

Guidance for completing the Capital Analysis Template (Template D)

Overview

The purpose of the Capital Analysis template is to collect information on capital resources, capital requirements and other related information in order to observe how the firm's capital position changes throughout the wind-down period. The starting point for the template, referred to as Year 0, is the reference date.

The template is aligned where possible with existing regulatory returns such as Capital Requirements Directive reporting framework (COREP) and minimum requirement for own funds and eligible liabilities requirement (MREL) reporting (MRL001). The Capital Analysis template should be completed with data for the whole TWD firm (i.e. in respect of both trading activities and non-trading activities). Therefore, at Year 0 (reference date) the data in the Capital Analysis template should match COREP returns and MRL001 for the TWD firm.

The TWD firm should provide monthly projections for Month 1 to Month 24 in the template (a 24 month timeline is shown by way of example); for all these subsequent time periods in the template, the data should be based on the assumption that the balance sheet for the part of the TWD firm that is not subject to wind-down (i.e. non-trading activities) does not change. Therefore, the only changes from the reference date in the Capital Analysis template will be due to the wind-down of Trading Activities in scope.

In addition to populating the template, firms should produce a narrative report to accompany the completed template, which would as a minimum:

- List and explain key features and assumptions of their approach to calculating projections;
- Provide commentary on and analysis of the projections.

Detailed Template Description & Guidance

Please note: Unless otherwise stated, please enter all currency amounts in the template in: your reporting currency; the units of your internal MI (e.g. if your MI is calculated to the nearest \$ then report in this unit and do not round to the nearest \$1000 or \$1million).

The Capital Analysis template is broken down into seven sections:

1. Capital Resources;
2. Risk Exposures;
3. Capital Required;
4. Capital Ratios;
5. MREL Items & Supplementary Information;
6. Leverage Ratio; and
7. Memo Items.

An explanation of each section and a description of how the PRA expects these to be completed is noted below.

Detailed instructions

1. Capital Resources

The firm should complete this section with reference to COREP-01 guidelines. Each row in the Capital Analysis template corresponds to a COREP entry, indicated by the three digit code in the row title. The following links are for the COREP 01 template instructions:

<https://eba.europa.eu/regulation-and-policy/supervisory-reporting/implementing-technical-standards-on-supervisory-reporting>

https://www.eba.europa.eu/documents/10180/359626/Annex+II+-Instructions_Own+funds.docx

1. Risk Exposures

The firm should complete this section with reference to COREP-02 guidelines. Each row in the Capital Analysis template corresponds to a COREP entry, indicated by the three digit code in the row title. The following links are for the COREP 02 template instructions:

<https://eba.europa.eu/regulation-and-policy/supervisory-reporting/implementing-technical-standards-on-supervisory-reporting>

https://www.eba.europa.eu/documents/10180/359626/Annex+II+-Instructions_Own+funds.docx

2. Capital Required

The firm should complete its capital requirements in both absolute values and as a % of Pillar 1 RWAs based on their TCR (Total Capital Requirements) applicable as at Year 0 (reference date). Please also provide details for capital buffers in the relevant rows of the template.

3. Capital Ratios

The firm should complete this section with reference to COREP-03 guidelines. Each row in the Capital Analysis template corresponds to a COREP entry, indicated by the three digit code in the row title. The following links are for the COREP 03 template instructions:

<https://eba.europa.eu/regulation-and-policy/supervisory-reporting/implementing-technical-standards-on-supervisory-reporting>

https://www.eba.europa.eu/documents/10180/359626/Annex+II+-Instructions_Own+funds.docx

4. MREL Items and Supplementary Information

The firm should complete this section in line with the definitions provided for MRL001 in the 'Guidance on reporting templates and definitions' document found in the following link:

<https://www.bankofengland.co.uk/prudential-regulation/publication/2018/resolution-planning-mrel-reporting>

5. Leverage Ratio

The firm should complete this section with the definitions applicable as at Year 0 (reference date). Details of the definitions for Year 0 (reference date) can be found in the PRA Rule Book (link below):

<http://www.prulebook.co.uk/rulebook/Content/Part/319681/>

6. Memo Items

- Change in retained earnings: This section requires information on the movement in retained earnings resulting from exit costs, operational costs, risk-based losses, other costs/impacts and revenues. The firm should explain entries in these rows in any accompanying qualitative information. Row 166 (change in retained earnings) should show the current month retained earnings (line 17) less the previous month's retained earnings. This movement in retained earnings should equal sum of rows 167 to 179.
- For exit costs, operational costs and risk-based losses the totals shown in rows 168 and 172 of the Capital Analysis template should match those reported on the corresponding templates (A and B).
- In rows 169 and 173 of the Capital Analysis template, the firm should provide a reconciliation between an accruals and cash accounting basis – the cost templates (A and B) are completed on a cash basis, whereas the Capital Analysis template is on an accruals basis.
- In row 176, the firm should include risk-based losses as calculated for the scenario.
- In rows 170, 174 and 177, the firm should include any difference in tax between that used for retained earnings and the corresponding templates A and B. We expect that there will be no difference between the tax rates assumed for retained earnings and the tax rates used to calculate the capital impact of costs. However, where the cost templates are completed on pre-tax basis, this line should capture the tax impact to arrive at the capital impact of the costs.
- In row 178, the firm should include other costs and impacts (if any).
- In row 179, the firm should specify the amount of revenues assumed during the projection period in line with the revenue guidance provided.
- Tax rate assumed for retained earnings: Please include the tax rates assumed when calculating retained earnings. If there is any difference between the tax rates assumed for retained earnings and those used for revenues or costs then please explain this in accompanying qualitative information.