of the Banking Act to direct relevant persons to address impediments to resolvability. The Bank will consult with the competent authority on any actions that the Bank proposes to take under section 3A.

9 Transitional arrangements

9.1 The MREL UKTS allows the Bank to determine an appropriate transitional period for an institution to reach its end-state MREL. The transitional period must be as short as possible.

9.2 End-state external MRELs (set in accordance with the methodology described in Sections 3 and 4 above) and internal MRELs (set in accordance with the methodology described in Section 7 above) will apply from the following dates, unless the Bank has notified institutions that a later deadline will apply to them:

(a) 1 January 2022 for UK resolution entities of G-SIBs and D-SIBs, as well as material subsidiaries of G-SIBs or D-SIBs that are incorporated in the United Kingdom.

(b) 1 January 2023 for UK resolution entities which are not G-SIBs or D-SIBs, as well as material subsidiaries of these institutions that are incorporated in the United Kingdom.

9.3 The clean holding company requirements described in paragraph 6.3 will also apply from the same dates.

9.4 The Bank expects institutions to produce a plan for how they intend to meet their MRELs, and to discuss this plan with the Bank and the relevant competent authority (the PRA or the FCA) at the earliest possible opportunity. Relevant persons may also be asked to discuss their plans to meet clean holding company requirements with the Bank and the relevant competent authority (the PRA or the FCA).

9.5 As set out in the PRA's supervisory statement on the interaction of MREL and the capital framework, the PRA's policies on the interaction of MREL and capital buffers and Threshold Conditions apply with respect to both interim and end-state MRELs. Please consult Chapter 4 of the PRA supervisory statement for further details.

9.6 The MREL UKTS allows the MREL applicable to an institution to be reduced where that institution has entered resolution and been subject to stabilisation powers. This allows MREL resources to be 'used' in resolution and for the institution (or its successor entities) to rebuild these resources over time. The Bank expects to reduce the external and/or internal MREL applicable to an institution which has been resolved as necessary, such that the institution would not be in breach of MREL immediately following resolution.

9.7 Institutions and groups forecasting, at any point in time, that their total assets will exceed £15 billion in the following three years should inform the Bank. The Bank will notify each of these institutions of the point in time (T) at which their MREL transition will start, which will be determined on a case-by-case basis. The Bank may set T as a point in time at or after the time at which the institution expects to surpass £15 billion total assets, but would generally not expect to do so before it, other than in exceptional circumstances. Ordinarily, this would give institutions an effective three year notice period before their transition to MREL is expected to start. However, in setting T for any such institution, the Bank may also consider institution-specific factors including (but not limited to):

(a) the institution's business model and its growth trajectory;

(b) the funding structure of the institution, including the balance between retail and wholesale funding;

(c) whether the institution provides critical economic functions, including the impact and substitutability of functions provided; and

(d) potential disruption caused by the insolvency of the institution.

In addition:

- in exceptional cases where an institution experiences growth far beyond its initial projections, such as following a merger or acquisition, the Bank may bring forward T to an earlier point in time; and

- institutions which had not been set a T, but which exceed the £15 billion-£25 billion total assets threshold as a result of merger or acquisition, can expect to be set a T that may be less than three years in the future if the resulting institution is significantly above that threshold.

Determination of T will be a judgement for the Bank to exercise, taking into account the factors above to the extent the Bank considers appropriate in the individual case.

9.8 The Bank will also notify each institution of the indicative MRELs that will likely apply to it as it transitions into end-state MREL. These are expected to be set according to either a three-step or a two-step approach as follows, chosen in the case of each institution at the Bank's discretion:

Three-step approach

(1) Step 1 (T + 2 years): two years after an institution enters the MREL transition, MREL steps up to P1+P2A + 33%x(P1+P2A);

(2) Step 2 (T + 4 years): two years after Step 1 (ie four years after T), MREL steps up to P1+P2A + 66%x(P1+P2A); and

(3) Step 3 (T + 6 years): two years after Step 2 (ie six years after T), MREL steps up to its end-state of 2x(P1+P2A).

Two-step approach

(1) Step 1 (T + 3 years): three years after an institution enters the MREL transition, MREL steps up to P1+P2A + 50%x(P1+P2A); and

(2) Step 2 (T + 6 years): three years after Step 1 (ie six years after T), MREL steps up to its end-state of 2x(P1+P2A).

9.9 In addition to the stepped approach outlined above, once an institution that has been set an external MREL has entered its MREL transition, it may request a maximum of two additional years of transition time (the flexible add-on), which may be granted, in full or in part, and in more than one block of time, at the Bank's discretion. In deciding whether or not to grant any such add-on, the Bank may consider a number of factors which may justify an extension in the context of the Bank's objectives and legal obligations, including the obligation that the transitional period for an institution is as short as possible. These include:

(a) whether the institution has taken all necessary steps and actions to meet its target by the relevant deadline, including whether it has already benefitted from an add-on;

(b) whether there is market dislocation which impacts capital markets issuance conditions; and

(c) whether the institution's business model faces idiosyncratic challenges which justify an extension.

The Bank does not expect to grant the flexible add-on to institutions who have met their end-state MRELs, but will give consideration to each application on its merits taking into account, among other things, prevailing market conditions.

9.10 Institutions forecasting, at any point in time, that they will exceed 40,000-80,000 transactional accounts in the following three years should inform the Bank. In relation to institutions that exceed, or expect they will exceed, 40,000-80,000 transactional accounts, the Bank will make a case-by-case judgement when setting their resolution strategy and will consider a number of factors, including if the institution provides significant amounts of transactional banking services or other critical functions. The Bank will provide institutions with a notice period, whose length may depend on their transactional accounts' growth rate, and set the point in time (T) at which they would need to start their transition to meeting MREL, as well as the length of the transition itself. The transition will be set on an institution-specific basis, taking into account relevant factors, such as the institution's ability to access capital markets. As a starting point the Bank expects, where possible, to adopt a similar transitional approach to institutions that exceed, or expect they will exceed, 40,000-80,000 transactional accounts as to institutions that exceed, or expect they will exceed, £15 billion of total assets. This will include consideration, to the extent the Bank considers appropriate in the individual case, of the factors listed in paragraph 9.7 and, on the principles set out in paragraph 9.9, of the flexible add-on if requested.

9.11 Institutions which are not G-SIBs or D-SIBs that, as at 1 January 2022, have been notified by the Bank that their end-state MREL is expected to exceed capital requirements may also request the flexible add-on mentioned in paragraph 9.9. The Bank may grant the add-on at its discretion, acting on the basis of the principles set out in paragraph 9.9, including the obligation that the transitional period for an institution is as short as possible.

9.12 The Bank reserves the right, on an institution-specific basis, to set an earlier compliance date during the transitional period for interim and/or end-state MRELs, for example where the Bank has concerns about the resolvability of a group or institution, or set a shorter notice period to T, if an institution is unable to provide the Bank with sufficient notice of when it expects to exceed 40,000-80,000 transactional accounts or total assets of £15 billion.

9.13 The Bank may set further 'transitional' MRELs, including after the end of the initial transitional period, if the necessary MREL for an institution changes. This might occur, for example, if the resolution strategy applicable to the institution changes, or if the regulatory requirements for the institution change in a way that affects its MREL. The Bank will determine the appropriate transitional period on an institution-specific basis. The Bank would expect to determine similar transitional arrangements for a group's internal MREL as for its external MREL. However, where groups are already subject to external MREL in excess of capital requirements, the Bank will determine the appropriate transitional period to meet internal MREL on an institution-specific basis for any subsidiaries that are newly designated as material.