

# Bank of England

## Prudential Regulation Authority

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### WRITTEN NOTICE IMM PERMISSION

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To: **Barclays PLC (FRN: 204365)**  
(the “company”)

Date: 20 December 2021

#### DECISIONS:

1. In accordance with the discretions afforded to the PRA by Section 6, Chapter 6, Title II, Part 3 of Regulation 575/2013 of the European Parliament and of the Council of 26<sup>th</sup> June 2013 on prudential requirements for credit institutions and investment firms as it forms part of retained EU law (the “CRR”), the PRA has decided to grant the company, on the basis of its consolidated situation, permission to use the Internal Model Method in its calculation of own funds requirements for counterparty credit risk on the terms and conditions set out in Annex 1 (the “IMM Permission”).
2. If the company ceases to comply with the conditions for the grant of this IMM Permission set out in the Section 6, Chapter 6, Title II, Part 3 of the CRR, and the terms and requirements of the IMM Permission set out in Annex 1, the PRA will re-consider the terms and conditions of the IMM Permission and the requirements relevant to it, which may include a revocation of the IMM Permission in whole or in part.
3. The IMM Permission takes effect on 17 December 2021.

4. Details of the IMM Permission will be published. The full text of this Decision Notice will not be published. However, in the interests of transparency, the PRA's policy is to publish an abridged version of the permission notice as a record that the IMM permission has been granted.

**This decision was taken by SRPC**

## ANNEX 1

### THE INTERNAL MODEL METHOD PERMISSION

#### Definition

1. The IMM Permission means that the company may use, for the legal entities listed in Table 1, on a consolidated basis, the internal model method in its calculation of own funds requirements for counterparty credit risk in relation to the exposures described in paragraph 2 of this Annex in accordance with Section 6, Chapter 6, Title II, Part 3 of Regulation 575/2013, on the following basis:

**Table 1**

<b>Legal entity</b>	<b>Consolidated</b>
Barclays Bank PLC	Consolidated
Barclays Capital Securities Ltd	Consolidated
Barclays Capital Luxembourg SARL	Consolidated
Barclays Bank Ireland PLC	Consolidated
Barclays Bank Mexico SA	Consolidated
Barclays Capital Incorporated	Consolidated
Barclays Capital Trading Luxembourg Sarl	Consolidated
Barclays Securities Japan Limited	Consolidated
Barclays Bank Delaware	Consolidated
Barclays Capital Asia Limited	Consolidated
Barclays Merchant Bank (Singapore) Limited	Consolidated
Barclays Securities (India) Private Limited	Consolidated

2. In accordance with Article 283(1) of the CRR, the company must use the IMM Permission to calculate the exposure value for the asset classes and products in Table 2 below:

**Table 2**

<b>Asset Classes and Products</b>				<b>Counterparty Groups</b>		
<b>Transactions</b>	<b>Asset Class</b>	<b>Product</b>	<b>Exceptions</b>	<b>All</b>	<b>Group 1</b>	<b>Group 2</b>
Contracts listed in CRR Annex II (CRR art 273(2)(a))	Interest Rate Derivatives	All		✓	The IMM permission does not apply to all asset classes and products within	
	FX Derivatives	All		✓		
	Credit Derivatives	Non-structured Structured		✓		
	Equity Derivatives	All	See note 4.	✓		

	Commodity Derivatives	Soft commodities Base metals Power Gas Oil Other Energy-related commodities: ▪ Coal ▪ Wet Freight ▪ Dry Freight ▪ Emissions ▪ Storage ▪ Transmission rights		✓	Barclays Capital Incorporated and Barclays Securities Japan Ltd – see notes below.	
Repurchase transactions (CRR art 273(2)(b))	Repo/Reverse Repo	Non-structured	The IMM Permission does not apply to repo / reverse repo and stock borrowing / lending, in relation to prime brokerage master agreements.	✓		
		Structured		✓		
Securities or commodities lending or borrowing transactions (CRR art 273(2)(c))	Stock borrowing/lending	Non-structured		✓		
		Structured		✓		
Margin lending transactions (CRR art 273(2)(d))		Non-structured	See note 4.	✓		
		Structured				
Long settlement transactions (CRR art 273(2)(e))						

Notes:

1. Transactions that use non-primary models (marginal models, equity risk engine, % of notional, user adjusted, monolines, and any other non-primary modelling approaches) are not within scope of the IMM Permission and are calculated under the Mark-to-market Method or another CRR compliant method for derivatives or the Financial Collateral Comprehensive Method for repo / reverse repo, stock borrowing/lending and margin lending.
2. For Barclays Capital Incorporated, the IMM Permission is available for cleared or uncleared repo / reverse repo, stock borrowing / lending. It is also available for margin lending in relation to prime brokerage master agreements and for Central Counterparties (CCPs) related derivatives exposures.
3. For Barclays Securities Japan Limited the IMM Permission is used for Central Counterparties (CCP) related exposures and for cleared and uncleared repo/reverse repo and stock borrowing/lending transactions booked in this entity.
4. Contracts For Difference (CFDs) are available under the Margin lending permission.

**Exposure value: estimates of alpha**

3. The PRA has exercised its discretion under Article 284(4) and requires the company to use an alpha,  $\alpha = 1.4$

### **Margining**

4. For margined netting sets and for the purposes of CRR Article 285(1) the company may use the model's EE measure directly in the art 284 equation.
5. For margined netting sets the collateral requirements set out in CRR Article 284(2) apply.

### **Informing the PRA**

6. The company must inform the PRA in a timely manner of any event that may have a significant impact on its IMM permission, including in particular:
  - a. changes to the list of asset classes, products or counterparties listed in Table 1 of Annex 1;
  - b. use of a different model for exposure calculations under the IMM permission;
  - c. changes to governance or senior management arrangements in relation to the IMM permission;
  - d. changes to the volumes or trends of trading for assets classes, products or counterparties listed in Table 1 of Annex 1; and
  - e. changes to the volumes or trends of trading for legal entities in the scope of the IMM permission;
  - f. For power and gas products:
    - the proportion of products using proxies;
    - the proportion of exposure attributable to proxied products.

### **Advanced method for credit valuation adjustment risk**

7. In accordance with CRR Article 383 the company is permitted to include a limited number of smaller non-IMM netting sets within the Advanced method for calculating credit valuation adjustment risk. In identifying the number and size of portfolios that fulfil the criterion of a limited number of smaller portfolios the company shall comply with the definitions set out in Commission Delegated Regulation (EU) No 526/2014.

**ANNEX 2**

**VERSION CONTROL**

<b>Version</b>	<b>Comment</b>	<b>Authorisation</b>	<b>Date</b>	<b>Reference number</b>
1.0	IMM Permission issued	Director of the International UK Banks Division	20th December 2013	1713270 and 1713271
2.0	IMM Permission amended to:  i) include Margin Lending (cash and synthetic) for Prime Brokerage business;  ii) Inclusion of a limited number of smaller non-IMM netting sets within Advanced method for credit valuation adjustment risk.	Head of Division – Major UK Banks  Acting Head of Division – Major UK Banks	20 December 2018  13 September 2019	5149810 and 5149812
3.0	IMM Permission amended to: <ul style="list-style-type: none"><li>• Add four entities</li><li>• Remove nine entities</li><li>• Permission extended to</li><li>• include cleared and uncleared repo/reverse repo and stock borrowing/lending transactions for Barclays Securities Japan Limited</li></ul>	Head of Division – Major UK Banks	26th March 2020	00001049 and 00001050
4.0	Permission granted to the Holding Company on a consolidated basis.	SRPC	17 December 2021	N/A