

[Appendix 1]**PRA RULEBOOK: DEFINITIONS AND INTERPRETATION (CRR) INSTRUMENT [2026]**

The baseline for the draft rules in this instrument is the PRA Rulebook as it would stand on 1 January 2027, on the basis of rules made to date and on the basis that the rules published in the following instruments will also have been made:

- the near-final draft PRA Rulebook: CRR Firms: (CRR) Instrument [2024] accompanying PS9/24;
- the PRA Rulebook: CRR Firms: SDDT Regime Instrument [2025] accompanying CP7/24;
- the draft PRA Rulebook: CRR Firms: (CRR) Instrument [2025] accompanying CP13/24;
- the draft PRA Rulebook: CRR Firms: Large Exposure Omnibus Instrument [2025] accompanying CP14/24;
- the draft PRA Rulebook: CRR Firms: Recognised Exchanges Instrument [2026] accompanying CP3/25;
- the draft PRA Rulebook: PRA Rulebook: CRR Firms: Governance and Internal Requirements Instrument [2025] accompanying CP9/25; and
- the draft PRA Rulebook: Glossary Amendment Instrument [2025] and the draft PRA Rulebook: Benchmarking of Internal Approaches Amendment Instrument [2025] accompanying LIAC01/25.

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 144H(1) (Relationship with the CRR);
 - (4) section 192J (Rules requiring provision of information by parent undertakings);
 - (5) section 192JA (Rules applying to parent undertakings of ring-fenced bodies);
 - (6) section 192JB (Rules requiring parent undertakings to facilitate resolution);
 - (7) section 192XA (Rules applying to holding companies);
 - (8) section 213 (The compensation scheme); and
 - (9) section 214 (General).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

PRA Rulebook: Definitions and Interpretation (CRR) Instrument [2026]

- C. The PRA makes the rules in Annexes to this instrument.

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Commencement

D. This instrument comes into force on [DATE].

Citation

E. This instrument may be cited as the PRA Rulebook: Definitions and Interpretation (CRR) Instrument [2026].

By order of the Prudential Regulation Committee

[DATE]

Annex A**CRR Terms List**

In this Annex, the text is all new and is not underlined.

Part**CRR TERMS LIST**

accumulated other comprehensive income

Additional Tier 1 capital or additional tier 1 capital

Additional Tier 1 instruments or additional tier 1 instruments

Additional Tier 1 items or additional tier 1 items

Additional Tier 1 own-fund insurance items

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eligible capital

expected loss or EL

exposure

external credit assessment institution or ECAI

FCA investment firm

financial holding company

financial institution

financial instruments

financial sector entity

foreign exchange risk

funded credit protection

global systemically important institution or G-SII

goodwill

group

group of connected clients

independent price verification

indirect holding

initial margin or IM

institution

insurance undertaking

intangible assets

internal hedge

[Appendix 1]*investment firm**investment holding company**large institution**large subsidiary**leverage**loss**loss given default or LGD**management body**market risk**market value**marking to market**marking to model**material subsidiary**minority interest**mixed activity holding company or mixed-activity holding company**mixed financial holding company**model risk**nominated ECAI**non-UK global systemically important institution or non-UK G-SII**one-year default rate**operational risk**original lender**originator**other capital instruments**other reserves**own funds**own funds instruments**parent undertaking**Part 4A permission**Part 9C rules**participation**positions held with trading intent**pre-funded contribution to the default fund of a CCP**probability of default or PD**profit**public sector entity*

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pure reinsurer

qualifying central counterparty or QCCP

qualifying holding

reciprocal cross holding

recognised exchange

Regulated Activities Order

reference obligation

reinsurance undertaking

repurchase agreement or reverse repurchase agreement

repurchase transaction

resecuritisation

resecuritisation position

residential property

resolution

resolution authority

resolution entity

resolution group

retained earnings

risk of excessive leverage

securities financing transaction

securitisation

securitisation position

securitisation special purpose entity or SSPE

senior management

senior securitisation position

servicer

share premium account

simple repurchase agreement

small and non-complex institution

sponsor

sub-consolidated basis

subsidiary

synthetic holding

temporary differences

third country

third country banking and investment group

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third country insurance undertaking or third-country insurance undertaking

third country reinsurance undertaking or third-country reinsurance undertaking

Tier 1 capital or tier 1 capital

Tier 1 own-fund insurance items

Tier 2 capital or tier 2 capital

Tier 2 instruments or tier 2 instruments

Tier 2 items or tier 2 items

Tier 2 own-fund insurance items

Tier 3 own-fund insurance items

trade exposure

trade finance

trading book

trading desk

tranche

unfunded credit protection

UK deposit guarantee scheme

UK parent financial holding company

UK parent institution

UK parent mixed financial holding company

UK regulated market

UK-adopted international accounting standards

Annex B

Amendments to the Glossary Part

In this Annex new text is underlined and deleted text is struck through.

...

accumulated other comprehensive income

has the same meaning as under the applicable accounting framework.

[Note: This rule corresponds to Article 4(1)(100) of *CRR* as it applied immediately before its revocation]

...

additional leverage ratio buffer

means the amount of ~~common equity tier 1 capital as defined in Article 50 of the CRR~~Common Equity Tier 1 capital a firm or *CRR consolidation entity* must calculate in accordance with 4A.1 and 4A.2 of the Leverage Ratio – Capital Requirements and Buffers Part.

Additional Tier 1 capital or additional tier 1 capital

has the meaning given in Article 61 (Chapter 3 (Own Funds (Part Two CRR))) of the Own Funds (CRR) Part.

Additional Tier 1 instruments or additional tier 1 instruments

has the meaning given in Article 52 (Chapter 3 (Own Funds (Part Two CRR))) of the Own Funds (CRR) Part.

Additional Tier 1 items or additional tier 1 items

has the meaning given in Article 51 (Chapter 3 (Own Funds (Part Two CRR))) of the Own Funds (CRR) Part.

Additional Tier 1 own-fund insurance items

means Tier 1 own funds items the inclusion of which is restricted by Own Funds 4A.3.

[Note: This rule corresponds to Article 4(1)(103) of *CRR* as it applied immediately before its revocation]

...

AIF

~~means an alternative investment fund.~~

...

alternative investment fund or AIF

has the meaning given in regulation 3 of the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773). ~~means a collective investment undertaking, including investment compartments thereof which:~~

- (1) ~~raises capital from a number of investors, with the intention of investing it in accordance with a defined investment policy for the benefit of those investors; and~~
- (2) ~~does not require authorisation pursuant to article 5 of the UCITS Directive.~~

...

[Appendix 1]*ancillary services undertaking*

means:

- ~~(1) an *undertaking*, the principal activity of which consists of owning or managing property, managing data-processing services, or a similar activity which is ancillary to the principal activity of one or more *credit institutions*, *investment firms* or *insurers*; or~~
- ~~(2) in the Solvency II Firms Sector, except in the Financial Conglomerates Part, a non-regulated *undertaking*, the principal activity of which consists of owning or managing property, managing data-processing services, health and care services or any other similar activity which is ancillary to the principal activity of one or more *insurers*.~~
- (1) (when used without italics in *CRR rules* and rules made under section 192XA of *FSMA*) has the meaning given in regulation 1(2) of the *Financial Conglomerates Regulations*.

[Note: Limb (1) of this definition is a rule that corresponds to Article 4(1)(18) of *CRR* as it applied immediately before its revocation]

- (2) (in the Solvency II Firms Sector, except in the Financial Conglomerates Part) means a non-regulated *undertaking*, the principal activity of which consists of owning or managing property, managing data-processing services, health and care services or any other similar activity which is ancillary to the principal activity of one or more *insurers*; or
- (3) (anywhere else in the *PRA Rulebook*) means an *undertaking*, the principal activity of which consists of owning or managing property, managing data-processing services, or a similar activity which is ancillary to the principal activity of one or more *credit institutions*, *investment firms* or *insurers*; or

Annex 1 activities

means the following activities:

- (1) taking deposits and other repayable funds;
- (2) lending, including:
 - (a) providing consumer credit;
 - (b) entering into credit agreements relating to immovable property;
 - (c) factoring (with or without recourse);
 - (d) financing commercial transactions (including forfeiting);
- (3) financial leasing;
- (4) payment services as defined in regulation 2 of the *Payment Services Regulations*;
- (5) issuing and administering means of payment (including travellers' cheques and bankers' drafts) where such activities are not covered by paragraph (4);
- (6) providing guarantees or entering into commitments;
- (7) trading for own account or for the account of customers in any of the following:
 - (a) money-market instruments (including cheques, bills and certificates of deposit)
 - (b) foreign exchange;
 - (c) financial futures and options;
 - (d) exchange and interest rate instruments;
 - (e) transferable securities;

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- (8) participation in securities issues and the provision of services relating to such issues;
- (9) providing:
 - (a) advice to *undertakings* on capital structure, industrial strategy and related matters;
 - (b) advice and services relating to mergers and acquisitions of *undertakings*;
- (10) money broking;
- (11) providing portfolio management and advice;
- (12) safekeeping and administration of securities;
- (13) credit reference services;
- (14) safe custody service;
- (15) issuing electronic money; and
- (16) providing a service or carrying on an activity specified in Parts 3 or 3A of Schedule 2 to the *Regulated Activities Order* relating to any of the financial instruments provided for in Part 1 of that Schedule.

[Note 1: This rule corresponds to Article 4(1)(26A) of *CRR* as it applied immediately before its revocation]

[Note 2: Article 4(1)(26A) of *CRR* referred to and amends the list of activities in Annex 1 to the *CRD* as it had effect immediately before *IP completion day*]

...

applicable accounting framework

has the same meaning as the term ‘*accounting principles*’ in the *PRA* Rulebook Glossary.

[Note: This rule corresponds to Article 4(1)(77) of *CRR* as it applied immediately before its revocation]

...

approved credit institution

means a *credit institution* recognised or permitted under the law of the *UK* to carry on any of the activities set out in Annex 1 to the *CRD* *Annex 1 activities*.

...

Article 18(6) relationship

means a relationship of one of the following kinds:

- (1) where an *institution* exercises a significant influence over one or more *institutions* or *financial institutions*, but without holding a ~~participation~~ participation or other capital ties in these *institutions*; or
- (2) where two or more *institutions* or *financial institutions* are placed under single management other than pursuant to a contract or clauses of their memoranda or articles of association.

In this definition, unitalicised terms must be interpreted in accordance with Interpretation Part 2.2B regardless of whether this definition is a *CRR rule*.

~~*Article 18(8) relationship*~~

means:

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a subsidiary (as defined in Article 4(1)(16) of the *CRR*) of the *firm* or an *undertaking* in which the *firm* holds a participation (as defined in Article 4(1)(35) of the *CRR*), other than an *institution*, *financial institution* or ancillary services undertaking (as defined in Article 4(1)(18) of the *CRR*), where all the following conditions are met:

- (1) ~~the undertaking is not a UK Solvency II firm, a third country branch undertaking, an insurance holding company or an undertaking within Article 4(1)(27)(k) of CRR; and~~
- (2) ~~there is a substantial risk that the firm provides financial support to that subsidiary or undertaking in stressed conditions, in the absence of, or in excess of any contractual obligations to provide such support.~~

asset management company

~~means an undertaking with a Part 4A permission under Article 51ZA of the Regulated Activities Order (Managing a UCITS) or an undertaking, the registered office of which is outside the UK and which would require such permission if it had its registered office within the UK.~~

- (1) (when used without italics in CRR rules and rules made under section 192XA of FSMA) has the meaning given in section 417 of FSMA; or

[Note: Limb (1) of this definition is a rule that corresponds to Article 4(1)(19) of CRR as it applied immediately before its revocation]

- (2) (anywhere else in the PRA Rulebook) means an undertaking with a Part 4A permission under Article 51ZA of the Regulated Activities Order (Managing a UCITS) or an undertaking, the registered office of which is outside the UK and which would require such permission if it had its registered office within the UK.

...

basic own funds

~~(in the Solvency II Firms Sector of the PRA Rulebook):~~

- (1) (in relation to a *UK Solvency II firm* and Lloyd's), has the meaning given in Own Funds 2.2; or
- (2) (in relation to an *insurance holding company*) means an *own funds* item referred to in Own Funds 2.2, determined in accordance with (1) as if it were a *UK Solvency II firm*.
- (3) [deleted]

[Note: This rule corresponds to Article 4(1)(101) of CRR as it applied immediately before its revocation]

...

branch

means:

- (1) (in relation to a *credit institution*) a place of business which forms a legally dependent part of a *credit institution* and which carries out directly all or some of the transactions inherent in the business of *institutions*.
- (2) (in relation to an *investment firm*) a place of business which:
 - (a) is not the *firm's* head office;
 - (b) is part of the *firm*;
 - (c) has no legal personality; and

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(d) provides *investment services and/or activities*; and

(e) may also perform *ancillary services* for which the *investment firm* has *permission* under Part 4A of FSMA.

[Note: Limbs (1) and (2) of this definition, to the extent they relate to *institutions*, are rules that correspond to Article 4(1)(17) of CRR as it applied immediately before its revocation]

...

cash assimilated instrument

means a certificate of deposit, a bond, including a covered bond, or any other non-subordinated instrument, which has been issued by an *institution* or investment firm, for which the *institution* or investment firm has already received full payment and which shall be unconditionally reimbursed by the *institution* or investment firm at its nominal value.

[Note 1: This rule corresponds to Article 4(1)(60) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

...

central bank

means the *Bank of England*, the European Central Bank and the central banks of *third countries*.

[Note: This rule corresponds to Article 4(1)(46) of CRR as it applied immediately before its revocation]

...

central counterparty or CCP

means a *body corporate* or unincorporated association which interposes itself between the counterparties to the contracts traded on one or more financial markets, becoming the buyer to every seller and the seller to every buyer.

[Note: This rule corresponds to Article 4(1)(34) of CRR as it applied immediately before its revocation]

...

clearing member

means an *undertaking* which participates in a *CCP* and which is responsible for discharging the financial obligations arising from that participation.

[Note: This rule corresponds to Article 300(3) of CRR as it applied immediately before its revocation]

...

close links

(in the Solvency II Firms Sector of the *PRA Rulebook*) means a situation in which two or more persons are linked by *control* or *participation*, or a situation in which two or more persons are permanently linked to one and the same person by a *control* relationship.

(1) (when used without italics in CRR rules and rules made under section 192XA of FSMA) a situation in which two or more persons are linked in any of the following ways:

(a) participation in the form of ownership, direct or by way of control, of 20% or more of the voting rights or capital of an *undertaking*;

(b) control; or

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(c) a permanent link of both or all of them to the same third person by a control relationship; or

[Note 1: Limb (1) of this definition is a rule that corresponds to Article 4(1)(38) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in limb (1) of this definition]

(2) (in the Solvency II Firms Sector of the PRA Rulebook) a situation in which two or more persons are linked by control or participation, or a situation in which two or more persons are permanently linked to one and the same person by a control relationship.

...

collective investment undertaking or CIU

means a UCITS or an alternative investment fund.

[Note: This rule corresponds to Article 4(1)(7) of CRR as it applied immediately before its revocation]

...

commodity risk

means the risk of losses arising from movements in commodity prices.

[Note: This rule corresponds to Article 4(1)(143) of CRR as it applied immediately before its revocation]

...

Common Equity Tier 1 capital or common equity tier 1 capital

has the meaning given in Article 50 (Chapter 3 (Own Funds (Part Two CRR))) of the Own Funds (CRR) Part.

Common Equity Tier 1 instruments or common equity tier 1 instruments

has the meaning given in Article 28 (Chapter 3 (Own Funds (Part Two CRR))) of the Own Funds (CRR) Part.

Common Equity Tier 1 items or common equity tier 1 items

has the meaning given in Article 26 (Chapter 3 (Own Funds (Part Two CRR))) of the Own Funds (CRR) Part.

common management relationship

means:

(1) (in the CRR ~~firms~~Firms and Non-CRR ~~firms~~Firms Sectors, including in the Financial Conglomerates Part, of the PRA Rulebook) has the meaning given in ~~Article 4(1) CRR~~regulation 1(2) of the Financial Conglomerates Regulations; or

[Note: Limb (1) of this definition is a rule that corresponds to Article 4(1)(38A) of CRR as it applied immediately before its revocation]

(2) (in the Solvency II ~~firms~~Firms and Non-Solvency II ~~firms~~Firms Sectors of the PRA Rulebook, except in the Financial Conglomerates Part) means a relationship between two or more undertakings which satisfies the following conditions:

(a) the undertakings are not connected in the manner described in section 1162 of, and Schedule 7 to, the Companies Act 2006; and

(b) either:

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- (i) the *undertakings* are managed on a unified basis pursuant to a contract with one of them, or provisions in the *undertakings*' respective memoranda or articles of association; or
- (ii) the *governing bodies* of those *undertakings* consist, for the major part, of the same persons in office during the financial year in respect of which it is being decided whether such a relationship exists; ~~and~~
- (3) ~~(in the Financial Conglomerates Part) has the meaning given in Article 4(1) CRR;~~~~[deleted]~~

...

competent authority

means:

- (1) the *PRA*, in respect of *PRA-authorised persons* within the meaning of section 2B(5) of *FSMA*;
- (2) ~~in relation to a MiFID investment firm the authority designated before IP completion day by the UK in accordance with Article 67 of MiFID II;~~~~[deleted]~~
- (3) subject to (4), the FCA, in respect of any other *person*; or
- (4) where the context requires, a public authority or body officially recognised by national law, which is empowered by national law to supervise *persons* as part of the supervisory system in operation in the UK (or, where the context requires, a *third country*).

[Note: Limbs (1) and (4) of this definition are rules that correspond to Article 4(1)(40) of CRR as it applied immediately before its revocation]

...

*consolidated basis*means on the basis of the *consolidated situation*.

[Note: This rule corresponds to Article 4(1)(48) of CRR as it applied immediately before its revocation]

...

consolidated situation

means the situation that results from applying a rule or requirement in accordance with Articles 11, 18, 19, 23 and 24 of the Groups Part to an *institution* as if that *institution* formed, together with one or more other entities, a single *institution*.

[Note: This rule corresponds to Article 4(1)(47) of CRR as it applied immediately before its revocation]

...

consolidating supervisor

means the *competent authority* responsible for the exercise of supervision on a *consolidated basis* of:

- (1) a *UK parent institution*; or
- (2) an ~~institution~~*institution* controlled by a *UK parent financial holding company* or *UK parent mixed financial holding company*.

[Note 1: This rule corresponds to Article 4(1)(41) of CRR as it applied immediately before its revocation]

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[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

...

control

(in the Solvency II Firms Sector of the ~~PRA~~ Rulebook) means the relationship between a ~~parent undertaking~~ and a ~~subsidiary undertaking~~ where that relationship falls within (1) to (6) of the definition of ~~parent undertaking~~, or a similar relationship between any ~~person~~ and an ~~undertaking~~. means:

- (1) ((A) when used in italics in the Remuneration Part and (B) when used without italics in CRR rules and rules made under section 192XA of FSMA) the relationship between a parent undertaking and a subsidiary undertaking, as defined in section 1162 of, and Schedule 7 to, the Companies Act 2006, or the accounting standards to which an institution is subject under section 403(1) of the Companies Act 2006, or a similar relationship between any person and an undertaking; or

[Note: Limb (1) of this definition is a rule that corresponds to Article 4(1)(37) of *CRR* as it applied immediately before its revocation]

- (2) (in the Solvency II Firms Sector of the *PRA* Rulebook) the relationship between a parent undertaking and a subsidiary undertaking where that relationship falls within (1) to (6) of the definition of parent undertaking, or a similar relationship between any person and an undertaking.

...

conversion factor

unless the context otherwise requires, means the expected ratio of the currently undrawn amount of a commitment from a single facility that could be drawn from a single facility before default and that would therefore be outstanding at default to the currently undrawn amount of the commitment from that facility, the extent of the commitment being determined by the advised limit.

[Note: This rule corresponds to Article 4(1)(56) of *CRR* as it applied immediately before its revocation]

...

countercyclical leverage ratio buffer

means the amount of ~~common equity tier 1 capital as defined in Article 50 of the CRR~~ Common Equity Tier 1 capital a firm or *CRR consolidation entity* must calculate in accordance with 4.1 and 4.2 of the Leverage Ratio – Capital Requirements and Buffers Part.

...

credit enhancement

means a contractual arrangement whereby the credit quality of a securitisation position is improved in relation to what it would have been if the enhancement had not been provided, including the enhancement provided by more junior tranches in the securitisation and other types of credit protection.

[Note: This rule corresponds to Article 4(1)(65) of *CRR* as it applied immediately before its revocation]

credit institution

~~has the meaning given in point (1) of Article 4(1) of the CRR.~~ means an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account.

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[Note: This rule corresponds to Article 4(1)(1) of CRR as it applied immediately before its revocation]

...

credit risk adjustment

means the amount of specific and general loan loss provision for credit risks that has been recognised in the financial statements of the institution in accordance with the applicable accounting framework.

[Note: This rule corresponds to Article 4(1)(95) of CRR as it applied immediately before its revocation]

credit risk mitigation

means a technique used by an institution to reduce the credit risk associated with an exposure or exposures which that institution continues to hold.

[Note: This rule corresponds to Article 4(1)(57) of CRR as it applied immediately before its revocation]

...

CRR covered bonds

means bonds issued by a credit institution which:

- (1) has its registered office in the UK; and
- (2) is subject by law to special public supervision designed to protect bondholders and in particular protection under which:
 - (a) sums deriving from the issue of the bond must be invested in conformity with the law in assets;
 - (b) during the whole period of validity of the bond, those sums are capable of covering claims attaching to the bond; and
 - (c) in the event of failure of the issuer, those sums would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

[Note: This rule corresponds to Article 4(1)(128A) of CRR as it applied immediately before its revocation]

CRR firm

means a UK bank, a building society or a UK designated investment firm.

[Note: This rule corresponds to Article 4(1)(2A) of CRR as it applied immediately before its revocation]

...

CRR rules

has the same meaning as in section 144A of FSMA.

[Note: This rule corresponds to Article 4(1A) of CRR as it applied immediately before its revocation to the extent it related to 'CRR rules']

CRR terms

means the terms included in the CRR Terms List.

...

default fund

means a fund that a CCP maintains relating to the default of its clearing members.

[Note: This rule corresponds to Article 4(1)(89) of CRR as it applied immediately before its revocation]

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...

deferred tax assets

has the same meaning as under the *applicable accounting framework*.

[Note: This rule corresponds to Article 4(1)(106) of *CRR* as it applied immediately before its revocation]

deferred tax assets that rely on future profitability

means *deferred tax assets* the future value of which may be realised only in the event the *institution* generates taxable *profit* in the future.

[Note: This rule corresponds to Article 4(1)(107) of *CRR* as it applied immediately before its revocation]

deferred tax liabilities

has the same meaning as under the *applicable accounting framework*.

[Note: This rule corresponds to Article 4(1)(108) of *CRR* as it applied immediately before its revocation]

...

defined benefit asset

means the excess of the value of the assets in a *defined benefit occupational pension scheme* over the present value of the scheme liabilities, to the extent that a *firm*, as employer, in accordance with the *accounting principles* applicable to it, should recognise that excess as an asset in its balance sheet.

[Note: This rule corresponds to Article 4(1)(109) of *CRR* as it applied immediately before its revocation]

...

designated investment firm

means an investment firm ~~that has been~~ which is for the time being designated by the *PRA* under Article 3 of Financial Services and Markets Act 2000 (PRA-regulated Activities) Order 2013 (S.I. 2013/556).

[Note 1: This rule corresponds to Article 4(1)(2AA) of *CRR* as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

dilution risk

means the risk that an amount receivable is reduced through cash or non-cash credits to the obligor.

[Note: This rule corresponds to Article 4(1)(53) of *CRR* as it applied immediately before its revocation]

...

discretionary pension benefits

means enhanced pension benefits granted on a discretionary basis by an *institution* to an *employee* as part of that *employee's* variable remuneration package, which do not include accrued benefits granted to an *employee* under the terms of the company pension scheme.

[Note: This rule corresponds to Article 4(1)(73) of *CRR* as it applied immediately before its revocation]

[Appendix 1]distributable items

means the amount of the *profits* at the end of the last financial year plus any *profits* brought forward and reserves available for that purpose, before distributions to holders of *own funds instruments*, less any losses brought forward, any *profits* which are non-distributable pursuant to the law of the *UK*, or any part of it, or of a *third country* or the *institution's* by-laws and any sums placed in non-distributable reserves in accordance with the law of the *UK*, or any part of it, or of a *third country* or the statutes of the *institution*, in each case with respect to the specific category of *own funds instruments* to which the law of the *UK*, or any part of it, or of a *third country*, *institutions'* by-laws, or statutes relate; such *profits*, losses and reserves being determined on the basis of the individual accounts of the *institution* and not on the basis of the consolidated accounts.

[Note: This rule corresponds to Article 4(1)(128) of *CRR* as it applied immediately before its revocation]

distributions

means the payment of dividends or interest in any form.

[Note: This rule corresponds to Article 4(110) of *CRR* as it applied immediately before its revocation]

...

early amortisation provisions

means a contractual clause in a *securitisation* of revolving exposures, as defined in the *Securitisation Part*, or a revolving securitisation, as defined in the *Securitisation Part*, which requires, on the occurrence of defined events, investors' *securitisation positions* to be redeemed before the originally stated maturity of those positions.

[Note: This rule corresponds to Article 242(16) of *CRR* as it applied immediately before its revocation]

...

eligible capital

means the sum of the following:

- (1) *Tier 1 capital*, without applying the deduction in Article 36(1)(k)(i) of the Own Funds (*CRR*) Part;
- (2) *Tier 2 capital* that is equal to or less than one third of *Tier 1 capital* as calculated pursuant to paragraph (1).

[Note: This rule corresponds to Article 4(1)(71) of *CRR* as it applied immediately before its revocation]

...

expected loss or EL

for purposes of the Credit Risk: General Provisions (*CRR*) Part, Credit Risk: Standardised Approach (*CRR*) Part, Credit Risk: Internal Ratings-Based Approach (*CRR*) Part, Credit Risk Mitigation (*CRR*) Part, *Securitisation (CRR) Part* and *Counterparty Credit Risk (CRR) Part* means, unless the context otherwise requires, the ratio of the amount expected to be lost on an *exposure* from a potential default of a counterparty or dilution over a one-year period to the amount outstanding at default. The expression 'lost' in this definition is to be read consistently with the definition of 'loss' in the *PRA Rulebook Glossary*.

[Note: This rule corresponds to Article 5(3) of *CRR* as it applied immediately before its revocation]

...

exposure

[Appendix 1]

for purposes of the Credit Risk: General Provisions (CRR) Part, Credit Risk: Standardised Approach (CRR) Part, Credit Risk: Internal Ratings-Based Approach (CRR) Part, Credit Risk Mitigation (CRR) Part, Securitisation (CRR) Part and Counterparty Credit Risk (CRR) Part means an asset or off-balance sheet item.

[Note: This rule corresponds to Article 5(1) of CRR as it applied immediately before its revocation]

external credit assessment institution or ECAI

means a *credit rating agency*, or a *central bank* issuing credit ratings which is exempt from the application of Regulation (EC) No 1060/2009 and which is included in a list of exempt *central banks* published by *Treasury* on its website.

[Note: This rule corresponds to Article 4(1)(98) of CRR as it applied immediately before its revocation]

...

FCA investment firm

means an investment firm that:

- (1) is an authorised person within the meaning of section 31(1)(a) of FSMA; and
- (2) is not a designated investment firm.

[Note 1: This rule corresponds to Article 4(1)(2AB) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

...

financial holding company

has the meaning given in point (20) of Article 4(1) of the ~~CRR~~ section 417 of FSMA.

[Note: This rule corresponds to Article 4(1)(20) of CRR as it applied immediately before its revocation]

financial institution

has the meaning given in point (26) of Article 4(1) of the ~~CRR~~ section 417 of FSMA.

[Note: This rule corresponds to Article 4(1)(26) of CRR as it applied immediately before its revocation]

financial instruments

~~means those instruments specified in Part 1 of Schedule 2 to the Regulated Activities Order, read with Part 2 of that Schedule.~~ means:

- (1) (when used without italics in CRR rules and rules made under section 192XA of FSMA) any of the following:
 - (a) a contract that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party;
 - (b) an instrument specified in Part 1 of Schedule 2 to the Regulated Activities Order;
 - (c) a derivative financial instrument;
 - (d) a primary financial instrument; and
 - (e) a cash instrument.

The instruments referred to in paragraphs (a), (b) and (c) are only financial instruments if their value is derived from the price of an underlying financial instrument or another underlying item, a rate, or an index.

[Appendix 1]

[Note 1: Limb (1) of this definition is a rule that corresponds to Article 4(1)(50) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in limb (1) of this definition]

- (2) (anywhere else in the PRA Rulebook) those instruments specified in Part 1 of Schedule 2 to the Regulated Activities Order, read with Part 2 of that Schedule.

financial sector entity

means any of the following:

- (1) an institution;
- (2) a financial institution;
- (3) an ancillary services undertaking included in the consolidated situation of an institution;
- (4) an insurance undertaking;
- (5) a third-country insurance undertaking;
- (6) a reinsurance undertaking;
- (7) a third-country reinsurance undertaking;
- (8) an insurance holding company;
- (9) a non-directive insurer;
- (10) a firm with a Part 4A permission to effect contracts of insurance or carry out contracts of insurance where the firm has the permission by reason only of the operation of the EEA Passport Rights (Amendment etc., and Transitional Provisions) (EU Exit) Regulations 2018; or
- (11) a third country firm with a main business comparable to any of the entities referred to in (1) to (10).

[Note1: This rule corresponds to Article 4(1)(27) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

...

foreign exchange risk

means the risk of losses arising from movements in foreign exchange rates.

[Note: This rule corresponds to Article 4(1)(142) of CRR as it applied immediately before its revocation]

...

funded credit protection

means a technique of credit risk mitigation where the reduction of the credit risk on the exposure of an institution derives from the right of that institution, in the event of the default of the counterparty or on the occurrence of other specified credit events relating to the counterparty, to liquidate, or to obtain transfer or appropriation of, or to retain certain assets or amounts, or to reduce the amount of the exposure to, or to replace it with, the amount of the difference between the amount of the exposure and the amount of a claim on the institution.

[Note: This rule corresponds to Article 4(1)(58) of CRR as it applied immediately before its revocation]

[Appendix 1]

...

global systemically important institution or G-SII

~~has the meaning given in point (133) of Article 4(1) of the CRR.~~ means a *person* that has been included on the *PRA's* most recently published list of G-SIIs.

[Note: This rule corresponds to Article 4(1)(133) of *CRR* as it applied immediately before its revocation]

...

goodwill

has the same meaning as under the *applicable accounting framework*.

[Note: This rule corresponds to Article 4(1)(113) of *CRR* as it applied immediately before its revocation]

...

group

~~(in the Solvency II Firms Sector of the *PRA* Rulebook) means a group of undertakings that:~~

- ~~(1) — consists of a participating undertaking, its subsidiary undertakings and the undertakings in which it holds a participation, as well as undertakings linked to each other by a common management relationship; or~~
- ~~(2) — consists of a mutual-type group.~~

means:

- (1) (when used without italics in *CRR* rules and rules made under section 192XA of *FSMA*) a group of undertakings of which at least one is an institution and which consists of a parent undertaking and its subsidiaries, or of undertakings that are related to each other pursuant to a common management relationship; or

[Note 1: Limb (1) of this definition is a rule that corresponds to Article 4(1)(138) of *CRR* as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in limb (1) of this definition]

- (2) (in the Solvency II Firms Sector of the *PRA* Rulebook) means a group of undertakings that:
 - (a) consists of a participating undertaking, its subsidiary undertakings and the undertakings in which it holds a participation, as well as undertakings linked to each other by a common management relationship; or
 - (b) consists of a mutual-type group.

...

group of connected clients

means any of the following:

- (1) two or more persons who, unless it is shown otherwise, constitute a single risk because one of them, directly or indirectly, has control over the other or others; or
- (2) two or more persons between whom there is no relationship of control as described in paragraph (1) but who are to be regarded as constituting a single risk because they are so interconnected that, if one of them were to experience financial problems, in

[Appendix 1]

particular funding or repayment difficulties, the other or all of the others would also be likely to encounter funding or repayment difficulties,

provided that:

- (3) notwithstanding paragraph (1) and (2), where a central government has direct control over, or is directly interconnected with, more than one *person*, the set consisting of the central government and all of the *persons* directly or indirectly controlled by it in accordance with paragraph (1), or interconnected with it in accordance with paragraph (2), may be considered as not constituting a *group of connected clients*. Instead the existence of a *group of connected clients* formed by the central government and other *persons* may be assessed separately for each of the *persons* directly controlled by it in accordance with paragraph (1), or directly interconnected with it in accordance with paragraph (2), and all of the *persons* which are controlled by that *person* according to paragraph (1) or interconnected with that *person* in accordance with paragraph (2), including the central government. The same applies in relation to the Scottish Government, the Welsh Government or the Northern Ireland Executive; and
- (4) two or more *persons* who fulfil the conditions set out in paragraph (1) or (2) because of their direct exposure to the same CCP for clearing activities purposes are not considered as constituting a *group of connected clients*.

[Note 1: This rule corresponds to Article 4(1)(39) of *CRR* as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

...

independent price verification

means a process by which market prices or *marking to model* inputs are regularly verified for accuracy and independence.

[Note: This rule corresponds to Article 4(1)(70) of *CRR* as it applied immediately before its revocation]

...

indirect holding

means any exposure to an intermediate entity that has an exposure to capital instruments issued by a *financial sector entity* where, in the event the capital instruments issued by the *financial sector entity* were permanently written off, the loss that the *institution* would incur as a result would not be materially different from the loss the *institution* would incur from a direct holding of those capital instruments issued by the *financial sector entity*.

[Note: This rule corresponds to Article 4(1)(114) of *CRR* as it applied immediately before its revocation]

...

initial margin or IM

in respect of a ~~derivative~~ or a contract or asset having the effect of a ~~derivative~~ means assets which, before or at the time the contract is entered into, are transferred by the *firm* subject to a condition that such assets (or, where the assets transferred are ~~securities, equivalent securities~~) will be returned to the *firm* on completion of that contract means:

- (1) (when used without italics in *CRR rules* and rules made under section 192XA of *FSMA*) any collateral, other than variation margin, collected from or posted to an entity to cover the current and potential future exposure of a transaction or of a portfolio of

[Appendix 1]

transactions in the period needed to liquidate those transactions, or to re-hedge their market risk, following the default of the counterparty to the transaction or portfolio of transactions; or

[Note: Limb (1) of this definition is a rule that corresponds to Article 4(1)(140) of *CRR* as it applied immediately before its revocation]

- (2) (anywhere else in the *PRA* Rulebook) in respect of a *derivative* or a contract or asset having the effect of a *derivative* means assets which, before or at the time the contract is entered into, are transferred by the *firm* subject to a condition that such assets (or, where the assets transferred are *securities*, *equivalent securities*) will be returned to the *firm* on completion of that contract.

institution

~~has the meaning given in point (3) of Article 4(1) of the *CRR*.~~ means a *credit institution* or a *designated investment firm*.

[Note: This rule corresponds to Article 4(1)(3) of *CRR* as it applied immediately before its revocation]

...

insurance undertaking

~~means an *undertaking* or a *member*, that carries on *insurance business*, whether or not an *insurer*.~~ means:

- (1) (when used without italics in *CRR rules* and rules made under section 192XA of *FSMA*) a *UK Solvency II firm* or *Lloyd's*; or

[Note: Limb (1) of this definition is a rule that corresponds to Article 4(1)(5) of *CRR* as it applied immediately before its revocation]

- (2) (anywhere else in the *PRA* Rulebook) an *undertaking* or a *member*, that carries on *insurance business*, whether or not an *insurer*.

...

intangible assets

has the same meaning as under the *applicable accounting framework* and includes *goodwill*.

[Note: This rule corresponds to Article 4(1)(115) of *CRR* as it applied immediately before its revocation]

...

internal hedge

means a position that materially offsets the component risk elements between a *trading book* position and one or more non-trading book positions or between two *trading desks*.

[Note: This rule corresponds to Article 4(1)(96) of *CRR* as it applied immediately before its revocation]

...

investment firm

~~means any person whose regular occupation or business is the provision of one or more *investment services* to third parties and/or the performance of one or more *investment activities* on a professional basis.~~

- (1) ((A) when used in italics in the Depositor Protection Part, the Recovery Plans Part, the Securitisation Part and the Stay in Resolution Part and (B) when used without italics in

[Appendix 1]

CRR rules and rules made under section 192XA of FSMA) has the meaning given to the term 'Part 4A investment firm' in section 417 of FSMA; or

[Note: Limb (1) of this definition is a rule that corresponds to Article 4(1)(2) of CRR as it applied immediately before its revocation]

- (2) (anywhere else in the PRA Rulebook) means any person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis.

investment holding company

has the meaning given in point (22A) of Article 4(1) of the CRR; means a financial institution which is not a financial holding company and whose subsidiaries:

- (1) are exclusively or mainly investment firms or financial institutions; and
 (2) include at least one investment firm.

[Note 1: This rule corresponds to Article 4(1)(22A) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

...

large institution

means an institution that meets any of the following conditions:

- (1) it is a G-SII;
 (2) it has been identified as an O-SII; or
 (3) the total value of its assets on an individual basis or, where applicable, on a consolidated basis is equal to or greater than GBP 26 billion.

[Note: This rule corresponds to Article 4(1)(146) of CRR as it applied immediately before its revocation]

...

large subsidiary

means a subsidiary that qualifies as a large institution.

[Note 1: This rule corresponds to Article 4(1)(147) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

leverage

means the relative size of an institution's assets, off-balance sheet obligations and contingent obligations to pay or to deliver or to provide collateral, including obligations from received funding, made commitments, derivatives or repurchase agreements, but excluding obligations which can only be enforced during the liquidation of an institution, compared to that institution's own funds.

[Note 1: This rule corresponds to Article 4(1)(93) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

[Appendix 1]

...

listed activities

means ~~an activity listed in Annex 1 to the CRR~~ any of the *Annex 1 activities*.

...

loss

for purposes of the Credit Risk: General Provisions (CRR) Part, Credit Risk: Standardised Approach (CRR) Part, Credit Risk: Internal Ratings-Based Approach (CRR) Part, Credit Risk Mitigation (CRR) Part, Securitisation (CRR) Part and Counterparty Credit Risk (CRR) Part means economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument.

[Note: This rule corresponds to Article 5(2) of CRR as it applied immediately before its revocation]

loss given default or LGD

unless the context otherwise requires, means:

- (1) the expected ratio of the loss on an exposure related to a single facility due to the default of an obligor or facility, to the amount outstanding at default of that facility; and
- (2) in the context of dilution risk, the loss given dilution, namely the expected ratio of the loss on an exposure due to dilution, to the amount outstanding according to the pledged or purchased receivable.

[Note: This rule corresponds to Article 4(1)(55) of CRR as it applied immediately before its revocation]

...

management body

means a *firm's* body or bodies, which are appointed in accordance with national law, which are empowered to set the *firm's* strategy, objectives and overall direction, and which oversee and monitor management decision-making, and include the *persons* who effectively direct the business of the *firm*.

[Note: This rule corresponds to Article 4(1)(9) of CRR as it applied immediately before its revocation]

...

market risk

means:

- (1) ~~(except in the Solvency II Firms and Non-Solvency II Firms Sectors of the PRA Rulebook) means the risk that arises from fluctuations in values of, or income from assets, or in interest or exchange rates.~~[deleted]
- (2) (in the Solvency II Firms and Non-Solvency II Firms Sectors of the PRA Rulebook) ~~means~~ the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.; or
- (3) (anywhere else in the PRA Rulebook) the risk of losses arising from movements in market prices, including in foreign exchange rates or commodity prices.

[Note: Limb (3) of this definition is a rule that corresponds to Article 4(1)(141) of CRR as it applied immediately before its revocation]

market value

[Appendix 1]

means the market value as determined in accordance with generally accepted accounting practice; means:

- (1) (when used without italics in *CRR rules* and rules made under section 192XA of *FSMA*) for the purposes of immovable property, the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion; or

[Note: Limb (1) of this definition is a rule that corresponds to Article 4(1)(76) of *CRR* as it applied immediately before its revocation]

- (2) (anywhere else in the *PRA Rulebook*) the market value as determined in accordance with generally accepted accounting practice.

marking to market

means the valuation of positions at readily available close out prices that are sourced independently, including exchange prices, screen prices or quotes from several independent reputable brokers.

[Note: This rule corresponds to Article 4(1)(68) of *CRR* as it applied immediately before its revocation]

marking to model

means any valuation which has to be benchmarked, extrapolated or otherwise calculated from one or more market inputs.

[Note: This rule corresponds to Article 4(1)(69) of *CRR* as it applied immediately before its revocation]

...

material subsidiary

means a subsidiary that on an *individual basis* or *consolidated basis* meets any of the following conditions:

- (1) the subsidiary holds more than 5% of the consolidated risk-weighted assets of its parent undertaking;
- (2) the subsidiary generates more than 5% of the total operating income of its parent undertaking; or
- (3) the *total exposure measure* of the subsidiary is more than 5% of the consolidated *total exposure measure* of its parent undertaking.

[Note 1: This rule corresponds to Article 4(1)(135) of *CRR* as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

...

minority interest

means the amount of *Common Equity Tier 1 capital* of a subsidiary of an *institution* that is attributable to *persons* other than the undertakings included in the consolidation pursuant to the Groups Part.

[Note 1: This rule corresponds to Article 4(1)(120) of *CRR* as it applied immediately before its revocation]

[Appendix 1]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

...

mixed activity holding company or mixed-activity holding company

has the meaning given in point (22) of Article 4(1) of the CRR. means a parent undertaking, other than a *financial holding company* or an *institution* or a *mixed financial holding company*, the subsidiaries of which include at least one *institution*.

[Note 1: This rule corresponds to Article 4(1)(22) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

mixed financial holding company

~~means a parent undertaking other than a regulated entity, which together with its subsidiaries, at least one of which is a regulated entity which has its head office in the UK, and other entities constitutes a financial conglomerate.~~ has the meaning given in regulation 1(2) of the *Financial Conglomerates Regulations*.

[Note: This rule corresponds to Article 4(1)(21) of CRR as it applied immediately before its revocation]

...

model risk

means the potential loss an *institution* may incur as a consequence of decisions that could be principally based on the output of internal models due to errors in the development, implementation or use of such models.

[Note: This rule corresponds to Article 4(1)(12) of CRR as it applied immediately before its revocation]

...

nominated ECAI

means an *ECAI* nominated by an *institution* in accordance with either Article 138 of the Credit Risk: Standardised Approach (CRR) Part or Article 270D of the Securitisation (CRR) Part as the context requires.

[Note: This rule corresponds to Article 4(1)(99) of CRR as it applied immediately before its revocation]

...

non-UK global systemically important institution or non-UK G-SII

~~has the meaning given in point (134) of Article 4(1) of the CRR.~~ means a global systemically important banking group or a bank (G-SIBs) that is included in the list of G-SIBs published by the Financial Stability Board, as regularly updated, which is not a *G-SII*.

[Note: This rule corresponds to Article 4(1)(134) of CRR as it applied immediately before its revocation]...

one-year default rate

means the ratio between the number of defaults occurred during a period that starts from one year prior to a date T and the number of obligors or, where applicable, the number of facilities, assigned to this grade or pool one year prior to that date.

[Note: This rule corresponds to Article 4(1)(78) of CRR as it applied immediately before its revocation]

[Appendix 1]

...

operational risk

~~(in the Solvency II Firms Sector of the *PRA Rulebook*) means the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events, including legal risks which, for the purposes of Solvency Capital Requirement – General Provisions 3.3(1), includes legal risks but excludes risks arising from strategic decisions and reputational risks.~~

~~(in the Non-Solvency II Firms Sector of the *PRA Rulebook*) means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.~~

means:

- (1) ((A) when used in italics in the Internal Capital Adequacy Assessment Part, (B) when used without italics in *CRR rules* and rules made under section 192XA of FSMA and (C) in the Non-Solvency II Firms Sector of the *PRA Rulebook*) the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk; or

[Note: Limb (1) of this definition is a rule that corresponds to Article 4(1)(52) of *CRR* as it applied immediately before its revocation]

- (2) (in the Solvency II Firms Sector of the *PRA Rulebook*) the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events, including legal risks which, for the purposes of Solvency Capital Requirement – General Provisions 3.3(1), includes legal risks but excludes risks arising from strategic decisions and reputational risks.

...

original lender

~~has the meaning given in *Securitisation 1.3* regulation 3 of the Securitisation Regulations 2024 (SI 2024/102).~~

[Note: This rule corresponds to Article 4(1)(14A) of *CRR* as it applied immediately before its revocation]

originator

~~has the meaning given in *Securitisation 1.3* regulation 3 of the Securitisation Regulations 2024 (SI 2024/102).~~

[Note: This rule corresponds to Article 4(1)(13) of *CRR* as it applied immediately before its revocation]

...

other capital instruments

means capital instruments issued by *financial sector entities* that do not qualify as *Common Equity Tier 1 instruments*, *Additional Tier 1 instruments* or *Tier 2 instruments* or *Tier 1 own-fund insurance items*, *Additional Tier 1 own-fund insurance items*, *Tier 2 own-fund insurance items* or *Tier 3 own-fund insurance items*.

[Note: This rule corresponds to Article 4(1)(116) of *CRR* as it applied immediately before its revocation]

other reserves

[Appendix 1]

means reserves within the meaning of the *applicable accounting framework* that are required to be disclosed under the *applicable accounting standard*, excluding any amounts already included in *accumulated other comprehensive income* or *retained earnings*.

[Note: This rule corresponds to Article 4(1)(117) of *CRR* as it applied immediately before its revocation]

...

own funds

(in the Solvency II Firms Sector of the *PRA Rulebook*) means:

- (1) (in relation to a *UK Solvency II firm* and Lloyd's) the firm's aggregate *basic own funds* and *ancillary own funds* as determined in accordance with the Own Funds Part of the *PRA Rulebook*; or
- (2) (in relation to an *insurance holding company*) own funds determined in accordance with (1) as if it were a *UK Solvency II firm*.
- (3) [deleted]

[Note: Art. 87 of the *Solvency II Directive*]

means:

- (1) ((A) when used in italics in the *Capital Buffers Part*, the *Definition of Capital Part*, the *Depositor Protection Part*, the *Internal Capital Adequacy Assessment Part*, the *Notifications Part*, the *Recovery Plans Part* and the *Regulatory Reporting Part* and (B) when used without italics in *CRR rules* and rules made under section 192XA of *FSMA*) the sum of *Tier 1 capital* and *Tier 2 capital*; or

[Note: Limb (1) of this definition is a rule that corresponds to Article 4(1)(118) of *CRR* as it applied immediately before its revocation]

- (2) (in the Solvency II Firms Sector of the *PRA Rulebook*):
 - (a) (in relation to a *UK Solvency II firm* and Lloyd's) the firm's aggregate *basic own funds* and *ancillary own funds* as determined in accordance with the Own Funds Part of the *PRA Rulebook*; or
 - (b) (in relation to an *insurance holding company*) own funds determined in accordance with (a) as if it were a *UK Solvency II firm*.
 - (c) [deleted]

[Note: Art. 87 of the *Solvency II Directive*]

own funds instruments

means capital instruments issued by an *institution* that qualify as *Common Equity Tier 1 instruments*, *Additional Tier 1 instruments* or *Tier 2 instruments*.

[Note: This rule corresponds to Article 4(1)(119) of *CRR* as it applied immediately before its revocation]

...

parent undertaking

(in the Solvency II Firms Sector of the *PRA Rulebook*) means an *undertaking* which has the following relationship to another *undertaking* ("S"):

- (1) it holds a majority of the voting rights in S; or

[Appendix 1]

- ~~(2) — it is a member of S and has the right to appoint or remove a majority of its board of directors; or~~
 - ~~(3) — it has the right to exercise a dominant influence over S through:

 - ~~(a) provisions contained in S's memorandum or articles; or~~
 - ~~(b) a control contract; or~~~~
 - ~~(4) — it is a member of S and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in S; or~~
 - ~~(5) —

 - ~~(a) it has the power to exercise, or actually exercises, dominant influence or control over S; or~~
 - ~~(b) it and S are managed on a unified basis; or~~~~
 - ~~(6) — it is a parent undertaking of a parent undertaking of S; or~~
 - ~~(7) — where it effectively exercises a dominant influence over S;~~
- and
- ~~(8) — in relation to (2) and (4), the undertaking will be treated as a member of S if any of its subsidiary undertakings is a member of S, or if any shares in S are held by a person acting on behalf of the undertaking or any of its subsidiary undertakings;~~
 - ~~(9) — the provisions of Schedule 7 to the Companies Act 2006 (Parent and subsidiary undertakings: supplementary provisions) explain the expressions used in and supplement paragraphs (1) to (6).~~

means:

- (1) ((A) when used in italics in the Group Financial Support Part, the Group Risk Systems Part, the Internal Capital Adequacy Assessment Part, the Recovery Plans Part, the Securitisation Part and the Stay in Resolution Part and (B) when used without italics in CRR rules and rules made under section 192XA of FSMA) a parent undertaking within the meaning of section 1162 of, and Schedule 7 to, the Companies Act 2006; or

[Note: Limb (1) of this definition is a rule that corresponds to Article 4(1)(15) of CRR as it applied immediately before its revocation]

- (2) (in the Solvency II Firms Sector of the PRA Rulebook) an undertaking which has the following relationship to another undertaking ("S"):
 - (a) it holds a majority of the voting rights in S;
 - (b) it is a member of S and has the right to appoint or remove a majority of its board of directors;
 - (c) it has the right to exercise a dominant influence over S through:
 - (i) provisions contained in S's memorandum or articles; or
 - (ii) a control contract;
 - (d) it is a member of S and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in S;
 - (e)
 - (i) it has the power to exercise, or actually exercises, dominant influence or control over S; or

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- (ii) it and S are managed on a unified basis;
- (f) it is a *parent undertaking* of a *parent undertaking* of S; or
- (g) where it effectively exercises a dominant influence over S;
- and:
- (h) in relation to (b) and (d), the *undertaking* will be treated as a member of S if any of its *subsidiary undertakings* is a member of S, or if any shares in S are held by a person acting on behalf of the *undertaking* or any of its *subsidiary undertakings*;
- (i) the provisions of section 1162(7) of the Companies Act 2006 and Schedule 7 to the Companies Act 2006 (Parent and subsidiary undertakings: supplementary provisions) explain the expressions used in and supplement paragraphs (a) to (f).

...

Part 4A permission

means a permission given by the *FCA* or *PRA* under Part 4A of *FSMA* (Permission to carry on regulated activities), or having effect as if so given.

[Note: This rule corresponds to Article 4(1A) of *CRR* as it applied immediately before its revocation to the extent it related to the term 'Part 4A permission']

Part 9C rules

has the meaning given in section 143F of *FSMA*.

[Note: This rule corresponds to Article 4A(3) of *CRR* as it applied immediately before its revocation]

...

participation

~~(in the Solvency II Firms Sector of the *PRA* Rulebook) means:~~

- ~~(1) — the ownership, direct or by way of *control*, of 20% or more of the voting rights or capital of an *undertaking*; or~~
- ~~(2) — where an *undertaking* which holds, directly or indirectly, voting rights or capital in another *undertaking* over which it effectively exercises a significant influence.~~

~~[Note: Art. 13(20) and 212(2) of the *Solvency II Directive*]~~

- (1) ((A) when used in italics in the Financial Conglomerates Part and (B) when used without italics in *CRR* rules and rules made under section 192XA of *FSMA*) means:
 - (a) the ownership, direct or indirect, of 20% or more of the voting rights or capital in an *undertaking*; or
 - (b) the ownership, direct or indirect, of voting rights or capital in an *undertaking* for the purpose of maintaining links with that *undertaking* on a long-term basis which contribute to the activities of the *undertaking* which owns those voting rights or that capital; or

[Note: Limb (1) of this definition is a rule that corresponds to Article 4(1)(35) of *CRR* as it applied immediately before its revocation]

- (2) (in the Solvency II Firms Sector of the *PRA* Rulebook) means:

- (a) the ownership, direct or by way of *control*, of 20% or more of the voting rights or capital of an *undertaking*; or

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(b) where an undertaking which holds, directly or indirectly, voting rights of capital in another undertaking over which it effectively exercises a significant influence.

[Note: Art. 13(20) and 212(2) of the *Solvency II Directive*]

...

positions held with trading intent

means any of the following:

- (1) proprietary positions and positions arising from client servicing and market making;
- (2) positions intended to be resold short term; or
- (3) positions intended to benefit from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations.

[Note: This rule corresponds to Article 4(1)(85) of *CRR* as it applied immediately before its revocation]

...

PRA approved intermediate holding company

means a *financial holding company* or *mixed financial holding company* ~~within the meaning of points (20) and (21) respectively of Article 4(1) of the *CRR* that this not a UK parent financial holding company or a UK parent mixed financial holding company~~ and that is approved under Part 12B of *FSMA*.

...

PRA designated intermediate holding company

means a *financial holding company* or *mixed financial holding company* ~~within the meaning of points (20) and (21) respectively of Article 4(1) of the *CRR* that this not a UK parent financial holding company or a UK parent mixed financial holding company~~ and that is designated under Part 12B of *FSMA*.

...

pre-funded contribution to the default fund of a CCP

means a contribution to the default fund of a CCP that is paid in by an institution.

[Note: This rule corresponds to Article 4(1)(90) of *CRR* as it applied immediately before its revocation]

...

probability of default or PD

unless the context otherwise requires, means:

- (1) the probability of default of an obligor or, where applicable, facility, over a one-year period; and
- (2) in the context of dilution risk, the probability of dilution over that one-year period.

[Note: This rule corresponds to Article 4(1)(54) of *CRR* as it applied immediately before its revocation]

...

profit

has the same meaning as under the applicable accounting framework.

[Note: This rule corresponds to Article 4(1)(121) of *CRR* as it applied immediately before its revocation]

[Appendix 1]

...

public sector entity

means a non-commercial administrative body responsible to central governments, regional governments or local authorities, or to authorities that exercise the same responsibilities as regional governments and local authorities, or a non-commercial undertaking that is owned by or set up and sponsored by central governments, regional governments or local authorities, and that has explicit guarantee arrangements, and may include self-administered bodies governed by law that are under public supervision.

[Note: This rule corresponds to Article 4(1)(8) of *CRR* as it applied immediately before its revocation]

...

pure reinsurer

means an insurer whose insurance business is restricted to reinsurance.

[Note: This rule corresponds to Article 4(1)(6A) of *CRR* as it applied immediately before its revocation]

...

qualifying central counterparty or QCCP

means a central counterparty that has been either authorised in accordance with Article 14 of Regulation (EU) No 648/2012 or recognised in accordance with Article 25 of that Regulation.

[Note: This rule corresponds to Article 4(1)(88) of *CRR* as it applied immediately before its revocation]

...

qualifying holding

means a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking has the meaning given in section 192Q(5) of *FSMA*.

[Note: This rule corresponds to Article 4(1)(36) of *CRR* as it applied immediately before its revocation]

...

reciprocal cross holding

means a holding by an institution of the own funds instruments or other capital instruments issued by financial sector entities where those entities also hold own funds instruments issued by the institution.

[Note: This rule corresponds to Article 4(1)(122) of *CRR* as it applied immediately before its revocation]

recognised exchange

means an exchange which is:

- (1) a UK regulated market;
- (2) a recognised overseas investment exchange, as defined in regulation 2(1) of the Investment Bank Special Administration Regulations 2011 (SI 2011/245); or
- (3) an investment exchange (other than a recognised overseas investment exchange) where:
 - (a) the market structure condition; and
 - (b) in respect of the relevant asset that is traded or listed on that exchange, the asset liquidity condition;

[Appendix 1]

are both satisfied.

In limb (3):

- (i) the market structure condition is that the investment exchange:
 - (1) brings together or facilitates the bringing together of parties for the purpose of buying and selling interests in financial instruments;
 - (2) is authorised (or otherwise recognised) and subject to ongoing supervision by a regulator or other public authority;
 - (3) functions regularly on every *business day* in the relevant jurisdiction;
 - (4) functions based on non-discretionary rules defining:
 - (a) the conditions for the operation of the investment exchange;
 - (b) access to or membership of the investment exchange;
 - (c) admission of financial instruments to trading; and
 - (d) suspension or removal of financial instruments from trading;
 - (5) has a robust clearing and settlement mechanism consistent with international standards; and
 - (6) applies margining practices consistent with international standards to contracts listed in Annex II of *CRR*;
- (ii) the asset liquidity condition is:
 - (1) the value of the relevant asset that is traded or listed on the investment exchange must be capable of being determined on the basis of widely disseminated and easily available market prices, and in the absence of market-based prices, the value of the relevant asset must be capable of being determined on the basis of an easy-to-calculate formula that uses publicly available inputs and is not significantly dependent upon strong assumptions; and
 - (2) the investment exchange provides for an active and sizable market for outright sales of the relevant asset, taking into account:
 - (a) historical evidence of market breadth and depth as proven by low bid-ask spreads, high trading volume and a large and diverse number of market participants; and
 - (b) the presence of a robust market infrastructure.

[Note 1: This rule corresponds to Article 4(1)(72) of *CRR* as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

...

reference obligation

means an obligation used for the purposes of determining the cash settlement value of a credit derivative.

[Note: This rule corresponds to Article 4(1)(97) of *CRR* as it applied immediately before its revocation]

Regulated Activities Order

[Appendix 1]

means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544).

[Note: This rule corresponds to Article 4(1A) of CRR as it applied immediately before its revocation to the extent it related to the term 'Regulated Activities Order']

...

reinsurance undertaking

~~means an insurance undertaking whose insurance business is restricted to reinsurance.~~

means:

- (1) (when used without italics in CRR rules and rules made under section 192XA of FSMA) an insurance undertaking whose insurance business is restricted to reinsurance; or

[Note 1: Limb (1) of this definition is a rule that corresponds to Article 4(1)(6) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in limb (1) of this definition]

- (2) (anywhere else in the PRA Rulebook) an insurance undertaking whose insurance business is restricted to reinsurance.

...

repurchase agreement or reverse repurchase agreement

means any agreement in which an institution or its counterparty transfers securities or commodities or guaranteed rights relating to title to securities or commodities where that guarantee is issued by a recognised exchange which holds the rights to the securities or commodities and the agreement does not allow an institution to transfer or pledge a particular security or commodity to more than one counterparty at one time, subject to a commitment to repurchase them, or substituted securities or commodities of the same description at a specified price on a future date specified, or to be specified, by the transferor, being a repurchase agreement for the institution selling the securities or commodities and a reverse repurchase agreement for the institution buying them.

[Note 1: This rule corresponds to Article 4(1)(82) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

repurchase transaction

means any transaction governed by a repurchase agreement or a reverse repurchase agreement.

[Note: This rule corresponds to Article 4(1)(83) of CRR as it applied immediately before its revocation]

...

resecuritisation

means a securitisation where at least one of the underlying exposures is a securitisation position.

[Note: This rule corresponds to Article 4(1)(63) of CRR as it applied immediately before its revocation]

resecuritisation position

means an exposure to a resecuritisation.

[Appendix 1]

[Note: This rule corresponds to Article 4(1)(64) of CRR as it applied immediately before its revocation]
residential property

means a residence which is occupied by the owner or the lessee of the residence.

[Note: This rule corresponds to Article 4(1)(75) of CRR as it applied immediately before its revocation]

...

resolution

means the application of a stabilisation option referred to in section 1(3) of the Banking Act 2009 in order to achieve one or more of the objectives referred to in section 4 of that Act.

[Note: This rule corresponds to Article 4(1)(130A) of CRR as it applied immediately before its revocation]

resolution authority

means the Bank of England.

[Note: This rule corresponds to Article 4(1)(130) of CRR as it applied immediately before its revocation]

resolution entity

has the meaning given in section 3 of the Banking Act 2009.

[Note: This rule corresponds to Article 4(1)(131) of CRR as it applied immediately before its revocation]

resolution group

has the meaning given in section 3 of the Banking Act 2009.

[Note: This rule corresponds to Article 4(1)(132) of CRR as it applied immediately before its revocation]

...

retained earnings

means profits and losses brought forward as a result of the final application of profit or loss under the applicable accounting framework.

[Note: This rule corresponds to Article 4(1)(123) of CRR as it applied immediately before its revocation]

...

risk of excessive leverage

means the risk resulting from an institution's vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

[Note: This rule corresponds to Article 4(1)(94) of CRR as it applied immediately before its revocation]

...

securities financing transaction

means a repurchase transaction, a securities or commodities lending or borrowing transaction, or a margin lending transaction.

[Appendix 1]

[Note: This rule corresponds to Article 4(1)(139) of CRR as it applied immediately before its revocation]

securitisation

has the meaning given in regulation 3 of the Securitisation Regulations 2024 (SI 2024/102).

[Note: This rule corresponds to Article 4(1)(61) of CRR as it applied immediately before its revocation]

securitisation position

has the meaning given in regulation 3 of the Securitisation Regulations 2024 (SI 2024/102).

[Note: This rule corresponds to Article 4(1)(62) of CRR as it applied immediately before its revocation]

securitisation special purpose entity or SSPE

has the meaning given in regulation 3 of the Securitisation Regulations 2024 (SI 2024/102).

[Note: This rule corresponds to Article 4(1)(66) of CRR as it applied immediately before its revocation]

...

senior management

means those natural persons who exercise executive functions within a firm and who are responsible, and accountable to the management body, for the day-to-day management of the firm.

[Note: This rule corresponds to Article 4(1)(10) of CRR as it applied immediately before its revocation]

...

senior securitisation position

means a position backed or secured by a first claim on the whole of the underlying exposures, disregarding for these purposes amounts due under interest rate or currency derivative contracts, fees or other similar payments, and irrespective of any difference in maturity with one or more other senior tranches with which that position shares losses on a pro-rata basis.

[Note: This rule corresponds to Article 242(6) of CRR as it applied immediately before its revocation]

...

servicer

means an entity that manages a pool of purchased receivables or the underlying credit exposures on a day-to-day basis.

[Note: This rule corresponds to Article 4(1)(129) of CRR as it applied immediately before its revocation]

...

share premium account

has the same meaning as under the applicable accounting framework.

[Note: This rule corresponds to Article 4(1)(124) of CRR as it applied immediately before its revocation]

...

simple repurchase agreement

means a repurchase transaction of a single asset, or of similar, non-complex assets, as opposed to a basket of assets.

[Appendix 1]

[Note: This rule corresponds to Article 4(1)(84) of CRR as it applied immediately before its revocation]

...

small and non-complex institution

means an *institution* that meets all the following conditions:

- (1) it is not a *large institution*;
- (2) the total value of its assets on an *individual basis* or, where applicable, on a *consolidated basis* is on average equal to or less than the threshold of GBP 4.4 billion over the four-year period immediately preceding the current annual reporting period;
- (3) it is not subject to any obligations, or is subject to simplified obligations, in relation to recovery and resolution planning in accordance with articles 7 and 8 of the Bank Recovery and Resolution (No. 2) Order 2014 (SI 2014/3348);
- (4) its *trading book* business is classified as small within the meaning of Article 94(1) of the Trading Book (CRR) Part;
- (5) the total value of its derivative *positions held with trading intent* does not exceed 2% of its total on- and off-balance-sheet assets and the total value of its overall derivative positions does not exceed 5%, both calculated in accordance with Article 273a(3) of the Counterparty Credit Risk (CRR) Part;
- (6) more than 75% of both the *institution's* consolidated total assets and liabilities, excluding in both cases the intragroup exposures, relate to activities with counterparties located in the *UK*; and
- (7) the *institution* does not use internal models to meet the prudential requirements in the PRA Rulebook or PRA technical standards as amended from time to time, except for subsidiaries using internal models developed at the group level, provided that the group is subject to the disclosure requirements laid down in Articles 433a or 433c of the Disclosure (CRR) Part on a *consolidated basis*.

[Note 1: This rule corresponds to Article 4(1)(145) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

...

SME

~~in the Credit Risk: Standardised Approach (CRR) Part and the Credit Risk: Internal Ratings Based Approach (CRR) Part~~ means a micro, small or medium enterprise with an annual turnover of not more than GBP 44 million where:

- (1) the annual turnover shall be calculated on the basis of the highest consolidated accounts of the group to which the enterprise belongs, if any, according to the rules on accounting consolidation in the applicable jurisdiction; and
- (2) an enterprise shall be considered to be any undertaking regularly engaged in an economic activity irrespective of its legal form, including without limitation: self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations of natural persons.

...

sponsor

[Appendix 1]

has the meaning given in ~~Securitisation 1.3~~ regulation 3 of the Securitisation Regulations 2024 (SI 2024/102).

[Note: This rule corresponds to Article 4(1)(14) of CRR as it applied immediately before its revocation]

...

sub-consolidated basis

means on the basis of the *consolidated situation* of a parent institution, *financial holding company* or *mixed financial holding company*, excluding a sub-group of entities, or on the basis of the *consolidated situation* of a parent institution, *financial holding company* or *mixed financial holding company* that is not the ultimate parent institution, *financial holding company* or *mixed financial holding company*. In this definition, the term 'parent institution' means an *institution* which is a parent undertaking.

[Note 1: This rule corresponds to Article 4(1)(49) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

...

subsidiary

- (1) ((A) when used in italics the Contractual Recognition Of Bail-In Part, the Group Financial Support Part, the Internal Capital Adequacy Assessment Part, the Recovery Plans Part, the Remuneration Part, the Securitisation Part and the Stay in Resolution Part and (B) when used without italics in CRR rules and rules made under section 192XA of FSMA) means a subsidiary undertaking within the meaning of section 1162 of, and Schedule 7 to, the Companies Act 2006; or

[Note: Limb (1) of this definition is a rule that corresponds to Article 4(1)(16) of CRR as it applied immediately before its revocation]

- (2) (anywhere else in the PRA Rulebook) has the meaning given in section 420 of FSMA.

...

synthetic holding

means an investment by an *institution* in a financial instrument the value of which is directly linked to the value of the capital instruments issued by a *financial sector entity*.

[Note 1: This rule corresponds to Article 4(1)(126) of CRR as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

...

temporary differences

has the same meaning as under the *applicable accounting framework*.

[Note: This rule corresponds to Article 4(1)(125) of CRR as it applied immediately before its revocation]

...

third country

means a territory or country other than the ~~United Kingdom~~ UK.

[Appendix 1]

[Note: This rule corresponds to Article 4(1)(25A) of CRR as it applied immediately before its revocation]

third country banking and investment group

means a ~~group~~group that meets the following conditions:

- (1) it is headed by a *third country undertaking* that would be:
 - (a) an ~~institution~~*institution*, as defined in point (3) of Article 4(1) of CRR;
 - (b) a *financial holding company*; or
 - (c) a *mixed financial holding company*,
 if its head office were in the *UK*; and
- (2) it is not part of a wider *consolidation group*.

In this definition, unitalicised terms must be interpreted in accordance with Interpretation Part 2.2B regardless of whether this definition is a CRR rule.

...

third country insurance undertaking or third-country insurance undertaking

means an *undertaking* that has its head office outside the *UK* and if its head office were situated in the *UK* would:

- (1) need *Part 4A permission*; and
- (2) satisfy the conditions set out in Insurance General Application 2.2.

[Note: This rule corresponds to Article 4(1)(23) of CRR as it applied immediately before its revocation]

...

third country reinsurance undertaking or third-country reinsurance undertaking

means an *undertaking* that pursues only the business of reinsurance and has its head office outside the *UK* and if its head office were situated in the *UK* would:

- (1) need *Part 4A permission*; and
- (2) satisfy the conditions set out in Insurance General Application 2.2.

[Note: This rule corresponds to Article 4(1)(24) of CRR as it applied immediately before its revocation]

...

Tier 1 capital or tier 1 capital

has the meaning ~~it has given~~ in Article 25 (Chapter 3 (Own Funds (Part Two CRR))) of the ~~CRR~~*Own Funds (CRR) Part*.

tier 1 capital (leverage)

means ~~tier 1 capital as defined in Article 25 of the CRR~~*Tier 1 capital* except that an ~~additional tier 1 capital instrument~~*Additional Tier 1 capital instrument* and any related *share premium account* can only be counted as *tier 1 capital (leverage)* if ~~it is~~*the Additional Tier 1 capital instrument* either:

- (a) converts into ~~common equity tier 1 capital~~*Common Equity Tier 1 capital*; or
- (b) writes down,

when the common equity tier 1 capital ratio of the *firm* falls below a level equal to either:

- (a) 7%; or

[Appendix 1]

(b) a level higher than 7%,
as specified in the provisions governing the instrument.

In this definition:

- (a) ~~'additional tier 1 capital' has the meaning given in Article 61 of the CRR;~~~~[deleted]~~
- (b) ~~'common equity tier 1 capital' has the meaning given in Article 50 of the CRR;~~
~~and~~~~[deleted]~~
- (c) 'common equity tier 1 capital ratio' has the meaning given in Article 92(2)(a) of the ~~CRR~~Required Level of Own Funds (CRR) Part.

...

Tier 1 own-fund insurance items

has the same meaning as the term 'Tier 1 own funds' in the PRA Rulebook Glossary.

[Note: This rule corresponds to Article 4(1)(102) of CRR as it applied immediately before its revocation]

...

Tier 2 capital or tier 2 capital

has the meaning given in Article 71 (Chapter 3 (Own Funds (Part Two CRR))) of the Own Funds (CRR) Part.

Tier 2 instruments or tier 2 instruments

has the meaning given in Article 63 (Chapter 3 (Own Funds (Part Two CRR))) of the Own Funds (CRR) Part.

Tier 2 items or tier 2 items

has the meaning given in Article 62 (Chapter 3 (Own Funds (Part Two CRR))) of the Own Funds (CRR) Part.

...

Tier 2 own-fund insurance items

has the same meaning as the term *Tier 2 basic own funds* in the PRA Rulebook Glossary.

[Note: This rule corresponds to Article 4(1)(104) of CRR as it applied immediately before its revocation]

...

Tier 3 own-fund insurance items

means *Tier 3 own funds* that are *basic own funds*.

[Note: This rule corresponds to Article 4(1)(105) of CRR as it applied immediately before its revocation]

...

trade exposure

means a current exposure, including a variation margin due to the *clearing member* but not yet received, and any potential future exposure of a *clearing member* or a client as defined in Counterparty Credit Risk (CRR) Part 1.3, to a CCP arising from contracts and transactions listed in Article 301(1)(a), (b) and (c) of the Counterparty Credit Risk (CRR) Part, as well as initial margin.

[Appendix 1]

[Note 1: This rule corresponds to Article 4(1)(91) of *CRR* as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

trade finance

means financing, including guarantees, connected to the exchange of goods and services through financial products of fixed short-term maturity, generally of less than one year, without automatic rollover.

[Note: This rule corresponds to Article 4(1)(80) of *CRR* as it applied immediately before its revocation]

trading book

means all positions in financial instruments and commodities held by an *institution* either with trading intent or to hedge *positions held with trading intent* in accordance with Article 104 and Article 104a of the Trading Book (*CRR*) Part.

[Note 1: This rule corresponds to Article 4(1)(86) of *CRR* as it applied immediately before its revocation]

[Note 2: Interpretation Part 2.2B is relevant to the interpretation of unitalicised terms embedded in this rule]

trading desk

means a well-identified group of dealers set up by the *institution* to jointly manage a portfolio of *trading book* positions in accordance with a well-defined and consistent business strategy and operating under the same risk management structure.

[Note: This rule corresponds to Article 4(1)(144) of *CRR* as it applied immediately before its revocation]

tranche

has the meaning given in regulation 3 of the Securitisation Regulations 2024 (SI 2024/102).

[Note: This rule corresponds to Article 4(1)(67) of *CRR* as it applied immediately before its revocation]

...

UCITS

has the meaning given in section 236A of *FSMA*.

(1) — ~~an undertaking:~~

~~(a) with the sole object of collective investment in *transferable securities* or in other liquid *financial instruments* of capital raised from the public and which operate on the principle of risk-spreading;~~

~~(b) with *units* which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of those *undertakings'* assets (and for these purposes, action taken by the *undertaking* to ensure that the stock exchange value of its *units* does not significantly vary from their asset value is to be regarded as equivalent to such repurchase or redemption).~~

(2) — ~~undertakings for collective investment in *transferable securities* that are established in the *European Economic Area* in accordance with the *UCITS Directive*.~~

...

UK deposit guarantee scheme

[Appendix 1]

means the deposit protection scheme established by the PRA under section 213 of FSMA and managed by the Financial Services Compensation Scheme Limited.

[Note: This rule corresponds to Article 4(1)(128F) of CRR as it applied immediately before its revocation]

...

UK parent financial holding company

~~means a financial holding company firm in the UK which is not itself a subsidiary of an institution authorised in the UK, or of a financial holding company firm or mixed financial holding company set up in the UK~~ has the meaning given in section 192O of FSMA.

[Note: This rule corresponds to Article 4(1)(30) of CRR as it applied immediately before its revocation]

UK parent institution

~~means an institution authorised in the UK which has an institution, financial institution or ancillary services undertaking as subsidiary or which holds a participation in such an institution, financial institution or ancillary services undertaking, and which is not itself a subsidiary of another institution authorised in the UK or of a financial holding company or mixed financial holding company set up in the UK~~ has the meaning given in Article 2 of The Bank Recovery and Resolution (No 2) Order 2014 (SI 2014/3348).

[Note: This rule corresponds to Article 4(1)(28) of CRR as it applied immediately before its revocation]

UK parent mixed financial holding company

~~means a mixed financial holding company in the UK which is not itself a subsidiary of an institution authorised in the UK, or of a financial holding company firm or mixed financial holding company set up in the UK~~ has the meaning given in section 192O of FSMA.

[Note: This rule corresponds to Article 4(1)(32) of CRR as it applied immediately before its revocation]

...

UK regulated market

has the meaning given in Article 2(1)(13A) of MiFIR.

[Note: This rule corresponds to Article 4(1)(92) of CRR as it applied immediately before its revocation]

...

UK-adopted international accounting standards

has the meaning given in section 474(1) of the Companies Act 2006.

[Note: This rule corresponds to Article 4(1)(128G) of CRR as it applied immediately before its revocation]

unconsolidated entity

means an *undertaking* other than an *excluded entity*, including, but not limited to:

- (1) ~~SSPEs as defined in Article 4(1)(66) of the CRR~~ SSPEs;
- (2) ~~asset management companies as defined in Article 4(1)(19) of the CRR~~;
- (3) *financial institutions*;
- (4) ~~ancillary services undertakings as defined in Article 4(1)(18) of the CRR~~;
- (5) *suppliers* under *material outsourcing* arrangements; and

[Appendix 1]

- (6) *where the firm is a member of a consolidation group, undertakings* that have been included within the scope of prudential consolidation on a proportional consolidation basis and those that have been consolidated using the equity method.

In this definition, unitalicised terms must be interpreted in accordance with Interpretation Part 2.2B regardless of whether this definition is a CRR rule.

...

unfunded credit protection

means a technique of credit risk mitigation where the reduction of the credit risk on the exposure of an institution derives from the obligation of a third party to pay an amount in the event of the default of the counterparty or the occurrence of other specified credit events.

[Note: This rule corresponds to Article 4(1)(59) of CRR as it applied immediately before its revocation]

Draft for consultation

Annex C

Amendments to the Interpretation Part

In this Annex new text is underlined and deleted text is struck through.

...

2 INTERPRETIVE PROVISIONS

...

2.2B In the *PRA* Rulebook, save as otherwise indicated in a Part of the *PRA* Rulebook, *CRR terms* that are used without italics in *CRR rules* or in rules made under section 192XA of *FSMA* have the applicable meaning given in the *PRA* Rulebook Glossary.

...

2.13 Unless the contrary intention appears, ~~*CRR rules* and rules made under section 192XA *FSMA* shall be read as if they formed part of *CRR*, and accordingly words and expressions used in these rules shall bear the meaning they have in *CRR* (and not the meaning in the Glossary to the Rulebook).~~[Deleted]

Annex D

Amendments to the Capital Buffers Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

distribution in connection with common equity tier 1 capital

includes

...

(c) a redemption or purchase by an ~~institution~~institution of its own shares or other capital instruments referred to in Article 26(1)(a) of the CRR;

...

FPC

means the *Financial Policy Committee of the Bank of England*.

...

1.3 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
Additional Tier 1 capital	Article 61 CRR
Additional Tier 1 instruments	Article 52 CRR
Common Equity Tier 1 instruments	Article 50 CRR
consolidated basis	Article 4(1)(48) CRR
discretionary pension benefits	Article 4(1)(73) CRR
institution	Article 4(1)(3) CRR
own funds	Article 4(1)(118) CRR
securitisation	Article 4(1)(61) CRR

[Appendix 1]

sub-consolidated basis	Article 4(1)(49) CRR
Tier 2 capital	Article 71 CRR
trading book	Article 4(1)(86) CRR

Draft for consultation

[Appendix 1]**Annex E****Amendments to the Contractual Recognition Of Bail-In Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.3 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
additional tier 1 instruments	Article 52 CRR
financial holding company	Article 4(1)(20) CRR
institution	Article 4(1)(3) CRR
mixed financial holding company	Article 4(1)(21) CRR
mixed activity holding company	Article 4(1)(22) CRR
subsidiary	Article 4(1)(16) CRR
Tier 2 instrument	Article 63 CRR

Annex F**Amendments to the Credit Risk: General Provisions (CRR) Part**

In this Annex deleted text is struck through.

...

Article 110 TREATMENT OF CREDIT RISK ADJUSTMENTS

...

2. An institution applying the *IRB Approach* shall treat general credit risk adjustments in accordance with Credit Risk: Internal Ratings Based Approach (CRR) Part Article 159 and Own Funds (CRR) Part Articles 36(1)(d) and 62(d). ~~For the purposes of this Article, Credit Risk: Standardised Approach (CRR) Part and Credit Risk: Internal Ratings Based Approach (CRR) Part Articles 142 to 191, general and specific credit risk adjustments shall exclude funds for general banking risk.~~

...

[Appendix 1]**Annex G****Amendments to the Credit Risk: Standardised Approach (CRR) Part**

In this Annex new text is underlined and deleted text is struck through.

...

Article 134 OTHER ITEMS

-
1. Tangible assets ~~within the meaning of item 10 under the heading 'Assets' in Article 4 of Directive 86/635/EEC UK law~~ in accordance with the applicable accounting framework shall be assigned a risk weight of 100%.
 2. Prepayments and accrued income in accordance with the applicable accounting framework for which an institution is unable to determine the counterparty ~~in accordance with Directive 86/635/EEC UK law~~, shall be assigned a risk weight of 100%.

...

Draft for consultation

[Appendix 1]**Annex H****Amendments to the Credit Risk: Internal Ratings-Based Approach (CRR)**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.4 In this Part the definition of 'financial sector entity' in ~~point (27) of Article 4(1) of CRR~~ the PRA Rulebook Glossary shall have effect as if it excludes any financial institution that satisfies each of the following conditions:

...

...

Article 162 MATURITY: CORPORATES AND INSTITUTIONS

...

3. ...

- (e) self-liquidating trade finance transactions, ~~as set out in point (80) of Article 4(1) of CRR,~~ with a residual maturity of less than one year;

...

Article 181B ECONOMIC DOWNTURN: RELEVANT INDICATOR SET

1. ...

(b) ...

- (ii) for ~~retail exposures to small and medium-sized enterprises~~ SMEs; relevant sector-specific indices or relevant industry-specific indices;

...

[Appendix 1]**Annex I****Amendments to the Credit Risk Mitigation (CRR) Part**

In this Annex new text is underlined and deleted text is struck through.

...

Article 192 DEFINITIONS

...

2. For the purposes of this Part, references to 'institutions' as issuers or as eligible credit providers shall also include ~~undertakings~~undertakings established in ~~third countries~~third countries which would fall within the definition of 'institution' in Article 4(1)(3) of ~~CRR~~the PRA Rulebook Glossary, if they were established in the *UK*.

[Note: This rule corresponds to Article 192(2) of CRR as it applied immediately before revocation by the Treasury]

...

Article 229 VALUATION PRINCIPLES FOR OTHER ELIGIBLE COLLATERAL UNDER THE FOUNDATION COLLATERAL METHOD

...

4. ~~For the purposes of this Article, the market value is the estimated amount for which the property would exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction.~~[Deleted]

...

Annex J

Amendments to the Counterparty Credit Risk (CRR) Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.3 For the purposes of Section 9 of this Part, the following definitions apply

...

clearing member

means a ~~clearing member~~ as defined in point (14) of Article 2 of Regulation (EU) No ~~648/2012~~.

...

Draft for consultation

[Appendix 1]**Annex K****Amendments to the Definition of Capital Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part the following definitions shall apply:

...

~~S~~small specialist bank

a *bank* that has capital resources equal to or in excess of the base capital resources requirement for a *small specialist bank* in 12.1 but less than the base capital resources requirement of a *bank* and that carries out one or more of the following activities:

...

(2) lending to ~~small and medium-sized enterprises~~ SMEs;

...

1.3 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~ [Deleted]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
Additional Tier 1 instruments	Article 52 CRR
applicable accounting framework	Article 4(1)(77) CRR
Common Equity Tier 1 instrument	Article 28 CRR
consolidated basis	Article 4 (48) CRR
credit institution	Article 4(1)(1) CRR
financial institution	Article 4(1)(26) CRR
financial sector entities	Article 4(1)(27) CRR
management body	Article 4(1)(9) CRR
own funds	Article 4(1)(118) CRR

[Appendix 1]

own funds instruments	Article 4(1)(119) CRR
sub-consolidated basis	Article 4 (49) CRR
Tier 2 instruments	Article 63 CRR

Draft for consultation

[Appendix 1]**Annex L****Amendments to the Depositor Protection Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.5 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
credit institution	Article 4(1)(1) CRR
financial institution	Article 4(1)(26) CRR
investment firm	Article 4(1)(2) CRR
low-risk assets	Table 1 of Article 336 CRR
own funds	Article 4(1)(118) CRR

Annex M

Amendments to the Disclosure (CRR) Part

In this Annex new text is underlined and deleted text is struck through.

...

4 DISCLOSURE (PART EIGHT CRR)

...

Article 431 DISCLOSURE REQUIREMENTS AND POLICIES

...

5. Institutions shall, if requested, explain their rating decisions to ~~SMEs~~SMEs and other corporate applicants for loans, providing an explanation in writing when asked. The administrative costs of the explanation shall be proportionate to the size of the loan.

...

Article 449 DISCLOSURE OF EXPOSURE TO SECURITISATION POSITIONS

Institutions calculating risk-weighted exposure amounts in accordance with Chapter 5 of Title II of Part Three or own funds requirements in accordance with Article 337 or 338 shall disclose the following information separately for their trading and non-trading book activities:

- (a) a description of their securitisation and ~~re-securitisation~~resecuritisation activities, including their risk management and investment objectives in connection with those activities, their role in securitisation and ~~re-securitisation~~resecuritisation transactions, whether they use the simple, transparent and standardised securitisation (STS) as defined in point (10) of Article 242, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;
- (b) the type of risks they are exposed to in their securitisation and ~~re-securitisation~~resecuritisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and:

...
- (g) a summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and ~~re-securitisation~~resecuritisation positions;

...
- (k) for the trading and the non-trading book activities, the following information:
 - (i) the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations and between securitisation and ~~re-securitisation~~resecuritisation exposures, separately for STS and non-STS positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements;

[Appendix 1]

- (ii) the aggregate amount of securitisation positions where institutions act as investor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations, securitisation and ~~re-securitisation~~resecuritisation positions, and STS and non-STS positions, and further broken down into a meaningful number of risk weight or capital requirement bands and by approach used to calculate the capital requirements;

...

Draft for consultation

Annex N

Amendments to the Financial Conglomerates Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.4 In this Part, the following definitions shall apply:

...

~~*mixed financial holding company*~~

has the meaning given in regulation 1(2) of the ~~*Financial Conglomerates Regulations*~~.

...

~~*participation*~~

has the meaning given in point (35) of Article 4(1) of the ~~*CRR*~~.

...

~~*recognised third country investment firm*~~

means an *investment firm* that falls within the meaning of “investment firm” given in point (2) of Article 4(1) of the ~~*CRR*~~ and which satisfies the following conditions:

- (1) its head office is outside the *UK*;
- (2) it is authorised by a *third country competent authority* in the state or territory in which the *investment firm*'s head office is located; and
- (3) that *investment firm* is subject to and complies with prudential rules of or administered by that *third country competent authority* that are at least as stringent as those laid down in whichever of the *CRR* or *MIFIDPRU* would apply if its head office was in the *UK*.

...

1.5 ~~Unless otherwise defined in this Part, any italicised expression used in this Part and in the *CRR* or the *Solvency II Directive* has the same meaning as in the *CRR* or the *Solvency II Directive*.~~ [Deleted]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
<i>financial institution</i>	Article 4(1)(26) <i>CRR</i>

Annex O

Amendments to the Fundamental Rules Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

~~branch~~

~~has the meaning given in point (17) of Article 4(1) of the CRR.~~

...

Draft for consultation

[Appendix 1]**Annex P****Amendments to the General Organisational Requirements Part**

In this Annex deleted text is struck through.

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
qualifying holding	Art. 4(1)(36) of the CRR

Draft for consultation

Annex Q

Amendments to the Group Financial Support Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.3 In this Part, the following definitions shall apply:

~~competent authority~~

means:

(1) ~~the PRA, in respect of PRA-authorised persons;~~

(2) ~~the FCA, in respect of any other person.~~

...

1.4 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~~~[Deleted]~~

...

3 SUBMISSION OF GROUP FINANCIAL SUPPORT AGREEMENT

3.1 This Chapter applies to a *BRRD undertaking* which is a *UK parent undertaking*, ~~unless the FCA is the consolidating supervisor of its group~~ provided that the *PRA* is the *consolidating supervisor of its group*.

...

6 NOTIFICATION OF PROPOSED GROUP FINANCIAL SUPPORT

6.1 A *BRRD undertaking* that intends to provide financial support in accordance with a *group financial support agreement* must ensure that its *management body* notifies: the PRA before it provides that financial support.

(1) ~~the PRA;~~~~[deleted]~~

(2) ~~the FCA where it is the consolidating supervisor;~~~~[deleted]~~

(3) ~~[deleted];~~

(4) ~~[deleted];~~

~~before it provides that financial support.~~

...

7 PROVISION AND NOTIFICATION OF GROUP FINANCIAL SUPPORT

...

7.3 Where the *management body* of a *BRRD undertaking* decides to provide the financial support, that *BRRD undertaking* must notify: the PRA.

(1) ~~the PRA;~~~~[deleted]~~

(2) ~~the FCA where it is the consolidating supervisor;~~~~[deleted]~~

[Appendix 1]

(3) [deleted-]

(4) [deleted-]

[Note: Art. 25(6) of the BRRD]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
financial holding company	Article 4(1)(20) CRR
financial institution	Article 4(1)(2) CRR
institution	Article 4(1)(3) CRR
mixed activity holding company	Article 4(1)(22) CRR
mixed financial holding company	Article 4(1)(21) CRR
parent undertaking	Article 4(1)(15) CRR
subsidiary	Article 4(1)(16) CRR

[Appendix 1]**Annex R****Amendments to the Group Risk Systems Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.4 ~~Unless otherwise defined in this Part, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

PART EXTERNALLY DEFINED TERMS

Term	Definition source
mixed-activity holding company	Article 4(1)(22) CRR
parent undertaking	Article 4(1)(15) CRR

Annex S

Amendments to the Group Supervision Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

~~Part 9C rules~~

~~has the meaning given in section 143F(1) of FSMA.~~

...

Draft for consultation

Annex T**Amendments to the Groups Part**

In this Annex new text is underlined and deleted text is struck through.

...

5 LEVEL OF APPLICATION OF REQUIREMENTS (TITLE II, PART ONE CRR)

...

Chapter 2 PRUDENTIAL CONSOLIDATION

...

Article 23 UNDERTAKINGS IN THIRD COUNTRIES

For the purposes of applying supervision on a *consolidated basis* in accordance with this Chapter 2, the terms ‘investment firm’, ‘credit institution’, ‘financial institution’, and ‘institution’ shall also include within the scope of consolidation undertakings established in third countries which, were they established in the *United Kingdom*, would fulfil the applicable definitions of those terms ~~in Article 4 of CRR~~ in the *PRA Rulebook Glossary*.

[Note: This rule corresponds to Article 23 of *CRR* as it applied immediately before revocation by the Treasury]

...

Annex U

Amendments to the Insurance Company – Overall Resources and Valuation Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

~~mark to market~~

~~means valuation at readily available close out prices from independent sources.~~

~~mark to model~~

~~means any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input.~~

...

4 MARKING TO MARKET

4.1 Wherever possible, a *firm* must use ~~mark to market~~marking to market in order to measure the value of investments and positions.

...

5 MARKING TO MODEL

5.1 Where *marking to market* is not possible, a *firm* must use ~~mark to model~~marking to model in order to measure the value of the investments and positions.

...

5.3 A *firm* must ensure that its senior management are aware of the positions which are subject to ~~mark to model~~marking to model and understand the materiality of the uncertainty this creates in the reporting of the performance of the business of the *firm* and the risks to which it is subject.

...

Annex V

Amendments to the Internal Capital Adequacy Assessment Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

~~central counterparty~~

has the meaning given in point (1) of Article 2 of Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC Derivatives, central counterparties and trade repositories.

...

1.3 Unless otherwise defined, any italicised expression used in this Part and in the ~~CRR~~ has the same meaning as in the ~~CRR~~. [Deleted]

...

3 STRATEGIES, PROCESSES AND SYSTEMS

...

3.2 As part of its obligations under the overall Pillar 2 rule in 3.1, a *firm* must identify separately the amount of ~~common equity tier one capital, additional tier one capital and tier two capital~~ Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital and each category of capital (if any) that is not eligible to form part of its *own funds* which it considers adequate for the purposes described in the overall Pillar 2 rule.

...

9 STRATEGIES, PROCESSES AND SYSTEMS

...

9.4A A *firm* must regularly carry out an evaluation in respect of the interest rate shock scenarios in 9.7 and immediately notify the *PRA* if any evaluation under this rule indicates that, as a result of the application of the interest rate scenarios in 9.7, the *EVE* would decline by more than 15% of the sum of its ~~common equity tier one capital~~ Common Equity Tier 1 capital and its ~~additional tier one capital~~ Additional Tier 1 capital.

...

9.20 A *firm* must perform the allocation in 9.19 for all interest rate-sensitive non-trading book:

(1) assets, excluding assets that are:

(a) deducted from ~~common equity tier one capital~~ Common Equity Tier 1 capital;

(b) fixed assets, including real estate and intangible assets; or

(b) equity exposures in the non-trading book;

(2) liabilities, including all non-remunerated deposits and excluding ~~common equity tier one capital~~ Common Equity Tier 1 capital; and

[Appendix 1]

(3) off-balance sheet items.

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
additional tier one capital	Article 61 CRR
Consolidated basis	Article 4(1)(48) CRR
common equity tier one capital	Article 50 CRR
consolidated situation	Article 4(1)(47) CRR
ECAI	Article 4(1)(98) CRR
early amortisation provisions	Article 242(14) CRR
Operational risk	Article 4(1)(52) CRR
originator	Article 4(1)(13) CRR
own funds	Article 4(1)(118) CRR
parent undertaking	Article 4(1)(15) CRR
risk of excessive leverage	Article 4(1)(94) CRR
sub-consolidated basis	Article 4(1)(49) CRR
subsidiary	Article 4(1)(16) CRR
securitisation	Article 4(1)(64) CRR
securitisation positions	Article 4(1)(62) CRR
sponsor	Article 4(1)(14) CRR
tier two capital	Article 71 CRR
trading book	Article 4(1)(86) CRR

[Appendix 1]**Annex W****Amendments to the Internal Liquidity Adequacy Assessment Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.3 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
consolidated basis	Article 4(1)(48) CRR
consolidated situation	Article 4(1)(47) CRR
EU parent institution	Article 4(1)(29) CRR
EU parent financial holding company	Article 4(1)(31) CRR
EU parent mixed financial holding company	Article 4(1)(33) CRR
securitisation special purpose entities	Article 4(1)(66) CRR
sponsor	Article 4(1)(14) CRR

Annex X**Amendments to the Investments Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.2 In this Part, the following definitions shall apply: [Note: there are currently no Part specific definitions]

~~original lender~~

~~has the meaning given in Securitisation 1.3.~~

~~originator~~

~~has the meaning given in Securitisation 1.3.~~

~~sponsor~~

~~has the meaning given in Securitisation 1.3.~~

...

Draft for consultation

Annex Y

Amendments to the Large Exposures (CRR) Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

control

~~means the relationship between a parent undertaking and a subsidiary undertaking:~~

(1) ~~as defined in either:~~

(a) ~~the accounting standards referred to in section 403(1) of the Companies Act 2006; or~~

(b) ~~section 1162 of the Companies Act 2006; or~~

(2) ~~a similar relationship between any natural or legal person and an undertaking.~~

...

group of connected clients

~~means any of the following:~~

(1) ~~two or more natural or legal persons who, unless it is shown otherwise, constitute a single risk because one of them, directly or indirectly, has control over the other or others; or~~

(2) ~~two or more natural or legal persons between whom there is no relationship of control as described in point (1) but who are to be regarded as constituting a single risk because they are so interconnected that, if one of them were to experience financial problems, in particular funding or repayment difficulties, the other or others would also be likely to encounter funding or repayment difficulties;~~

~~provided that:~~

(3) ~~notwithstanding points (1) and (2), where a central government has direct control over, or is directly interconnected with, more than one natural or legal person, the set consisting of the central government and all of the natural or legal persons directly or indirectly controlled by it in accordance with point (1), or interconnected with it in accordance with point (2), may be considered as not constituting a group of connected clients. Instead the existence of a group of connected clients formed by the central government and other natural or legal persons may be assessed separately for each of the natural or legal persons directly controlled by it in accordance with point (1), or directly interconnected with it in accordance with point (2), and all of the natural or legal persons which are controlled by that natural or legal person according to point (1) or interconnected with that natural or legal person in accordance with point (2), including the central government. The same applies in cases of regional governments or local authorities to which Article 115(2) of CRR applies and in the United Kingdom regional governments means the Scottish Government, the Welsh Government and the Northern Ireland Executive; and~~

[Appendix 1]

- ~~(4) two or more natural or legal persons who fulfil the conditions set out in point (1) or (2) because of their direct exposure to the same central counterparty for clearing activities purposes are not considered as constituting a group of connected clients.~~

...

Draft for consultation

[Appendix 1]**Annex Z****Amendments to the Leverage Ratio – Capital Requirements and Buffers Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

~~FPC~~

~~means the Financial Policy Committee of the Bank of England.~~

...

1.3 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
common equity tier 1 capital	Article 50 CRR
consolidated basis	Article 4(1)(48) CRR

Annex AA

Amendments to the Leverage Ratio (CRR) Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

clearing member

~~means a clearing member as defined in point (14) of Article 2 of Regulation (EU) No 648/2012.~~

...

Draft for consultation

Annex AB

Amendments to the Liquidity (CRR) Part

In this Annex new text is underlined and deleted text is struck through.

...

4 LIQUIDITY (PART SIX CRR)

...

Article 411 DEFINITIONS

For the purposes of this Part, the following definitions apply:

...

- (2) 'retail deposit' means a liability to a natural person or to an ~~SME~~SME, where the natural person or the ~~SME~~SME would qualify for the retail exposure class under the Standardised or IRB approaches for credit risk, or a liability to a company which is eligible for the treatment set out in Article 153(4), and where the aggregate deposits by that ~~SME~~SME or company on a group basis do not exceed GBP 880,000;

...

- (17) 'committed credit or liquidity facility' means:
- (a) a 'committed credit facility' which is a credit facility that is irrevocable or conditionally revocable; or
 - (b) a 'committed liquidity facility' which is a liquidity facility that is irrevocable or conditionally revocable;
- (18) ~~'clearing member' means a clearing member as defined in point (14) of Article 2 of Regulation (EU) No 648/2012.~~[deleted]

...

Article 428 ITEMS REQUIRING STABLE FUNDING

1. Unless deducted from own funds, the following items shall be reported to the *competent authority* separately in order to allow an assessment of the needs for stable funding:

...

- (g) non-renewable loans and receivables, and separately those non-renewable loans and receivables for which borrowers are:

...

- (ii) ~~SMEs~~SMEs that qualify for the retail exposure class under the Standardised or IRB approaches for credit risk or to a company which is eligible for the treatment set out in Article 153(4) and where the aggregate deposit placed by that client or group of connected clients is less than GBP 880,000;

...

Article 428ad 50% REQUIRED STABLE FUNDING FACTOR

The following assets shall be subject to a 50% required stable funding factor:

[Appendix 1]

...

(c) monies due from transactions with a residual maturity of less than one year with:

...

(v) non-financial corporates, retail customers and ~~SMEs~~SMEs, unless otherwise specified in Article 428aa(c);

...

Draft for consultation

Annex AC

Amendments to the Liquidity Coverage Ratio (CRR) Part

In this Annex new text is underlined and deleted text is struck through.

...

2 RULES ON STANDARDS FOR THE LIQUIDITY COVERAGE REQUIREMENT FOR CREDIT INSTITUTIONS (PREVIOUSLY REGULATION (EU) NO 2015/61)

...

Article 3 DEFINITIONS

For the purposes of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the ~~PRA Rulebook~~, the following definitions shall apply:

...

- (9A) ~~'UK deposit guarantee scheme'~~ means the depositor protection part of the Financial Services Compensation Scheme established under section 213 of ~~FSMA~~; [Deleted]

...

Article 13 LEVEL 2B SECURITISATIONS

...

2. The securitisation position and the exposures underlying the position shall meet all the following requirements:

...

- (g) the securitisation position is backed by a pool of underlying exposures and those underlying exposures either all belong to only one of the following subcategories or else they consist of a combination of residential loans referred to in point (i):

...

- (iii) commercial loans, leases and credit facilities to *undertakings* established in the *United Kingdom* to finance capital expenditures or business operations other than the acquisition or development of commercial real estate, provided that at least 80% of the borrowers in the pool in terms of portfolio balance are small and medium-sized enterprises at the time of issuance of the securitisation, and none of the borrowers is an institution ~~as defined in Article 4(1)(3) of CRR~~;

...

...

13. The originator of the exposures underlying the securitisation shall be an institution ~~as defined in Article 4(3) of CRR~~ or an *undertaking* whose principal activity is to pursue one or more of the activities listed in ~~points paragraphs 2 to 12 and point paragraphs 15 to 16 of Annex I to Directive 2013/36/EU, as that Directive has effect immediately before exit day, provided that for the purposes of this paragraph the reference in point 4 of Annex 1 to that Directive to point (3) of Article 4 of Directive (EU) 2015/2366 is to be read as a reference to regulation 2 of the Payment Services Regulations 2017~~ the PRA Rulebook Glossary definition of the term 'Annex 1 activities'.

[Appendix 1]

...

**Article 31A OUTFLOWS FROM LIABILITIES AND COMMITMENTS NOT COVERED BY
OTHER PROVISIONS OF THIS CHAPTER**

...

2. Where the total of all contractual commitments to extend funding to non-*financial customers* within 30 calendar days, other than commitments referred to in Articles 24 to 31, exceeds the amount of inflows from those non-*financial customers* calculated in accordance with point (a) of Article 32(3), the excess shall be subject to a 100% outflow rate. For the purposes of this paragraph, non-*financial customers* shall include, but not be limited to, natural persons, ~~SMEs~~SMEs, corporates, sovereigns, multilateral development banks and public sector entities, and shall exclude *financial customers* and central banks.

...

Draft for consultation

[Appendix 1]**Annex AD****Amendments to the Liquidity Coverage Requirement - UK Designated Investment Firms Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.3 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
competent authority	Article 4(1)(40) CRR
consolidated basis	Article 4(1)(48) CRR

Annex AE

Amendments to the Market Risk: Simplified Standardised Approach (CRR) Part

In this Annex new text is underlined and deleted text is struck through.

...

4 OWN FUNDS REQUIREMENTS FOR POSITION RISK (PART THREE, TITLE IV, CHAPTER TWO CRR)

...

ARTICLE 336 OWN FUNDS REQUIREMENT FOR NON-SECURITISATION DEBT INSTRUMENTS

...

4. Other qualifying items are:

- (a) long and short positions in assets for which a credit assessment by a nominated ECAI is not available and which meet all of the following conditions:

...

- (iii) they are listed on at least one ~~regulated market in the United Kingdom or on a stock exchange in a third country~~ provided the exchange is recognised by the competent authorities of the United Kingdom ~~recognised exchange or an exchange that would meet the definition of a 'recognised exchange' in the PRA Rulebook Glossary if the asset liquidity condition were disappplied;~~

...

- (c) securities issued by institutions that are deemed to be of equivalent, or higher, credit quality than those associated with credit quality step 2 of exposures to institutions and that are subject to supervisory and regulatory arrangements comparable to those applicable to institutions under ~~CRR, and CRR rules and Directive 2013/36/EU UK law.~~

...

[Appendix 1]**Annex AF****Amendments to the Notifications Part**

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

~~mixed financial holding company~~

has the meaning given in point (21) of Article 4(1) of the ~~CRR~~.

...

~~own funds~~

has the meaning given in point (118) of Article 4(1) of the ~~CRR~~.

...

~~repurchase transaction~~

has the meaning given in point (83) of Article 4(1) of the ~~CRR~~.

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
credit institution	Article 4 CRR Regulation

[Appendix 1]**Annex AG****Amendments to the Own Funds (CRR) Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.2 In this Part, the following definitions shall apply: [Note: there are currently no Part specific definitions]

~~UK-adopted international accounting standards~~

~~has the same meaning it has in section 474(1) of the Companies Act 2006.~~

- 1.3 To the extent that the rules in this Part are not ~~CRR rules~~ CRR rules, rule ~~2.132.2B~~ 2.132.2B of the Interpretation Part shall apply to the rules as if they were ~~CRR rules~~ CRR rules and references in the *PRA Rulebook Glossary* to '*CRR rules*' shall be read accordingly.

...

3 OWN FUNDS (PART TWO CRR)

...

ARTICLE 36 DEDUCTIONS FROM COMMON EQUITY TIER 1 ITEMS

1. Institutions shall deduct the following from Common Equity Tier 1 items:

...

- (e) ~~defined benefit pension fund assets~~ defined benefit assets on the balance sheet of the institution;

...

...

ARTICLE 38 DEDUCTION OF DEFERRED TAX ASSETS THAT RELY ON FUTURE PROFITABILITY

...

4. Associated deferred tax liabilities of the institution used for the purposes of paragraph 3 may not include deferred tax liabilities that reduce the amount of intangible assets or ~~defined benefit pension fund assets~~ defined benefit assets required to be deducted.

...

ARTICLE 41 DEDUCTION OF ~~DEFINED BENEFIT PENSION FUND ASSETS~~ DEFINED BENEFIT ASSETS

1. For the purposes of point (e) of Article 36(1), the amount of ~~defined benefit pension fund assets~~ defined benefit assets to be deducted shall:

...

[Appendix 1]

- (b) not be reduced by the amount of assets in the ~~defined benefit pension fund~~ defined benefit occupational pension scheme which the institution has an unrestricted ability to use, unless the institution has received the prior *138BA permission* of the *PRA*.

...

ARTICLE 51 ADDITIONAL TIER 1 ITEMS

Additional Tier 1 items shall consist of the following:

- (a) ~~capital instruments, where the conditions laid down in Article 52(1) are met~~ Additional Tier 1 instruments;

...

ARTICLE 62 TIER 2 ITEMS

Tier 2 items shall consist of the following:

- (a) ~~capital instruments where the conditions set out in Article 63 are met~~ Tier 2 instruments, and to the extent specified in Article 64;

...

4 RULES SUPPLEMENTING THE CRR WITH REGARDS TO OWN FUNDS REQUIREMENTS (PREVIOUSLY REGULATION (EU) NO 241/2014)

...

ARTICLE 7a MULTIPLE DISTRIBUTIONS CONSTITUTING A DISPROPORTIONATE DRAG ON OWN FUNDS

1. ~~Distributions on Common Equity Tier 1 instruments referred to in Article 28 of the CRR~~ For the purposes of Article 28 of Chapter 3, distributions on Common Equity Tier 1 instruments shall be deemed not to constitute a disproportionate drag on capital where all of the following conditions are met:

ARTICLE 7b PREFERENTIAL DISTRIBUTIONS REGARDING PREFERENTIAL RIGHTS TO PAYMENTS OF DISTRIBUTIONS

1. ~~For Common Equity Tier 1 instruments referred to in Article 28 of the CRR~~ For the purposes of Article 28 of Chapter 3, a distribution on a Common Equity Tier 1 instrument shall be deemed to be preferential relative to other Common Equity Tier 1 instruments where there are differentiated levels of distributions, unless the conditions of Article 7a of this Part are met.

...

ARTICLE 8 INDIRECT FUNDING OF CAPITAL INSTRUMENTS FOR THE PURPOSES OF ARTICLE 28(1)(B), ARTICLE 52(1)(C) AND ARTICLE 63(C) OF THE CRR

...

3. Direct funding shall also include funding granted for other purposes than acquisition of ownership of an institution's capital instruments, to any *person* who has a qualifying holding in the credit institution, ~~as referred to in Article 4(36) of the CRR~~, or who is deemed to be a related party within the meaning of the definitions in paragraph 9 of International Accounting Standard 24 on Related Party Disclosures as applied under *UK-adopted international accounting standards*, taking into account any additional guidance issued by the *PRA*, if the institution is not able to demonstrate all of the following:

[Appendix 1]

- (a) the transaction is realised at similar conditions as other transactions with third parties;
- (b) the *person* or the related party does not have to rely on the distributions or on the sale of the capital instruments held to support the payment of interest and the repayment of the funding.

...

ARTICLE 13 DEDUCTION OF LOSSES FOR THE CURRENT FINANCIAL YEAR FOR THE PURPOSES OF ARTICLE 36(1)(A) OF THE CRR

...

- 3. Where losses for the current financial year have already reduced Common Equity Tier 1 items as a result of an interim or a year-end financial report, a deduction is not needed. For the purpose of this Article, the financial report means that the profit and losses have been determined after a closing of the interim or the annual accounts in accordance with the applicable accounting framework ~~(as that term is defined in the CRR)~~.

...

ARTICLE 14 DEDUCTIONS OF DEFERRED TAX ASSETS THAT RELY ON FUTURE PROFITABILITY FOR THE PURPOSES OF ARTICLE 36(1)(C) OF THE CRR

...

- 3. The amount of associated deferred tax liabilities which are eligible for offsetting deferred tax assets that rely on future profitability is equal to the difference between the amount in point (a) and the amount in point (b):

...

- (b) the amount of associated deferred tax liabilities arising from intangible assets and from ~~defined benefit pension fund assets~~ *defined benefit assets*.

...

ARTICLE 15 DEDUCTION OF ~~DEFINED BENEFIT PENSION FUND ASSETS~~ DEFINED BENEFIT ASSETS FOR THE PURPOSES OF ARTICLE 36(1)(E) OF THE CRR AND ARTICLE 41(1)(B) OF THE CRR

- 1. For the purposes of an application for permission under point (b) of Article 41(1) of ~~the CRR~~, the unrestricted ability to use the respective ~~defined benefit pension fund assets~~ *defined benefit assets* entails immediate and unfettered access to the assets such as when the use of the assets is not barred by a restriction of any kind and there are no claims of any kind from third parties on these assets.

...

ARTICLE 15A INDIRECT HOLDINGS FOR THE PURPOSES OF ARTICLE 36(1)(F), (H) AND (I) OF THE CRR

- 1. For the purposes of Articles 15c, 15d, 15e and 15i of this Chapter 4 of this Part, 'intermediate entity' as referred to in ~~Article 4(1)(14) of CRR~~ the PRA Rulebook Glossary definition of the term 'indirect holding' comprises any of the following entities that hold capital instruments of financial sector entities:

...

[Appendix 1]

- (b) a pension fund other than a ~~defined benefit pension fund~~ defined benefit occupational pension scheme;
 - (c) a ~~defined benefit pension fund~~ defined benefit occupational pension scheme, where the institution is supporting the investment risk and where the ~~defined benefit pension fund~~ defined benefit occupational pension scheme is not independent from its sponsoring institution;
 - ...
2. Without prejudice to point (h) of paragraph 1, an 'intermediate entity' as referred to in ~~Article 4(1)(114) of the CRR~~ the PRA Rulebook Glossary definition of the term 'indirect holding' does not comprise:
- (b) entities that are, by virtue of applicable law of the *United Kingdom* (or a part of it), subject to the requirements of the ~~CRR and Directive 2013/36/EU~~ UK law;
 - ...
3. For the purposes of point (c) of paragraph 1, a ~~defined benefit pension fund~~ defined benefit occupational pension scheme shall be deemed to be independent from its sponsoring institution where all of the following conditions are met:
- (a) the ~~defined benefit pension fund~~ defined benefit occupational pension scheme is legally separate from the sponsoring institution and its governance is independent;
 - (b) the statutes, the instruments of incorporation and the internal rules of the specific pension fund, as applicable, have been approved by an independent regulator; or the rules governing the incorporation and functioning of the ~~defined benefit pension fund~~ defined benefit occupational pension scheme, as applicable, are established in the applicable law of the relevant country;
 - (c) the trustees or administrators of the ~~defined pension fund~~ defined benefit occupational pension scheme have an obligation under applicable national law to act impartially in the best interests of the scheme beneficiaries instead of those of the sponsor, to manage assets of the ~~defined pension fund~~ defined benefit occupational pension scheme prudently and to conform to the restrictions set out in the statutes, the instruments of incorporation and the internal rules of the specific ~~pension fund~~ defined benefit occupational pension scheme, as applicable, or statutory or regulatory framework described in point (b);
 - (d) the statutes or the instruments of incorporation or the rules governing the incorporation and functioning of the ~~defined benefit pension fund~~ defined benefit occupational pension scheme referred to in point (b) include restrictions on investments that the ~~defined pension scheme~~ defined benefit occupational pension scheme can make in own funds instruments issued by the sponsoring institution.
4. Where a ~~defined benefit pension fund~~ defined benefit occupational pension scheme referred to in point (c) of paragraph 1 holds own funds instruments of the sponsoring institution, the sponsoring institution shall treat that holding as an indirect holding of own Common Equity Tier 1 instruments, own Additional Tier 1 instruments or own Tier 2 instruments, as applicable. The amount to be deducted from the Common Equity Tier 1 items, Additional Tier 1 items or Tier 2 items, as applicable, of the sponsoring institution, shall be calculated in accordance with Article 15c.
- ...

[Appendix 1]

ARTICLE 17 OTHER DEDUCTIONS FOR CAPITAL INSTRUMENTS OF FINANCIAL INSTITUTIONS

-
1. Holdings of capital instruments of financial institutions ~~as defined in Article 4(26) of the CRR~~ shall be deducted according to the following calculations:

...

ARTICLE 18 CAPITAL INSTRUMENTS OF THIRD COUNTRY INSURANCE AND REINSURANCE UNDERTAKINGS

...

2. Where the third country is an overseas jurisdiction designated under regulation 11 in relation to regulation 13 of the *IRPR regulations* in respect of the insurance group capital requirements calculation, including the third country's rules on own funds,

- (a) [deleted]

- (b) [deleted]

holdings of capital instruments of the third-country insurance or reinsurance undertakings shall be treated as holdings of capital instruments of insurance undertakings or reinsurance undertakings ~~within the meaning of 'insurance undertaking' and 'reinsurance undertaking' in section 417(1) of FSMA.~~

ARTICLE 19 CAPITAL INSTRUMENTS OF UNDERTAKINGS EXCLUDED FROM THE SCOPE OF DIRECTIVE 2009/138/EC

Holdings of capital instruments of ~~undertakings within Article 4(1)(27)(k) of the CRR;~~

1. non-directive insurers; or
2. firms with a Part 4A permission to effect contracts of insurance or carry out contracts of insurance where the firm has the permission by reason only of the operation of the EEA Passport Rights (Amendment etc., and Transitional Provisions) (EU Exit) Regulations 2018

shall be deducted as follows:

...

[Appendix 1]

Annex AH

Amendments to the Permissions Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.3 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

...

Draft for consultation

[Appendix 1]

Annex AI

Amendments to the Public Disclosure Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.3 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

...

Draft for consultation

[Appendix 1]

Annex AJ

Amendments to the Recognised Exchanges (CRR) Part

This Part is deleted.

Part

RECOGNISED EXCHANGES (CRR) [DELETED]

This Part has been deleted in its entirety.

Draft for consultation

Annex AK

Amendments to the Recovery Plans Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

competent authority

means:

(1) ~~the PRA, in respect of PRA authorised persons;~~

(2) ~~the FCA, in respect of any other person.~~

...

consolidating supervisor

means a ~~competent authority~~ responsible for the exercise of supervision on a ~~consolidated basis of:~~

(1) ~~a UK parent institution; or;~~

(2) ~~institutions controlled by a UK parent financial holding company or a UK parent mixed financial holding company.~~

...

parent undertaking

has the meaning given in Article 4(1)(15) of the ~~CRR.~~

...

1.3 Unless otherwise defined, any italicised expression used in this Part and in the ~~CRR~~ has the same meaning as in the ~~CRR~~.~~[Deleted]~~

...

2 RECOVERY PLANS

2.1 This Chapter applies to a *firm* that is not part of a *group* subject to consolidated supervision by ~~a~~the consolidating supervisor.

[Note: Art. 5(1) of the BRRD]

...

3 GROUP RECOVERY PLANS

3.1 This Chapter applies to a *BRRD undertaking* which is: a UK parent undertaking, provided that the PRA is the consolidating supervisor of its group.

(1) ~~a UK parent undertaking unless the FCA is the consolidating supervisor of its group;~~~~[deleted]~~

(2) ~~[deleted-]~~

[Appendix 1]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
controlled	Article 4(1)(37) CRR
consolidated basis	Article 4(1)(48) CRR
financial holding company	Article 4(1)(20) CRR
financial institution	Article 4(1)(2) CRR
institution	Article 4(1)(3) CRR
investment firm	Article 4(1)(2) CRR
mixed activity holding company	Article 4(1)(22) CRR
mixed financial holding company	Article 4(1)(21) CRR
own funds	Article 4(1)(118) CRR
subsidiary	Article 4(1)(16) CRR

[Appendix 1]**Annex AL****Amendments to the Regulatory Reporting Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.3 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
consolidated situation	Article 4(1)(47) CRR
mixed-activity holding company	Article 4(1)(22) CRR
mixed financial holding company	Article 4(1)(21) CRR
own funds	Article 4(1)(118) CRR

[Appendix 1]**Annex AM****Amendments to the Related Party Transaction Risk**

In this Annex deleted text is struck through.

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
qualifying holding	Art. 4(1)(36) of the CRR

Draft for consultation

[Appendix 1]**Annex AN****Amendments to the Remuneration Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.3 (1) In this Part, the following definitions shall apply:

...

large institution

has the meaning provided in point 146 of Article 4 of the ~~CRR~~.

...

...

1.4 Unless otherwise defined, any italicised expression used in this Part and in the ~~CRD~~ or ~~CRR~~ has the same meaning as in the ~~CRD~~ or ~~CRR~~.~~[Deleted]~~

~~[Note: CRD and CRR]~~

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
Additional Tier 1 instrument	Article 52 CRR
consolidated basis	Article 4(1)(48) CRR
Common Equity Tier 1 instrument	Article 28 CRR
controlled	Article 4(1)(37) CRR
financial institution	Article 4(1)(2) CRR
institution	Article 4(1)(3) CRR
sub-consolidated basis	Article 4(1)(49) CRR
subsidiary	Article 4(1)(16) CRR
Tier 2 instrument	Art 63 CRR

Annex AO

Amendments to the Reporting (CRR) Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

Directive 2013/36/EU UK law

means the law of the UK or any part of it which immediately before IP completion day implemented the CRD and its implementing measures:

(1) as they had effect on 1 January 2022, in the case of rules made by the FCA or the PRA under FSMA; and

(2) as amended from time to time, in all other cases.

...

4 REPORTING (PART SEVEN A CRR) REQUIREMENTS

Article 430 REPORTING ON PRUDENTIAL REQUIREMENTS AND FINANCIAL INFORMATION

1. Institutions shall report to the PRA on:

...

(f) the requirements and guidance set out in provisions implementing ~~Directive 2013/36/EU UK law~~ Directive 2013/36/EU UK law qualified for standardised reporting, except for any additional reporting requirement in provisions implementing point (j) of Article 104(1) of that Directive;

...

5 REPORTING REQUIREMENTS

...

Article 4 REPORTING THRESHOLDS – ENTRY AND EXIT CRITERIA

1. Institutions that meet or cease to meet the conditions ~~set out in Article 4(1) point (145) or (146) of the CRR~~ for being small and non-complex institutions or for being large institutions as set out in the PRA Rulebook Glossary shall commence or cease, respectively, reporting information as small and non-complex or as large institutions, on the first reporting reference date after these conditions have been met or have ceased to be met.

...

[Appendix 1]**Article 15 FORMAT AND FREQUENCY OF REPORTING ON THE LEVERAGE RATIO ON AN
INDIVIDUAL AND A CONSOLIDATED BASIS**

...

2. The information specified in cell {r0410;c0010} of template LV 40.00 of Annex X of Chapter 6 shall be reported only by:

- (a) large institutions that either are G-SIIs or have issued securities that are admitted to trading on a UK regulated market with a semi-annual frequency;

...

- (c) institutions other than large institutions and small and non-complex institutions that have issued securities that are admitted to trading on a UK regulated market with an annual frequency.

...

Draft for consultation

[Appendix 1]**Annex AP****Amendments to the Reporting Pillar 2 Part**

In this Annex deleted text is struck through.

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
consolidated basis	Article 4(1)(48) CRR

Draft for consultation

[Appendix 1]

Annex AQ

Amendments to the Required Level of Own Funds (CRR) Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

~~clearing member~~

~~means a clearing member as defined in point (14) of Article 2 of Regulation (EU) No 648/2012.~~

...

Draft for consultation

[Appendix 1]**Annex AR****Amendments to the Resolution Assessment Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.3 ~~Unless the contrary intention appears, all words and expressions used in this Part and in the CRR shall have the same meaning as in the CRR.~~[Deleted]

2 ASSESSMENT

- 2.1 A *firm* must carry out an adequate assessment of its preparations for ~~resolution~~resolution.

- 2.2 The assessment in 2.1 must:

...

- (2) include analysis of how the *firm* understands it would be resolved, any risks to its ~~resolution~~resolution and steps the *firm* is taking or plans to take to remove or reduce those risks; and

...

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
consolidated basis	Article 4(1)(48) CRR

[Appendix 1]**Annex AS****Amendments to the Resolution Pack Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

~~consolidating supervisor~~

~~means a competent authority responsible for the exercise of supervision on a consolidated basis of:~~

~~(3) a UK parent institution; or~~

~~(4) institutions controlled by a UK parent financial holding company or a UK parent mixed financial holding company.~~

...

~~resolution authority~~

~~means the Bank of England.~~

...

1.3 Unless otherwise defined, any italicised expression used in this Part and in the ~~CRR~~ has the same meaning as in the ~~CRR~~. ~~[Deleted]~~

...

3 GROUP RESOLUTION PACK

3.1 This Chapter applies to a *BRRD undertaking* which is: a UK parent undertaking, provided that the *PRA* is the *consolidating supervisor* of its *group*.

(1) ~~a UK parent undertaking unless the FCA is the consolidating supervisor of its group; [deleted]~~

(2) ~~[deleted-]~~

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
consolidated basis	Article 4(1)(48) CRR
controlled	Article 4(1)(37) CRR
institution	Article 4(1)(3) CRR

[Appendix 1]**Annex AT****Amendments to the Ring-fenced Bodies Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.4 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
central counterparty	Article 4(1)(34) CRR
clearing member	Article 300(3) CRR
sub-consolidated basis	Article 4(1)(49) CRR
trading book	Article 4(1)(86) CRR

Annex AU

Amendments to the Risk Control Part

In this Annex new text is underlined and deleted text is struck through.

...

3 RISK COMMITTEE

...

3.4 A *firm* must ensure the following:

...

- (3) the risk management function is able to report directly to the *management body* in its ~~supervisory function~~supervisory function, independent from *senior management* and that it can raise concerns and warn the *management body*, where appropriate, where specific risk developments affect or may affect the *firm*, without prejudice to the responsibilities of the *management body* in its ~~supervisory~~supervisory function and/or managerial functions pursuant to the *CRD* and the *CRR*.

[Note: Art. 76(5) of the *CRD*]

...

Annex AV

Amendments to the Securitisation Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.3 In this Part, unless the context otherwise provides, the following definitions shall apply:

...

institutional investor

means an *investor* which is one of the following:

...

(9) a ~~CRR firm as defined by Article 4(1)(2A) of CRR~~CRR firm; or

(10) an ~~FCA investment firm as defined by Article 4(1)(2AB) of CRR~~FCA investment firm.

...

~~original lender~~

~~means an entity which, itself or through related entities, directly or indirectly, concluded the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposures being securitised.~~

~~originator~~

~~means an entity which:~~

(1) ~~itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposures being securitised; or~~

(2) ~~purchases a third party's exposures on its own account and then securitises them.~~

...

~~resecuritisation~~

~~means securitisation where at least one of the underlying exposures is a securitisation position.~~

...

~~securitisation~~

~~means a transaction or scheme, whereby the credit risk associated with an exposure or a pool of exposures is *tranch*ed, having all of the following characteristics:~~

(1) ~~payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures;~~

(2) ~~the subordination of *tranches* determines the distribution of losses during the ongoing life of the transaction or scheme; and~~

(3) ~~the transaction or scheme does not create exposures which possess all of the following characteristics:~~

[Appendix 1]

- ~~(a) the exposure is to an entity which was created specifically to finance or operate physical assets or is an economically comparable exposure;~~
- ~~(b) the contractual arrangements give the lender a substantial degree of control over the assets and the income that they generate; and~~
- ~~(c) the primary source of repayment of the obligation is the income generated by the assets being financed, rather than the independent capacity of a broader commercial enterprise.~~

securitisation position

~~means an exposure to a securitisation.~~

...

servicer

~~means an entity that manages a pool of purchased receivables or the underlying credit exposures on a day-to-day basis.~~

sponsor

~~means a credit institution as defined in point (1) of Article 4(1) of CRR or an investment firm as defined in paragraph 1A of Article 2 of MiFIR, whether located in the UK or in a country or territory outside the UK, which:~~

- ~~(1) is not an originator;~~
- ~~(2) either:~~
 - ~~(a) establishes and manages an ABCP programme or other securitisation that purchases exposures from third party entities; or~~
 - ~~(b) establishes an ABCP programme or other securitisation that purchases exposures from third party entities and delegates the day-to-day active portfolio management involved in that securitisation to an entity which is authorised to manage assets belonging to another person in accordance with the law of the country or territory in which the entity is established.~~

SSPE or securitisation special purpose vehicle

~~means a corporation, trust or other entity, other than an originator or sponsor, established for the purpose of carrying out one or more securitisations, the activities of which are limited to those appropriate to accomplishing that objective, the structure of which is intended to isolate the obligations of the entity from those of the originator.~~

...

tranche

~~means a contractually established segment of the credit risk associated with an exposure or a pool of exposures, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in another segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.~~

2 SECURITISATION: GENERAL PROVISIONS

ARTICLE 5 DUE DILIGENCE REQUIREMENTS FOR INSTITUTIONAL INVESTORS

1. Prior to holding a *securitisation position*, an *institutional investor*, other than the *originator*, *sponsor* or *original lender*, shall verify that:
 - (a) where the *originator* or *original lender* is established in the UK and is not a ~~CRR firm or an FCA investment firm as defined in points (2A) and (2AB) of Article 4(1) of CRRa~~ *CRR firm* or an *FCA investment firm*, the *originator* or *original lender* grants all the credits giving rise to the underlying exposures (unless they are trade receivables not originated in the form of a loan) on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes in accordance with Article 9(1) of this Chapter (or equivalent FCA rules);

...
 2. As regards *fully supported ABCP transactions*, the requirement specified in point (a) of paragraph 1 of this Article shall apply to the *sponsor* and not to the *institutional investor*. In such cases, the *sponsor* shall verify that the *originator* or *original lender* which is not a ~~CRR firm or an FCA investment firm as defined in points (2A) and (2AB) of Article 4(1) of CRRa~~ *CRR firm* or an *FCA investment firm* grants all the credits giving rise to the underlying exposures on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes in accordance with Article 9(1) of this Chapter (or equivalent FCA rules).
- ...

ARTICLE 6 RISK RETENTION

4. Where:
 - (a) a ~~mixed financial holding company~~ *mixed financial holding company*;
 - (b) a ~~UK parent institution~~ *UK parent institution*;
 - (c) a ~~financial holding company~~ *financial holding company* established in the UK; or
 - (d) a ~~subsidiary~~ *subsidiary* of such a company or ~~institution~~ *institution*;

as an *originator* or *sponsor*, securitises exposures from one or more *CRR firms*, *FCA investment firms* or other *financial institutions* which are included in the scope of supervision on a *consolidated basis*, the requirements set out in paragraph 1 of this Article may be satisfied on the basis of the ~~consolidated situation~~ *consolidated situation* of the ~~mixed financial holding company, UK parent institution or financial holding company~~ *mixed financial holding company, UK parent institution or financial holding company* concerned.

Subject to the modifications set out in the third subparagraph of SECN 5.2.9R of the *FCA Handbook* to the requirements set out in Article 79 of Directive 2013/36/EU of the European Parliament and of the Council in respect of *FCA investment firms*, the first subparagraph applies only if *CRR firms*, *FCA investment firms* or *financial institutions* which created the securitised exposures comply with the requirements set out in Article 79 of Directive 2013/36/EU of the European Parliament and of the Council and deliver the information needed to satisfy the requirements provided for in Article 5 of this Chapter, in a timely manner, to the *originator* or *sponsor* and, if the *originator* or *sponsor* is a *subsidiary*, to the ~~mixed financial~~

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~~holding company, UK parent institution or financial holding company~~mixed financial holding company, UK parent institution or financial holding company which is the ~~parent undertaking~~parent undertaking of the ~~subsidiary~~subsidiary.

In this paragraph:

- (a) ~~'CRR firm', 'financial holding company', 'financial institution', 'FCA investment firm', 'subsidiary' and 'UK parent institution' have the meaning given in Article 4 of CRR; and~~
- (b) ~~'mixed financial holding company' has the meaning given in regulation 1(2) of the Financial Conglomerates Regulations.~~

5. Paragraph 1 of this Article shall not apply where the securitised exposures are exposures to or exposures fully, unconditionally and irrevocably guaranteed by:

...

- (b) regional governments, local authorities and ~~public sector entities~~public sector entities within the meaning of point (8) of Article 4(1) of CRR;

...

ARTICLE 43 TRANSITIONAL PROVISIONS RELATING TO PRE-2019 SECURITISATIONS

...

6. In respect of *securitisations* the securities of which were issued before 1 January 2019 a CRR firm (as defined by Article 4(1)(2A) of CRR as CRR had effect on *IP completion day*), an insurance undertaking (as defined in section 417(1) of FSMA) and a reinsurance undertaking (as defined in section 417(1) of FSMA) shall continue to apply Article 405 of CRR and Chapters I, II and III and Article 22 of Commission Delegated Regulation (EU) No 625/2014, Articles 254 and 255 of Commission Delegated Regulation (EU) 2015/35 respectively as in the version applicable on 31 December 2018 as if they still had effect and were set out expressly here. For the purposes of this paragraph, Article 405 of CRR is to be read with the following modifications:

- (a) read paragraph 2 as if:

- (i) for the first subparagraph, substitute:

'Where:

- (a) ~~a mixed financial holding company~~mixed financial holding company,
- (b) ~~a UK parent institution~~UK parent institution which is a ~~credit institution~~credit institution,
- (c) ~~a financial holding company~~financial holding company established in the *United Kingdom*, or
- (d) ~~a subsidiary~~subsidiary of such a company or ~~institution~~institution;

as an *originator* or *sponsor*, securitises exposures from one or more ~~credit institutions, investment firms or other financial institutions~~credit institutions, investment firms or other financial institutions which are included in the scope of supervision on a *consolidated basis*, the requirement set out in paragraph 1 may be satisfied on the basis of the ~~consolidated situation~~consolidated situation of the ~~mixed financial holding company, UK parent institution or financial holding company~~mixed financial holding company, UK parent institution or financial holding company concerned'; and

- (ii) in the second subparagraph for the words from 'in a timely manner' to the end there were substituted 'the information needed to satisfy the requirements set out in Article

[Appendix 1]

409, in a timely manner, to the *originator* or *sponsor* and, if the *originator* or *sponsor* is a ~~subsidiary~~*subsidiary*, to the ~~mixed financial holding company, UK parent institution or financial holding company~~*mixed financial holding company, UK parent institution or financial holding company* which is the ~~parent undertaking~~*parent undertaking* of the ~~subsidiary~~*subsidiary*'; and

(iii) ~~after the second subparagraph there were inserted:~~

~~'In this paragraph~~

(a) ~~'credit institution', 'financial holding company', 'financial institution', 'investment firm', 'subsidiary' and 'UK parent institution' have the meaning given in Article 4(1) of CRR; and, [deleted]~~

(b) ~~'mixed financial holding company' has the meaning given in the PRA Rulebook; and [deleted]~~

...

Draft for consultation

Annex AW

Amendments to the Securitisation (CRR) Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

~~early amortisation provision~~

~~means a contractual clause in a securitisation of revolving exposures or a revolving securitisation, as defined in the Securitisation Part, which requires, on the occurrence of defined events, investors' securitisation positions to be redeemed before the originally stated maturity of those positions.~~

...

~~senior securitisation position~~

~~means a position backed or secured by a first claim on the whole of the underlying exposures, disregarding for these purposes amounts due under interest rate or currency derivative contracts, fees or other similar payments, and irrespective of any difference in maturity with one or more other senior tranches with which that position shares losses on a pro-rata basis.~~

...

3 SECURITISATION (CRR) PART

...

Article 270 SENIOR POSITIONS IN SME SECURITISATIONS

An originator institution may calculate the risk-weighted exposure amounts in respect of a securitisation position in accordance with Articles 260, 262 or 264, as applicable, where the following conditions are met:

...

- (c) the securitisation is backed by a pool of exposures to undertakings, provided that at least 70% of those in terms of portfolio balance qualify as ~~SMEs as defined for the purposes of the Credit Risk: Standardised Approach (CRR) Part and the Credit Risk: Internal Ratings Based Approach (CRR) Part~~ SMEs at the time of issuance of the securitisation or in the case of revolving securitisations at the time an exposure is added to the securitisation;

...

[Appendix 1]**Annex AX****Amendments to the Stay in Resolution Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.6 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
central bank	Article 4(1)(46) CRR
central counterparty	Article 4(1)(34) CRR
credit institution	Article 4(1)(1) CRR
financial institution	Article 4(1)(26) CRR
financial holding company	Article 4(1)(20) CRR
investment firm	Article 4(1)(2) CRR
mixed financial holding company	Article 4(1)(21) CRR
parent undertaking	Article 4(1)(15) CRR
subsidiary	Article 4(1)(16) CRR

Annex AY

Amendments to the Solvency Capital Requirement – Standard Formula Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

~~CCP~~

means a CCP as defined in point (1) of Article 2 of Regulation (EU) No 648/2012 of the European Parliament and of the Council.

...

~~clearing member~~

means a clearing member as defined in point (14) of Article 2 of Regulation (EU) No 648/2012.

...

~~resecuritisation~~

has the meaning given in ~~Securitisation 1.2.~~

~~securitisation~~

has the meaning given in ~~Securitisation 1.2.~~

~~securitisation position~~

has the meaning given in ~~Securitisation 1.2.~~

~~senior securitisation position~~

means a senior securitisation position within the meaning of Article 242(6) of the CRR.

...

3E COUNTERPARTY DEFAULT RISK MODULE

...

3E5 Exposure to Clearing Members

1. For the purposes of 3E4.5, a *derivative* falls within this rule if the following requirements are met:

...

(5) the CCP is a ~~qualifying central counterparty as defined in Article 4(1)(88) of the CRR~~ qualifying central counterparty.

...

[Appendix 1]**Annex AZ****Amendments to the Step-In Risk Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.3 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

1.4 Interpretation ~~2.13~~2.2B does not apply to this Part.

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
consolidated situation	has the meaning given in point (47) of Article 4(1) of CRR.
original lender	has the meaning given in point (14a) of Article 4(1) of CRR
originator	has the meaning given in point (13) of Article 4(1) of CRR
securitisation	has the meaning given in point (61) of Article 4(1) of CRR
senior securitisation position	has the meaning given Article 242(6) of CRR.
sponsor	has the meaning given in point (14) of Article 4(1) of CRR.
SSPE	has the meaning given in point (66) of Article 4(1) of CRR.
sub-consolidated basis	has the meaning given in point (49) of Article 4(1) of CRR.

Annex AAA**Amendments to the Trading Book (CRR) Part**

In this Annex new text is underlined and deleted text is struck through.

...

3 TRADING BOOK (PART THREE TITLE I CHAPTER 1, AND ARTICLE 94, CRR)

...

ARTICLE 104 INCLUSION IN THE TRADING BOOK OR NON-TRADING BOOK

1. An institution shall have in place clearly defined policies and procedures for determining which position to include in the trading book for the purposes of calculating their capital requirements, in accordance with the requirements set out in Article 102 and the definition of ~~trading book in accordance with point (86) of Article 4(1) of CRR~~ trading book in the *PRA Rulebook Glossary*, taking into account the institution's risk management capabilities and practices. The institution shall fully document its compliance with these policies and procedures and shall subject them to annual internal audit.
2. An institution must assign to the non-trading book instruments that are:
 - ...
 - (e) retail credit exposures (including those which are credit exposures to ~~small or medium-sized enterprise (SME)~~ SMEs);
 - ...

[Appendix 1]**Annex AAB****Amendments to the Waivers Transitional Provisions Part**

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

- 1.3 ~~Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~[Deleted]

...

PART EXTERNALLY DEFINED TERMS

Term	Definition source
competent authority	Article 4(1)(40) CRR
consolidated situation	Article 4(1)(47) CRR

[Appendix 1]**EXTERNALLY DEFINED TERMS**

Term	Definition source
central bank	Article 4(1)(46) CRR
central counterparty	Article 4(1)(34) CRR
clearing member	Article 300(3) CRR
sub-consolidated basis	point (49) of Article 4(1) CRR
subsidiary	§420(2) FSMA