
Minimum requirement for own funds and eligible liabilities

From 1 January 2019, a requirement was introduced for total loss-absorbing capacity ('TLAC'), as defined in the final standards adopted by the Financial Stability Board. In the EU, TLAC requirements were implemented via CRR II, which came into force in June 2019 and included a new framework on minimum requirement for own funds and eligible liabilities ('MREL').

MREL includes own funds and liabilities that can be written down or converted into capital resources in order to absorb losses or recapitalise a bank in the event of its failure. The new framework is complemented by disclosure requirements. As the specific EU format is yet to be agreed, the disclosures are based on the formats provided in the Basel Committee Standards for Pillar 3 disclosures.

In line with our existing structure and business model, we have three resolution groups – namely the European resolution group, the Asian resolution group and the US resolution group. Smaller entities outside these resolution groups can be separately resolved.

The following table summarises key metrics for each of the Group's three resolution groups.

Key metrics of the resolution groups (KM2)

	Resolution groups					
	European ¹		Asian ²		US ³	
	At 30 Sep 2019	At 30 Jun 2019	At 30 Sep 2019	At 30 Jun 2019	At 30 Sep 2019	At 30 Jun 2019
1 Total loss absorbing capacity ('TLAC') available (\$m)	95,474	97,256	97,244	97,040	30,184	31,739
1a Fully loaded ECL accounting model TLAC available (\$m)	95,282	97,055	97,244	97,040	N/A	N/A
2 Total RWAs at the level of the resolution group (\$m)	316,766	321,149	370,590	371,100	139,016	140,762
3 TLAC as a percentage of RWA (row1/row2) (%)	30.1	30.3	26.2	26.1	21.7	22.5
3a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	30.1	30.2	26.2	26.1	N/A	N/A
4 Leverage exposure measure at the level of the resolution group (\$m)	1,132,679	1,176,134	1,024,554	1,041,168	372,556	362,621
5 TLAC as a percentage of leverage exposure measure (row1/row4) (%)	8.4	8.3	9.5	9.3	8.1	8.8
5a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	8.4	8.3	9.5	9.3	N/A	N/A
6a Does the subordination exemption in the antepenultimate paragraph of section 11 of the FSB TLAC term sheet apply?	No	No	No	No	No	No
6b Does the subordination exemption in the penultimate paragraph of section 11 of the FSB TLAC term sheet apply?	No	No	No	No	No	No
6c If the capped subordination exemption applies, the amount of funding issued that ranks <i>pari passu</i> with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks <i>pari passu</i> with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	N/A	N/A	N/A	N/A	N/A	N/A

- The European resolution group reports in accordance with the applicable provisions of the Capital Requirements Regulation as amended by CRR II. Unless otherwise stated, all figures are calculated using the EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation.*
- Reporting for the Asian resolution group follows the Hong Kong Monetary Authority regulatory rules. IFRS 9 has been implemented but no regulatory transitional arrangements apply.*
- Reporting for the US resolution group is prepared in accordance with local regulatory rules. The US accounting standard for current expected credit losses corresponding to IFRS 9 is not yet effective. Leverage exposure and ratio are calculated under the US supplementary leverage ratio rules.*

Disclosure of the main features of capital and other loss absorbing instruments for the resolution groups is published on our website, www.hsbc.com/investors/fixed-income-investors/regulatory-capital-securities.

For further details on the Group's MREL and resolution groups, refer to page 40 of the Group's Pillar 3 Disclosures at 30 June 2019 document.