

Response to proposals outlined in CP14/25, CP15/25 and CP16/25 relating to resolution

About the Building Societies Association

The Building Societies Association (BSA) represents all 42 UK building societies, including both mutual-owned banks, as well as 7 of the largest credit unions. Building societies and mutual-owned banks have total assets of almost £650 billion. They hold residential mortgages of over £485 billion, 29% of the total outstanding in the UK. They are also helping 23 million people build their financial resilience, holding over £485 billion of retail deposits, accounting for 23% of all such deposits in the UK. Building societies and mutual-owned banks account for 47% of all cash ISA balances. With all their headquarters outside London, building societies employ around 52,300 full and part-time staff. In addition to digital services, they operate through approximately 1,300 branches, holding a 30% share of branches across the UK.

Executive summary

The BSA welcomes the Leeds reforms package as announced by the Chancellor on 15 July. The BSA does not view these proposals as de-regulatory, but rather a way of ensuring that the rules remain proportionate and appropriate over time, including having an appropriate scope to take account of inflation and support growth. As such, the BSA supports the various proposals outlined by the BoE to update specific elements relating to resolvability and resolution. Due to the similarity of the consultations, the BSA has grouped its response to the following three consultations together:

- CP14/25 - Amendments to Resolution Assessment threshold and Recovery Plans review frequency
- CP15/25 – Resolution planning: Amendments to MREL reporting
- CP16/25 – Disclosure: resolvability resources, capital distribution constraints and the basis for firm Pillar 3 disclosure

CP14/25 – Amendments to Resolution Assessment threshold and Recovery Plans review frequency

The BSA welcomes the doubling of the threshold for the scope of the Resolution Assessment Part of the PRA Rulebook on reporting and disclosure from £50 billion to £100 billion in retail deposits. This will be a recalibration of this threshold to ensure that it is only the largest most systemic firms which are within scope and bringing more proportionality into this element of resolution requirements. This threshold should also be revisited on a regular basis – we believe reviewing it along with the MREL threshold and then every three years would be the most efficient way of doing this. We stand ready to support the BoE and PRA in its work to update thresholds, including to review the low level of transactional accounts and their relevance to MREL categorisation at the retained level of 40,000-80,000 accounts. This means that some Small Domestic Deposit Takers (SDDT) could be captured inappropriately, and

there is a risk that even credit unions could be captured over the medium term given they offer transactional accounts. We would prefer to see this threshold reviewed as well as the definition of transactional account in light of the UK's banking customer levels where focus should be on current accounts being primarily used by customers.

The BoE should also consider appropriate thresholds not just based on firm size but what is appropriate for different business models. For example, to address the problem of the interactions between leverage ratio and MREL when applied to low-risk mutual building societies, where the risks of excessive growth are not the same as for a shareholder-owned bank.

The BSA strongly supports proposals to reduce the frequency of Recovery Plan reviews for SDDTs. While we agree that Recovery Plans should be updated promptly if there is a material change which impacts the Recovery Plan, there is a better opportunity to reduce the frequency of the review to every three years instead of the proposed two years. This is to align with the review and updating requirements for Solvent Exit Planning for Non-Systemic Firms, which all SDDTs will be captured by. As Solvent Exit Analysis is permitted to be a separate section of the Recovery Plan, it makes sense to align their updating and review schedules so that they do not fall out of sync and lead to unnecessary updates during the review cycle.

CP15/25 – Resolution planning: Amendments to MREL reporting

The BSA welcomes the BoE proposals in CP15/25 to streamline and retain only essential MREL data and consolidate some MREL-related data elements as part of COREP13. This amounts to consequential changes to regulatory reporting templates to reflect the rules, but we welcome the deletion of MLR002. This will reduce some duplication in returns while retaining the purpose of the rules. However, we encourage the regulators to do more to streamline all areas of regulatory reporting and call for a clearer strategy on the future approach through the Transforming Data Collection project.

We also note the separate consultation to remove six templates under COREP13 published on 22 September and we will respond to that consultation separately by the deadline in November.

CP16/25 – Disclosure: resolvability resources, capital distribution constraints and the basis for firm Pillar 3 disclosure

The BSA notes that the proposals under CP16/25 would bring mid-tier MREL firms within scope of the disclosure requirements under Pillar 3. While this will add some burden to the mid-tier MREL firms, we welcome that it is being done proportionately, with only Article 92a and O-SII firms being in scope of all four of the disclosure requirements. We also welcome that the new disclosure requirement for all MREL firms in KM2 to outline key metrics on available external MREL resources is similar to disclosures on totally loss absorbing capacity (TLAC), and that mid-tier firms only have to submit it annually, as opposed to quarterly like Article 92a and O-SII firms. The BSA supports new disclosure requirements in the case of firms subject to capital distribution constraints, as improving transparency and disclosing which buffer quartile firms fall into will be helpful for the market. It will also be helpful for these Pillar

3 disclosures to identify which disclosure requirement a firm is disclosing under. Finally, the BSA also supports the transferring of assimilated law in the CRR into the PRA Rulebook.