UK Finance response to PRA's CP16/25: Disclosure – resolvability resources, capital distribution constraints and the basis for firm Pillar 3 disclosure

31 October 2025

Introduction

UK Finance[1] is pleased to respond to the PRA's [CP16/25 – Disclosure: resolvability resources, capital distribution constraints and the basis for firm Pillar 3 disclosure | Bank of England](https://www.bankofengland.co.uk).

1. Through a working group, our members have contributed to this consultation paper (CP) response alongside our response to CP14/25 and CP15/25.

2. In this response we focus on the PRA's proposals and provide high-level and detailed recommendations in the section below.

3. We welcome the PRA's proposals in this CP, CP15/25 and CP21/25 to reduce the regulatory reporting burden on firms and streamline the disclosure requirements, this is a positive step to reduce the regulatory burden by 25%, supporting the UK FS' growth and competitiveness.

Our Recommendations

Disclosure Template Clarifications

UK MREL2 disclosure

4. In the CP, as per paragraph 2.12, it's proposed that all templates (UK KM2, UK MREL 1, UK MREL 2 and UK MREL 3) are to be disclosed by '*institutions identified as resolution entities that are a G-SII or part of a G-SII (i.e. Article 92a firms); O-SIIs and identified as resolution entities (ie O-SII MREL firms).'* This instruction however contradicts with the MREL2 Disclosure Instructions, paragraph 13. '*The template should be completed in respect of each material subsidiary that is established in the UK, on a legal entity basis*'. And similarly contradicts CP16/25 proposal that for UK material subsidiaries of international G-SIIs they will only have to disclose UK MREL2, as per para.2.18. Current practice is that TLAC2 is completed by material subgroup entities. The definition of 'material subsidiary' provided by the **Statement of Policy** (SoP) states that the material subsidiary is not a resolution entity. This could lead to MREL2 to be completed by different teams without reasoning.

5. Please could the PRA clarify that they intend only resolution entities, and UK subsidiaries of non-UK G-SIIs to disclose UK MREL2?

Disclosure of Average MREL

6. We ask the PRA to provide the rationale for introducing Row UK 26a to MREL1, and UK 5a in UK KM2, which requires disclosure of Average MREL resources. Currently many firms do not need to consider this in disclosures, and its introduction creates further complexity and burden for firms.

7. Additionally, could the PRA clarify if firms are expected to disclose Average MREL only if they are leverage constrained.

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[1] **UK Finance** is the collective voice for the banking and finance industry. Representing over 300 firms, we're a centre of trust, expertise and collaboration at the heart of financial services, championing a thriving sector and building a better society.

CRR Article 437 entity scope clarification

8. The requirements set out in the edited draft rulebook[2] Rules 2.2 and 2.3 appear inconsistent, as in paragraph 2.2 it states *'Any other large institution or other institution, in each case, that is an MREL firm and is identified as a resolution entity and does not have subsidiaries shall comply with points (g) and (h) of Article 437 and point (h) of Article 447 on an individual basis',* followed by 2.3 stating that *'large subsidiaries of parent undertakings established in a third country shall disclose the information specified in points (a) to (f) of Article 437'.* There is no directed mutual exclusivity of a large subsidiary of a third country parent undertakings being a large institution identified as a resolution entity and without subsidiaries. Without expressed clarity or directive of preference, there is no clarity for the firm to disclose all Article 437 points (a) to (b) or avoid the burden and only disclose points (g) and (h) of Article 437.

9. Additionally, in the draft rulebook, under Level of Application rules 2.1 and 2.2 the reference to CRR Article 6(3) second sub-paragraph does not appear to be correct as article 6(3) has not been transposed to rulebook from the EBA text.

UK MRL3/ UK CCA disclosures

10. With regards to Own Funds measurements required in these templates, could the PRA clarity as to whether they should correspond to capital instruments only (i.e. Articles 28, 52, and 63 UK CRR) or whether the regulatory values relating to Own Funds items (i.e. Article 26, 51 and 62 UK CRR) should also be reflected. This will ensure consistency in approach for all firms subject to these requirements.

Capital Distribution Constraints (CDCs)

11. Could the PRA to clarify that in requiring firms to disclose a narrative describing the [capital distribution] constraints imposed does not mean that firms must disclose where the capital distribution constraint is derived. This will inadvertently lead to disclosure of a firm's PRA buffer (Pillar 2B). Alternatively, if the intention is to disclose CDCs and their forms taken to constrain capital, e.g. dividend payments, payment in variable remuneration, would this not inadvertently disclose the PRA buffer value?

12. Given the confidentiality of the PRA buffer, we ask the PRA to consider this requirement and confirm if this is the intention. Disclosure of firms' PRA buffers is sensitive and can lead to adverse impacts to capital markets, potentially indicating stress scenarios.

13. Clarification is required as to whether the same disclosure expectations apply when firms are in breach of their minimum leverage capital requirements (inc. CET1 and T1) and buffers. According to the Basel instructions accompanying Template CDC, firms would be required to consider the CET1 ratio that would trigger capital constraints when taking into account the following:

    (i) *CET1 capital that banks must maintain to meet the minimum CET1 capital ratio, applicable risk-based buffer requirements (ie capital conservation buffer, G-SIB surcharge and countercyclical capital buffer) and Pillar 2 capital requirements (if CET1 capital is required);*
    (ii) *CET1 capital that banks must maintain to meet the minimum regulatory capital ratios and any CET1 capital used to meet Tier 1 capital, total capital and TLAC1*

[2] PRA RULEBOOK: CRR FIRMS: DISCLOSURE (CRR) INSTRUMENT [2025]

requirements, applicable risk-based buffer requirements (ie capital conservation buffer, G-SIB surcharge and countercyclical capital buffer) and Pillar 2 capital requirements (if CET1 capital is required); and
the leverage ratio inclusive of leverage ratio buffer requirement.

UK CC1

14. Considering the above and the changes made to UK CC1, we would additionally urge the PRA to clarify if row 62 in the UK CC1 disclosure should show the CET1 requirement adjusted when CET1 is used to cover AT1/T2 as well as MREL temporary shortfalls. To ensure clarity for readers and reduce the need of interpretations, we need clarification if this this disclosure point aligns to what PRA expect from firms to be disclosed in row 27 in UK MREL1 disclosure template [i.e. "CET1 available after meeting the resolution group's minimum capital and MREL requirements"].

Additional Considerations

The Bank of England (BoE)'s approach to risk assessment

15. We recommend that in a pro-growth environment, the BoE should review how it assesses risk from firm to firm with differing business profiles and strategies. The BoE should consider adopting a bespoke approach to risk tolerance across firms recognising different business models.

16. We argue that a blanket approach to the BoE's resolution risk assessments are not consistent with a pro-growth environment, and has the potential to hamper the growth of businesses which operate in alternative lending markets by inappropriately judging a business' risk profile against an incongruent norm.

17. Upon consideration of the BoE's approach to firms' varying risk and business models, we urge greater communication and planning between the bank and firms, outlining proportionate expectations regarding disclosure, reporting and assessment requirements.

Engagement

18. We would be pleased to facilitate any further discussion.

19. UK Finance is content with the PRA publishing this consultation response on its website.

Responsible Executive

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