

WRITTEN NOTICE

IMA PERMISSION (Abridged)

To: **NatWest Group Plc (FRN 228174) (the “company”)**

Of: 36 St Andrew Square, Edinburgh, EH2 2YB

Date: 23 December 2021

DECISIONS

1. In accordance with Chapter 5, Title IV, Part 3 of Regulation 575/2013 of the European Parliament and of the Council of 26 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 permission to use the internal model approach in its calculation of own funds requirements for market risk on the terms and conditions set out in Annex 1 (the “IMA Permission”).
2. If the company ceases to comply with the requirements in Chapter 5, Part 3, Title IV of the CRR, or the terms of the IMA Permission set out in Annex 1, the PRA will re-consider the terms and conditions of the IMA Permission and the requirements relevant to it, which may include a revocation of the IMA Permission in whole or in part.
3. The IMA Permission take effect on 20 December 2021.



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 The full text of this Written Notice will not be published.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

5. Annex 2 sets out any previous versions of the permission granted by the PRA in connection with the IMA Permission.

The decision was taken by SRPC

ANNEX 1

THE INTERNAL MODEL APPROACH PERMISSION

Legal Entities

1. The IMA Permission means that the company may use, for the legal entities listed below, on a consolidated basis, the internal model approach in its calculation of own funds requirements for market risk in relation to the risk categories and categories of position described in paragraphs 3 and 4 of this Annex, in accordance with Section 1,2,3 and 4 Chapter 5, Title IV, Part 3 of the CRR:
 - 1.1. NatWest Group Plc, National Westminster Bank Plc, The Royal Bank of Scotland Plc, Coutts & Company, Ulster Bank Ltd and NatWest Markets Plc on the basis of the consolidated situation of NatWest Group Plc in relation to exposures incurred by NatWest Markets Plc, and NatWest Markets NV.

Other Matters

2. The PRA has granted further permission under Article 363(3) of the CRR.

Changes and extensions

3. In accordance with Article 363(3) of the CRR and Commission Delegated Regulation (EU) 529/2014 (the “Delegated Regulation”), the prior approval of the PRA is required for any material change to the models subject to the IMA Permission or any material extension of use of those models. All other changes to, or extensions of use of, the models must be notified to the PRA. As specified by the Delegated Regulation, in certain cases such notification must be made two weeks before the proposed date of implementation.
4. In accordance with Fundamental Rule 7, the PRA expects a company to discuss with the PRA in advance of implementation details of any significant planned changes or extensions which are relevant to the internal models covered by this permission and which do not necessarily require the prior approval of the PRA under Article 363(3) of the CRR. Such changes might include, for example:
 - 4.1. new models and systems;
 - 4.2. changes to existing models and systems;
 - 4.3. the inclusion of significant new types of positions;
 - 4.4. the inclusion of significant new sets of positions, e.g. trading strategies, business units;
 - 4.5. significant changes to existing types of position, e.g. currencies, geographies, sectors, maturities/tenors.

These details should include information about the nature of the change, including an estimate of the impact of the change on key risk measures (e.g. VaR) and on the company’s own funds

requirements for market risk. They should also include the impact on the own funds requirements for other risk types (such as CVA risk), where relevant.

For avoidance of doubt, this expectation is in addition to the requirements of prior approval or notification under Article 363(3) of the CRR and the Delegated Regulation.

ANNEX 2

VERSION CONTROL

Version	Comment	Authorisation	Date	Reference number
1.0	IMA Permission issued	Rebecca Jackson, Head of Division, Major UK Deposit Takers	1 December 2014	1804127, 1804138, 1804129, 1804133, 1804136, 180413
2.0	IMA Permission varied to include additional trading location.	Rebecca Jackson, Head of Division, Major UK Deposit Takers	16 January 2015	1906651, 1934557, 1934564, 1934567, 1934570
3.0	IMA Permission varied to reduce scope of IMA permission to exclude US agency-backed securities from general and specific risk calculations	Simon Morley Acting Head of Division, Major UK Banks	30 June 2015	2126671, 2126672, 2126674, 2126676, 2126677
4.0	IMA Permission varied to reduce scope of legal entities covered by IMA permission; remove property derivatives; reduce trading locations;	PRA Supervision, Risk and Policy Committee	30 November 2016	2846335, 2846339

	remove time limitation			
5.0	IMA Permission extension to NWM NV	Simon Dixon Head of Division, Major UK Banks	22 March 2019	5192635 5192636
6.0	IMA Permission IRC methodology change	Simon Dixon Head of Division, Major UK Banks	11 November 2019	5394810 5394811
7.0	IMA Permission VaR capital calculation of sovereign bonds and CDS positions	Simon Dixon Head of Division, Major UK Banks	26 March 2020	00001055 00001056
8.0	IMA Permission varied to (i) remove National Westminster Bank Plc on a solo basis; (ii) amend legal entities included on a consolidated basis; and (iii) reflect recent art. 500c application	Simon Dixon Head of Division UK Large Banks	21 December 2020	00002333
9.0	IMA Permission varied to map GBP LIBOR related time-series to SONIA in VaR/SVaR calculations and the development of a GBP LIBOR/RFR basis spread risk RNIV	Simon Dixon Head of Division UK Large Banks	14 July 2021	00002972
10.0	IMA Permission varied due to the anchor change in Rates and Sovereign Bonds VaR modelling	Simon Dixon Head of Division UK Large Banks	15 November 2021	00003506
11.0	Permission granted to the Holding Company on a consolidated basis	SRPC	20 December 2021	N/A

Note on disclosure

The PRA has decided not to publish the full text and annexes of IMA permission notices as it has been deemed inappropriate and unnecessary. In particular, to do so might prejudice, to an unreasonable degree, the commercial interests of the company concerned.

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 IMA permission has been granted.