

PRA RULEBOOK: CRR FIRMS: OVERSEAS PRUDENTIAL RECOGNITION REGIME 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 will also have been made:

- **CRR Definitions: restatement in PRA Rulebook (CP19/25)**
- **Pillar 2A review – Phase 1 (CP12/25)**

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); and
- (4) section 192XA (Rules applying to holding companies).

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: CRR Firms: Overseas Prudential Recognition Regime Instrument 2026

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

Part	Annex
Glossary	A
Credit Risk: General Provisions (CRR)	B
Credit Risk: Standardised Approach (CRR)	C
Credit Risk: Internal Ratings Based Approach (CRR)	D
Credit Risk Mitigation (CRR)	E
Securitisation (CRR)	F
Counterparty Credit Risk (CRR)	G
Large Exposures (CRR)	H
Market Risk: Advanced Standardised Approach (CRR)	I
Market Risk: Simplified Standardised Approach (CRR)	J
Settlement Risk (CRR)	K

Reporting Pillar 2 (CRR)	L
--------------------------	---

Notes

D. In the Annexes to this instrument, the “notes” (indicated by “[Note:]”) are included for the convenience of readers but do not form part of the legislative text.

Templates, Annexes and instruction documents

E. The rules in this Instrument include any template, Annex or instruction document referred to in the rules. Where indicated by “here”, the rules when published electronically will include a hyperlink to the appropriate document.

Commencement

F. All Annexes to this instrument come into force on 1 January 2027.

Citation

G. This instrument may be cited as the PRA Rulebook: CRR Firms: Overseas Prudential Recognition Regime Instrument 2026.

By order of the Prudential Regulation Committee

[DATE]

Draft for Consultation

Annex A

Amendments to the Glossary Part

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

...

eligible covered bonds

~~has the meaning in paragraphs 1 and 6 of Credit Risk: Standardised Approach (CRR) Part Article 129 means bonds which meet the criteria set out in Article 129(A1) of the Credit Risk: Standardised Approach (CRR) Part, including bonds that are treated as eligible covered bonds by virtue of OPRR.~~

...

exposures to institutions

means:

- (1) ~~(except in the Large Exposures (CRR) Part), exposures that meet the requirement specified in Article 119(A1) of the Credit Risk: Standardised Approach (CRR) Part, including exposures that are treated as exposures to institutions for the purpose of Articles 119 to 121 of the Credit Risk: Standardised Approach (CRR) Part by virtue of regulation 4(2) or 9(2)(a) of OPRR; and~~
- (2) ~~(in the Large Exposures (CRR) Part), exposures that meet the criteria set out in paragraph (1), with the exception of exposures to exchanges.~~

...

OPRR

means the Overseas Prudential Requirements Regime (Credit Institutions and Investment Firms) Regulations 2026, as amended from time to time.

...

Standardised Approach

means the approach set out in the Credit Risk: Standardised Approach (CRR) Part and OPRR.

...

Annex B

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

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

...

3 CREDIT RISK GENERAL PROVISIONS

Article 107 APPROACHES TO CREDIT RISK

1. Institutions shall apply either the *Standardised Approach* provided for in Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR or, if permitted by the PRA in accordance with Credit Risk: Internal Ratings Based Approach (CRR) Part 1.1 and 1.2 and paragraphs 1 and 2A of Credit Risk: Internal Ratings Based Approach (CRR) Part Article 143, the *IRB Approach* to calculate their risk-weighted exposure amounts for the purposes of points (a) and (f) of paragraph 3 of Required Level of Own Funds (CRR) Part Article 92.

...
3. ~~[Note: Provision not in PRA Rulebook]~~[Note: Provision left blank]
4. ~~[Note: Provision not in PRA Rulebook]~~[Note: Provision left blank]

[Note: This rule corresponds to Articles 107(1) and (2) of CRR as it applied immediately before revocation by the Treasury]

...

Annex C

Amendments to the Credit Risk: Standardised Approach (CRR) Part

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

...

4 STANDARDISED APPROACH

SECTION 1 GENERAL PRINCIPLES

Article 112 EXPOSURE CLASSES

2. Subject to paragraph 3, Aan institution shall assign exposures to the exposure classes listed in Column A of Table A2 according to the criteria in the corresponding row of Column B of Table A2. Where an exposure meets the criteria for more than one exposure class it shall be assigned to the exposure class that has the highest position in Table A2.

Table A2

	Column A: Exposure Class	Column B: Criteria
...
(11)	Exposures to central governments or central banks (point (a) of paragraph 1).	Exposures for which a risk-weight treatment is set out in Article 114, Article 115(2), Article 137(2), <u>Article 114(7) of CRR, Article 115(4) of CRR or regulation 6(1), 6(3) or 9(2)(c) of OPRR</u> or, for exposures that are deferred tax assets, paragraph 4 of Own Funds (CRR) Part Article 48.
...
(13)	Exposures to public sector entities (point (c) of paragraph 1).	Exposures for which a risk-weight treatment is set out in Article 116 <u>or Article 116(5) of CRR or regulation 6(4) or 9(2)(b) of OPRR</u> .
...

3. For the purpose of paragraph 2, an institution shall disregard references to a risk-weight treatment set out in OPRR where the institution chooses to not apply that treatment.

Article 113 CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS

1. Subject to paragraph 6, to calculate risk-weighted exposure amounts, risk weights shall be applied to all exposures, unless deducted from own funds, in accordance with the provisions of Articles 114 to 134, Article 137(2), Articles 48(4) and 89(3) of Own Funds (CRR) Part and Section 2 of Chapter 2 of Title II of Part Three of CRR/OPRR. The application of risk weights

shall be based on the exposure class to which the exposure is assigned and, to the extent specified in Articles 114 to 134 and Article 137(2), its credit quality. Where applicable, credit quality shall be determined by reference to the credit assessments of ECAs or the credit assessments of export credit agencies in accordance with Articles 135 to 141.

2. For the purposes of applying a risk weight, as referred to in paragraph 1, the exposure value shall be multiplied by the risk weight specified or determined in accordance with Articles 114 to 134, Article 137(2), Articles 48(4) and 89(3) of Own Funds (CRR) Part and ~~Section 2 of Chapter 2 of Title II of Part Three of CRR_OPRR~~.
- ...
5. Exposures for which no calculation is provided in Articles 114 to 134, Article 137(2), Articles 48(4) and 89(3) of Own Funds (CRR) Part and ~~Section 2 of Chapter 2 of Title II of Part Three of CRR_OPRR~~ shall be assigned a risk weight of 100%.
- ...

SECTION 2 RISK WEIGHTS

Article 114 EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS

1. Exposures to central governments or central banks shall be assigned a 100% risk weight, unless any of the treatments set out in the following provisions apply:
 - ...
 - (b) Article 114(7) of CRR, or regulation 6(1) or 9(2)(c) of OPRR; or
 - ...
 - ...
7. [Note: Provision not in PRA Rulebook][Note: Provision left blank]

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

Article 115 EXPOSURES TO REGIONAL GOVERNMENTS OR LOCAL AUTHORITIES

1. Unless they are treated as exposures to central governments under paragraph 2, or regulation 6(3) of OPRR, or fall within scope of Article 115(4) of CRR or receive a risk weight as specified in paragraph 5, exposures to regional governments or local authorities shall be assigned risk weights as follows:
 - ...
 - ...
4. [Note: Provision not in PRA Rulebook][Note: Provision left blank]
- ...

Article 116 EXPOSURES TO PUBLIC SECTOR ENTITIES

- 3A. For the purpose of Article 116(5) of CRR an institution applying the treatment set out in regulation 6(4) of OPRR, the references in paragraphs 1 and 2 to:

- (a) the references in paragraph 1 to the central government of the UK means the central government of the jurisdiction in which the *third country* public sector entity is based for which regulations made under regulation 3(1) of OPRR, in relation to regulation 6(4) of OPRR, are in force; and
- (b) the references in paragraphs 1 and 2 to UK public sector entities means *third country* public sector entities established in the jurisdiction for which regulations made under regulation 3(1) of OPRR, in relation to regulation 6(4) of OPRR, are in force; and
- (c) paragraph 1 is modified to include 'or the *third country* does not allow the treatment in Article 116(2) to be applied to public sector entities' at the end of the first subparagraph, before the colon.

...

5. [Note: Provision not in PRA Rulebook] Exposures to *third country* public sector entities shall be assigned a risk weight of 100%, unless either:
 - (a) they are assigned a risk weight in accordance with regulation 6(4) of OPRR; or
 - (b) they are treated as a UK public sector entity in accordance with regulation 9(2)(b) of OPRR.

[Note: This rule corresponds to Articles 116(1) to (3) of CRR as it applied immediately before revocation by the Treasury]

...

Article 119 EXPOSURES TO INSTITUTIONS

- A1. Exposures shall be categorised as *exposures to institutions* if they are:

- (a) exposures to UK credit institutions;
- (b) exposures to UK designated investment firms; or
- (c) exposures to investment firms subject to Part 9C rules.

[Note: This paragraph should be read in conjunction with regulation 4(2) of OPRR]

1. Exposures to institutions Exposures to institutions for which a credit assessment by a nominated ECAI is available shall be assigned a risk weight in accordance with Article 120.
- 1A. Exposures to institutions Exposures to institutions for which a credit assessment by a nominated ECAI is not available shall be assigned a risk weight in accordance with Article 121.

...

5. Exposures to financial institutions that are subject to the requirements laid down in Part 9C rules shall be treated as exposures to institutions. [Note: Provision left blank]

Article 120 EXPOSURES TO RATED INSTITUTIONS

1. Subject to paragraph 2A, exposures to institutions exposures to institutions for which a credit assessment by a nominated ECAI is available where the original maturity of the exposure was more than three *months* shall be assigned a risk weight in accordance with the credit quality step in Table 3 which corresponds to the relevant credit assessment of the ECAI as mapped in Article 136A.

Table 3

Credit quality step	1	2	3	4	5	6
Risk weight	20%	30%	50%	100%	100%	150%

2. Subject to paragraph 3, exposures to institutions for which a credit assessment by a nominated ECAI is available where the original maturity of the exposure was three *months* or less shall be assigned a risk weight in accordance with the credit quality step in Table 4 which corresponds to the relevant credit assessment of the ECAI as mapped in Article 136A.
- 2A. Subject to paragraph 3, exposures to institutions for which a credit assessment by a nominated ECAI is available where the original maturity of the exposure was six *months* or less and the exposure arose from the movement of goods shall be assigned a risk weight in accordance with the credit quality step in Table 4 which corresponds to the relevant credit assessment of the ECAI as mapped in Article 136A.

Table 4

Credit quality step	1	2	3	4	5	6
Risk weight	20%	20%	20%	50%	50%	150%

- 2B. Subject to paragraph 3, exposures to institutions for which a short-term credit assessment by a nominated ECAI is available shall be assigned a risk weight in accordance with the credit quality step in Table 4A which corresponds to the relevant credit assessment of the ECAI as mapped in Article 136A.

Table 4A

Credit quality step	1	2	3	Others
Risk weight	20%	50%	100%	150%

...

Article 121 EXPOSURES TO UNRATED INSTITUTIONS

1. Exposures to institutions for which a credit assessment by a nominated ECAI is not available shall be classified as Grade A, Grade B or Grade C in accordance with the following principles:
 - (a) where the counterparty institution has adequate capacity to meet their financial commitments in a timely manner for the projected life of the assets or exposures and its ability to do so is robust against adverse changes in the economic cycle and business conditions, it may be classified as Grade A. A counterparty institution classified as Grade A shall meet or exceed the published minimum financial regulatory requirements and buffers as implemented in the jurisdiction where it is incorporated, except for institution-specific minimum financial regulatory requirements or buffers that may be imposed through

supervisory actions and not made public. If such minimum financial regulatory requirements and buffers (other than institution-specific minimum requirements or buffers) are not publicly disclosed or otherwise made available by the counterparty institution, the counterparty institution may not be classified as Grade A;

- (b) where the counterparty institution is subject to substantial credit risk, such as when the counterparty's repayment capacity is dependent on stable or favourable economic or business conditions, it may not be classified as Grade A. A counterparty institution may be classified as Grade B provided it meets or exceeds the published minimum financial regulatory requirements (excluding buffers) established by its national supervisor as implemented in the jurisdiction where it is incorporated, except for institution-specific minimum financial regulatory requirements that may be imposed through supervisory actions and not made public. If such minimum financial regulatory requirements are not publicly disclosed or otherwise made available by the counterparty institution, the counterparty institution shall be classified as Grade C;
- (c) where the counterparty institution has material default risks it shall be classified as Grade C. For this purpose, material default risks includes circumstances where adverse business, financial or economic conditions are very likely to lead, or have led, to an inability of the counterparty to meet its financial commitments. Counterparties institutions with any of the following characteristics shall be classified as Grade C:
 - (i) the counterparty institution does not meet the criteria for being classified as Grade B with respect to its published minimum regulatory requirements; or
 - (ii) where audited financial statements are required, the external auditor has issued an adverse audit opinion or has expressed substantial doubt about the counterparty's institution's ability to continue as a going concern in its financial statements or audited reports within the previous 12 months.

1A. For the purposes of paragraph 1, where a counterparty institution is a *CRR firm* the references to minimum financial regulatory requirements include:

...

- (b) the additional own funds an institution the counterparty is required to hold in accordance with regulation 34(1) of the *Capital Requirements Regulations*; and

...

the references to buffers include:

...

in each case, if they apply to the relevant counterparty institution.

...

2. *Exposures to institutions* *Exposures to institutions* for which a credit assessment by a nominated ECAI is not available where the original maturity of the exposure was more than three months shall be assigned a risk weight in accordance with Table 5.

Table 5

Credit quality step	Grade A	Grade B	Grade C
Risk weight	40%	75%	150%

3. ~~Exposures to institutions~~*Exposures to institutions* for which a credit assessment by a nominated ECAI is not available where the original maturity of the exposure was three *months* or less shall be assigned a risk weight in accordance with Table 5A.
4. ~~Exposures to institutions~~*Exposures to institutions* for which a credit assessment by a nominated ECAI is not available, where the original maturity of the exposure was six *months* or less and the exposure arose from the movement of goods, shall be assigned a risk weight in accordance with Table 5A.

Table 5A

Credit quality step	Grade A	Grade B	Grade C
Risk weight	20%	50%	150%

5. Notwithstanding paragraph 2, ~~exposures to institutions~~*exposures to institutions* for which a credit assessment by a nominated ECAI is not available may be assigned a risk weight of 30% if the original maturity of the exposure was more than three *months*, the exposure is classified as Grade A and the ~~institution~~*counterparty* has:
 - ...
6. Notwithstanding paragraphs 2 to 5, the risk weight assigned to an exposure to an institution for which a credit assessment by a nominated ECAI is not available may not be less than the risk weight applicable to exposures to the central government of the jurisdiction where the ~~institution~~*counterparty* is incorporated as set out in Article 114(1) and (2) if:
 - (a) the exposure:
 - (i) is not in the local currency of the jurisdiction of incorporation of the debtor ~~institution~~*counterparty*; or
 - ...

Article 122B RISK WEIGHTS FOR SPECIALISED LENDING EXPOSURES

5. A *project finance* exposure shall be considered high quality if:
 - ...
 - (b) the following conditions are met:
 - ...
 - (iv) the entity's revenue depends on one main counterparty and this main counterparty is one of the following:
 - (1) ~~subject to paragraph 5A,~~ a central bank, a central government, a regional government, a local authority, a public sector entity or a corporate entity, ~~exposures to~~ which would be assigned a risk weight of 80% or lower under this Part and Chapter 2 of Title II of Part Three of *CRR* and *OPRR*;

5A. For the purposes of point (b)(iv)(1) of paragraph 5, exposures to the main counterparty may only be assigned a risk weight of 0% under Article 114(4) (including by virtue of regulation 9(2)(a) of *OPRR*), or regulation 6(1) of *OPRR*, if the *project finance exposure* is denominated and funded in the domestic currency of the main counterparty.

...

Article 124L COUNTERPARTY RISK WEIGHTS FOR REAL ESTATE EXPOSURES

1. For the purposes of point (b) of Article 124F(1), Article 124H(1) and (3), and Article 124J(2) and (3), the relevant counterparty risk weights are:

...

(d) for *residential real estate exposures* that are social housing exposures under point (d) of Article 124E(1), or *residential real estate exposures* to an association or cooperative of natural persons under point (e) of Article 124E(1), the higher of:

...

(ii) the risk weight that would be assigned to an unsecured exposure to that counterparty under this Part and ~~Chapter 2 of Title II of Part Three of CRR OPRR~~; or

(e) for exposures to other counterparties, the risk weight that would be assigned to an unsecured exposure to that counterparty under this Part and ~~Chapter 2 of Title II of Part Three of CRR OPRR~~.

...

Article 129 EXPOSURES IN THE FORM OF ELIGIBLE COVERED BONDS

A1. *Eligible covered bonds* must meet the following criteria:

(a) they are bonds issued by a credit institution;

(b) the issuer of the bonds has its registered office in the UK;

(c) the issuer of the bonds is subject by law to special public supervision designed to protect bondholders and in particular protection under which:

(i) sums deriving from the issue of the bond must be invested in conformity with the law in assets;

(ii) during the whole period of validity of the bond, those sums are capable of covering claims attaching to the bond; and

(iii) 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;

(d) the bonds either:

(i) are collateralised by any of the eligible assets listed in paragraph 1 and, to the extent that such collateral is immovable property, the immovable property meets the requirements in paragraph 3; or

(ii) meet the requirements in paragraph 6; and

(e) the bonds meet the requirements set out in paragraph 7.

[Note: This paragraph should be read in conjunction with regulation 5(2) of OPRR]

1. ~~Subject to paragraph 6, eligible covered bonds are CRR covered bonds which meet the requirements in paragraphs 3 and 7 and are~~ The eligible assets referred to in point (d)(i) of paragraph A1 must be any of the following collateralised by any of the following eligible assets:
 - (a) ~~exposures to or guaranteed by:~~

...

 - (iv) ~~a public sector entity in the UK or Gibraltar or a local authority in the UK;~~
 - (b) ~~exposures to or guaranteed by:~~

...

 - (v) ~~third country~~ public sector entities that are risk-weighted in accordance with Article 116(1) or (2) ~~or regulation 6(4) of OPRR~~, and that qualify for the credit quality step 1 as mapped in Article 136A;
 - (vi) ~~third country~~ regional governments or ~~third country~~ local authorities that are risk-weighted in accordance with Article 115(1) or which are risk-weighted as ~~exposures to institutions or central governments or central banks in accordance with Article 115(4) of CRR~~ regulation 6(3) of OPRR and that qualify for the credit quality step 1 as mapped in Article 136A; or
 - (vii) ~~exposures within the meaning of this point (b) that qualify as a minimum for the credit quality step 2 as mapped in Article 136A, provided that they do not exceed 20% of the nominal amount of outstanding covered bonds of the issuing institutions;~~
 - (c) ~~exposures to institutions~~ exposures to institutions which are exposures to credit institutions or investment firms that have a credit assessment which corresponds with a credit quality step of 1 or 2 as mapped in Article 136A, provided that the total exposures of this kind shall not exceed 15% of the nominal amount of outstanding covered bonds of the issuing credit institution;

...

...
 6. ~~The requirements referred to in point (d)(ii) of paragraph A1 are that they are CRR covered bonds issued before 31 December 2007 which have not reached their maturity, which meet the requirements of paragraph 7 shall be eligible covered bonds until their maturity and shall not be subject to the requirements of paragraphs 1 and 3.~~
 7. ~~CRR covered bonds shall only be eligible covered bonds where the institution investing in the CRR covered bonds~~ The requirements referred to in point (e) of paragraph A1 are that:
 - (a) the institution investing in the bonds receives portfolio information at least on:

...

...

Article 132 OWN FUNDS REQUIREMENTS FOR EXPOSURES IN THE FORM OF UNITS OR SHARES IN CIUS

8.

(a) An institution shall notify the *PRA* if either:

- (i) the total risk-weighted exposure amounts for all of its exposures in the form of units or shares in *relevant CIUs* exceed 0.5% of the institution's total risk-weighted exposures for credit risk and dilution risk calculated in accordance with Title II of Part Three of *CRR* and the Credit Risk: General Provisions (*CRR*) Part, the Credit Risk: Standardised Approach (*CRR*) Part and *OPRR*, the Credit Risk: Internal Ratings Based Approach (*CRR*) Part, the Credit Risk Mitigation (*CRR*) Part, the Securitisation (*CRR*) Part, and the Counterparty Credit Risk (*CRR*) Part; or

...

...

Article 132A APPROACHES FOR CALCULATING RISK-WEIGHTED EXPOSURE AMOUNTS OF CIUS

...

2. ...

An institution shall carry out the calculations referred to in the first sub-paragraph in accordance with the methods set out in the Credit Risk: Standardised Approach (*CRR*) Part and ~~Chapter 2 of Title II of Part Three of *CRR* *OPRR*~~, the Securitisation (*CRR*) Part, and in Sections 3, 4 or 5 of Chapter 3 of Counterparty Credit Risk (*CRR*) Part, as applicable.

...

...

Article 140 LONG-TERM AND SHORT-TERM CREDIT ASSESSMENTS

1. An institution shall only use short-term credit assessments for short-term asset and off-balance sheet items constituting ~~exposures to institutions~~exposures to institutions and exposures to corporates in accordance with Articles 120 and 122 respectively.

...

Annex D

Amendments to the Credit Risk: Internal Ratings Based Approach (CRR) Part

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

...

3 CREDIT RISK: INTERNAL RATINGS BASED APPROACH (CRR) PART

...

Article 143 PERMISSION TO USE THE IRB APPROACH

...

6. An institution may, with the prior permission of the *PRA*, use the *Overseas Model Approach*, if it can demonstrate to the satisfaction of the *PRA* that its use of the *Overseas Model Approach* complies with the following conditions:

...

(b) the scope of the *rating system* only includes exposures of a type specified in point (c) that are located within a subsidiary in an ~~equivalent jurisdiction, as determined under Article 144(7) of CRR which is designated by regulations made under regulation 3(1) of OPRR, in relation to regulation 6(2) of OPRR, or Gibraltar~~, the model used in the *Overseas Model Approach* has been reviewed and approved for the purpose of the institution calculating its local capital requirements by the relevant overseas regulator, and the institution uses that model to calculate local capital requirements in that jurisdiction;

...

...

Article 147 METHODOLOGY TO ASSIGN EXPOSURES TO EXPOSURE CLASSES AND EXPOSURE SUBCLASSES

...

4. The following exposures shall be assigned to the *exposure class* referred to in point (b) of paragraph 2 (exposures to institutions):

...

(b) ~~exposures to financial institutions treated as exposures to institutions in accordance with Credit Risk: Standardised Approach (CRR) Part Article 119(5), with the exception of any exposures that are assigned to the exposure class referred to in point (e) of paragraph 2 (equity exposures) in accordance with paragraph 6.~~ [Note: Provision left blank]

...

...

Article 152 TREATMENT OF EXPOSURES IN THE FORM OF UNITS OR SHARES IN CIUS

...

4. An institution that applies the look-through approach in accordance with paragraphs 2 and 3 and is either using the *Standardised Approach* or does not meet the conditions for using the methods set out in this Part or one or more of the methods set out in the *Securitisation (CRR) Part* for all or parts of the underlying exposures of the CIU, shall calculate risk-weighted exposure amounts and expected loss amounts in accordance with the following principles:

...

(c) for all other underlying exposures, the institution shall apply the *Standardised Approach* ~~laid down in the Credit Risk: Standardised Approach (CRR) Part~~.

Article 162 MATURITY: CORPORATES AND INSTITUTIONS

...

3. In application of the calculation methods set out in paragraph 2A, an institution shall, where the documentation requires daily re-margining and daily revaluation and includes provisions that allow for the prompt liquidation or set-off of collateral in the event of default or failure to re-margin, set M as at least one day, instead of the minimum set out in paragraph 2A, for:

...

(d) ~~exposures to institutions or investment firms~~ exposures to institutions arising from settlement of foreign exchange obligations;

...

Article 181B ECONOMIC DOWNTURN: RELEVANT INDICATOR SET

1. An institution shall classify the following economic indicators as relevant for exposures within a given *type of exposures* where this would not result in the institution incurring disproportionate costs:

...

(b) in addition to the economic indicators listed in point (a):

...

(vii) ~~for exposures to institutions: financial credit indices;~~ [deleted]

...

Annex E

Amendments to the Credit Risk Mitigation (CRR) Part

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

...

3 CREDIT RISK MITIGATION (CHAPTER 4 OF TITLE II OF PART THREE OF CRR)

...

Article 193 PRINCIPLES FOR RECOGNISING THE EFFECT OF CREDIT RISK MITIGATION TECHNIQUES

...

2. An institution shall not double count the effect of credit risk mitigation. Where the risk-weighted exposure amount already takes account of credit protection under the Credit Risk: Standardised Approach (CRR) Part, ~~Chapter 2 of Title II of Part Three of CRR~~ OPRR or the Credit Risk: Internal Ratings Based Approach (CRR) Part an institution shall not take into account that credit protection in the calculations under this Part.

...

5. Where an institution calculating risk-weighted exposure amounts under the *Standardised Approach* has more than one form of credit risk mitigation covering a single exposure (other than the situation described in point (e) of paragraph 2 of Article 191A, which shall be considered a single form of credit risk mitigation for the purposes of this paragraph) it shall do both of the following:

...

- (b) calculate the risk-weighted exposure amount for each part obtained in point (a) separately in accordance with the provisions of the Credit Risk: Standardised Approach (CRR) Part, ~~Chapter 2 of Title II of Part Three of CRR~~ OPRR and this Part.

6. Subject to the prior application of paragraph 5, if applicable, if an institution calculating risk-weighted exposure amounts under the *Standardised Approach* covers a single exposure with multiple items of credit protection of the same form and provided by a single protection provider and these items of protection have differing maturities (other than the situation described in point (e) of paragraph 2 of Article 191A, which shall be considered a single form of credit protection for the purposes of this paragraph), it shall do both of the following:

...

- (b) calculate the risk-weighted exposure amount for each part obtained in point (a) separately in accordance with the provisions of the Credit Risk: Standardised Approach (CRR) Part, ~~Chapter 2 of Title II of Part Three of CRR~~ OPRR and this Part.

...

Article 197 ELIGIBILITY OF COLLATERAL UNDER THE FINANCIAL COLLATERAL SIMPLE METHOD, THE FINANCIAL COLLATERAL COMPREHENSIVE METHOD, THE FOUNDATION COLLATERAL METHOD AND THE SFT VAR METHOD

1. An institution using the *Financial Collateral Simple Method*, the *Financial Collateral Comprehensive Method*, the *Foundation Collateral Method* or the *SFT VaR Method* may use the following items as eligible collateral:

...

- (b) debt securities issued by central governments or central banks, where:

...

and the available credit assessment in point (i), (ii), (iii) or (iv), as applicable, is associated with credit quality step 4 or above or with a minimum export insurance premium (MEIP) of 4 or better under the rules for the risk weighting of exposures to central governments or central banks under the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR, and for this purpose where a credit assessment is available under both (iv) and either (ii) or (iii), the institution may decide which credit assessment to refer to;

- (c) debt securities issued by:

- (i) ~~institutions~~ credit institutions, exposures to which are *exposures to institutions*; or
 - (ii) ~~financial institutions~~ exposures to which may be treated as *exposures to institutions* under Credit Risk: Standardised Approach (CRR) Part Article 119(5) ~~investment firms~~, *exposures to which are exposures to institutions*,

where the securities have a credit assessment by an ECAI which is associated with credit quality step 3 or above under the rules for the risk weighting of exposures to institutions under the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR;

- (d) debt securities issued by other entities where the securities have a credit assessment by an ECAI which is associated with credit quality step 3 or above under the rules for the risk weighting of exposures to corporates under the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR;
 - (e) debt securities with a short-term credit assessment by an ECAI which is associated with credit quality step 3 or above under the rules for the risk weighting of short-term exposures under the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR;

...

3. For the purposes of point (c) of paragraph 1, 'debt securities issued by institutions' include:

...

- (b) debt securities issued by public sector entities, exposures to which are treated in accordance with paragraphs 1 and 2 of Credit Risk: Standardised Approach (CRR) Part Article 116 or are treated in accordance with paragraphs 1 and 2 of Credit Risk:

Standardised Approach (CRR) Part Article 116 under Article 116(5) of CRR regulation 6(4) or 9(2)(b) of OPRR;

...

4. An institution using the Financial Collateral Simple Method, the Financial Collateral Comprehensive Method, the Foundation Collateral Method or the SFT VaR Method may use as eligible collateral debt securities issued by other institutions, or financial institutions exposures to which may be treated as exposures to institutions under Credit Risk: Standardised Approach (CRR) Part Article 119(5), where such debt securities do not have a credit assessment by an ECAI where:

- (a) the debt securities are listed on a recognised exchange;
- (b) the debt securities qualify as senior debt;
- (c) all rated issues by the issuing institution of the same seniority have a credit assessment by an ECAI which is associated with credit quality step 3 or above under the rules for the risk weighting of exposures to institutions or short term exposures under the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR;
- (d) the institution has no information to suggest that the issue would justify a credit assessment below that indicated in point (c); and
- (e) the market liquidity of the instrument is sufficient for these purposes. [Deleted]

4A. An institution using the Financial Collateral Simple Method, the Financial Collateral Comprehensive Method, the Foundation Collateral Method or the SFT VaR Method may use as eligible collateral debt securities issued by:

- (a) credit institutions, exposures to which are exposures to institutions; or
- (b) investment firms, exposures to which are exposures to institutions,

where such debt securities do not have a credit assessment by an ECAI, provided the conditions in paragraph 4B are met.

4B. The conditions referred to in paragraph 4A are that:

- (a) the debt securities are listed on a recognised exchange;
- (b) the debt securities qualify as senior debt;
- (c) all rated issues by the issuing institution of the same seniority have a credit assessment by an ECAI which is associated with credit quality step 3 or above under the rules for the risk weighting of exposures to institutions or short-term exposures under the Credit Risk: Standardised Approach (CRR) Part;
- (d) the institution has no information to suggest that the issue would justify a credit assessment below that indicated in point (c); and
- (e) the market liquidity of the instrument is sufficient for these purposes.

...

Article 200 OTHER FUNDED CREDIT PROTECTION

1. An institution may use the following *other funded credit protection* as eligible collateral when using the *Other Funded Credit Protection Method*:
 - (a) cash on deposit with, or cash assimilated instruments issued by the institution and held by, a third party institution in a non-custodial arrangement and pledged to the institution;
 - (b) life insurance policies pledged to the institution; or
 - (c) instruments issued by ~~another institution (or by a financial institution~~ ~~exposures to which may be treated as exposures to institutions under Credit Risk: Standardised Approach (CRR) Part Article 119(5))~~, which other credit institutions or investment firms, where exposures to such other credit institutions or investment firms are exposures to institutions, and those instruments will be repurchased by that credit institution or financial institution investment firm on request.

[Note: This rule corresponds to Article 200 of CRR as it applied immediately before revocation by the Treasury]

SUB-SECTION 2 UNFUNDDED CREDIT PROTECTION

Article 201 ELIGIBILITY OF PROTECTION PROVIDERS UNDER THE RISK-WEIGHT SUBSTITUTION METHOD AND THE PARAMETER SUBSTITUTION METHOD

1. An institution using the *Risk-Weight Substitution Method* or the *Parameter Substitution Method* may use the following parties as eligible providers of unfunded credit protection:

...

(f) ~~institutions, (and financial institutions~~ ~~exposures to which may be treated as exposures to institutions under Credit Risk: Standardised Approach (CRR) Part Article 119(5))~~ ~~credit institutions or investment firms, exposures to which are exposures to institutions~~;

...

...

Article 222 FINANCIAL COLLATERAL SIMPLE METHOD

...

3. The institution shall assign a risk weight to those portions of exposure values that are collateralised by the market value of eligible collateral, being the risk weight that it would assign under the Credit Risk: Standardised Approach (CRR) Part and ~~Chapter 2 of Title II of Part Three of CRR OPRR~~ where the institution had a direct exposure to the collateral instrument.

The risk weight of the collateralised portion shall be at least 20% except as specified in paragraphs 4 to 6. The institution shall apply to the remainder of the exposure value the risk weight that it would assign to an unsecured exposure to the counterparty under the Credit Risk: Standardised Approach (CRR) Part and ~~Chapter 2 of Title II of Part Three of CRR OPRR~~.

...

- 3B. For the purpose of determining the risk weight referred to in the first sub-paragraph of paragraph 3, the institution may only apply the treatments set out in paragraph 4 of Credit Risk: Standardised Approach (CRR) Part Article 114 (including by virtue of regulation 9(2)(c) of

OPRR), or regulation 6(1) of OPRR, where the collateral is denominated in the domestic currency of that central government or central bank and the exposure is funded in that currency.

...

6. For transactions other than those referred to in paragraph 4, the institution may assign a 0% risk weight where the exposure and the collateral are denominated in the same currency, and either of the following conditions is met:

...

(b) subject to paragraph 6A, the collateral is in the form of debt securities issued by central governments or central banks eligible for a 0% risk weight under the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR OPRR, and its market value has been discounted by 20%.

6A. For the purpose of determining whether the condition set out in point (b) of paragraph 6 is met, the institution may only apply the treatments set out in paragraph 4 of Credit Risk: Standardised Approach (CRR) Part Article 114 (including by virtue of regulation 9(2)(c) of OPRR), or regulation 6(1) of OPRR, where the collateral is denominated in the domestic currency of that central government or central bank and the exposure is funded in that currency.

...

Article 223 FINANCIAL COLLATERAL COMPREHENSIVE METHOD

...

3. The institution shall calculate the volatility-adjusted value of the exposure (E_{VA}) they need to take into account as follows:

$$E_{VA} = E \cdot (1 + H_E)$$

where:

$E =$

(a) where Article 219 applies, the exposure value calculated in accordance with that Article;

(b) where Article 219 does not apply, the exposure value as would be determined under the Credit Risk: Standardised Approach (CRR) Part, Chapter 2 of Title II of Part Three of CRR and OPRR, or the Credit Risk: Internal Ratings Based Approach (CRR) Part as applicable, as if the exposure was not collateralised;

...

Article 224 SUPERVISORY VOLATILITY ADJUSTMENT UNDER THE FINANCIAL COLLATERAL COMPREHENSIVE METHOD

...

3. In Tables 1 to 4 of paragraph 1 and, in paragraphs 4 to 6, the credit quality step with which a credit assessment of the debt security is associated is the credit quality step with which the credit assessment is associated under the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR OPRR.

...

6. For unrated debt securities issued by institutions (or financial institutions exposures to which may be treated as exposures to institutions under Credit Risk: Standardised Approach (CRR) Part Article 119(5)) credit institutions or investment firms, exposures to which are *exposures to institutions*, and satisfying the eligibility criteria in paragraph 4 of Article 197, the institution shall apply the same volatility adjustment as for securities issued by institutions or corporates with an external credit assessment associated with credit quality step 2 or 3.

...

Article 227 CONDITIONS FOR APPLYING A 0% VOLATILITY ADJUSTMENT UNDER THE FINANCIAL COLLATERAL COMPREHENSIVE METHOD

...

2. The conditions referred to in paragraph 1 are:

(a) subject to paragraph 2A, both the exposure and the collateral are cash or debt securities issued by central governments or central banks within the meaning of point (b) of paragraph 1 of Article 197 and eligible for a 0% risk weight under the Credit Risk: Standardised Approach (CRR) Part, or Article 114(7) of CRR regulation 6(1) or 9(2)(c) of OPRR;

...

2A. For the purpose of determining whether the condition set out in point (a) of paragraph 2 is met in respect of the collateral, the institution may only apply the treatment set out in paragraph 4 of Credit Risk: Standardised Approach (CRR) Part Article 114 (including by virtue of regulation 9(2)(c) of OPRR), or regulation 6(1) of OPRR, where the collateral is denominated in the domestic currency of that central government or central bank and the exposure is funded in that currency.

3. The following entities are core market participants:

(a) the entities referred to in point (b) of paragraph 1 of Article 197 where exposures to such entities would be assigned a 0% risk weight under the Credit Risk: Standardised Approach (CRR) Part or under Article 114(7) of CRR regulation 6(1) or 9(2)(c) of OPRR, where exposures to such entities that are denominated and funded in the entity's domestic currency would be assigned a 0% risk weight under the Credit Risk: Standardised Approach (CRR) Part or regulation 6(1) or 9(2)(c) of OPRR;

(b) institutions credit institutions, exposures to which are exposures to institutions;

(ba) financial institutions exposures to which may be treated as exposures to institutions under Credit Risk: Standardised Approach (CRR) Part Article 119(5) investment firms, exposures to which are exposures to institutions;

...

Article 232 OTHER FUNDED CREDIT PROTECTION METHOD

...

3. For the purposes of point (a) of paragraph 2, the institution shall assign the following risk weights on the basis of the risk weight assigned to a senior unsecured exposure to the

undertaking providing the life insurance under the Credit Risk: Standardised Approach (CRR) Part and ~~Chapter 2 of Title II of Part Three of CRR_OPRR~~:

- (a) a risk weight of 20%, where the senior unsecured exposure to the undertaking providing the life insurance is assigned a risk weight of 20%;
- (b) a risk weight of 35%, where the senior unsecured exposure to the undertaking providing the life insurance is assigned a risk weight of 30% or 50%;
- (c) a risk weight of 70%, where the senior unsecured exposure to the undertaking providing the life insurance is assigned a risk weight of 65%, 100% or 135%;
- (d) a risk weight of 150%, where the senior unsecured exposure to the undertaking providing the life insurance is assigned a risk weight of 150%.

...

Article 235 CALCULATING RISK-WEIGHTED EXPOSURE AMOUNTS UNDER THE RISK-WEIGHT SUBSTITUTION METHOD

1. For the purposes of point (1) of the definition of *Risk-Weight Substitution Method*, the institution shall separate each exposure into a covered part and an ~~uncovered part~~, and determine the size of these parts and the risk weights that apply to each part separately as follows:
 - (a) The covered part shall be the portion of the exposure that is in scope of the unfunded credit protection. The size of this part prior to the application of any applicable conversion factors, E_g , shall equal $\min\{G_A, E\}$, where:

...

The risk weight that applies to the covered part shall be:

r_g = the risk weight of a comparable direct exposure to the protection provider as specified under the Credit Risk: Standardised Approach (CRR) Part and ~~Chapter 2 of Title II of Part Three of CRR_OPRR~~.

...

3. For the purpose of applying paragraph 1, an institution may only apply the treatment set out in paragraph 4 of Credit Risk: Standardised Approach (CRR) Part Article 114 ~~(including by virtue of regulation 9(2)(c) of OPRR) and Article 114(7) of CRR regulation 6(1) of OPRR~~ to exposures or parts of exposures guaranteed by the central government or central bank, where the guarantee is denominated in the domestic currency of that central government or central bank and the exposure is funded in that currency.

...

Annex F

Amendments to the Securitisation (CRR) Part

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

...

3 SECURITISATION (CRR) PART

...

Article 251 ORIGINATOR INSTITUTION'S CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS SECURITISED IN A SYNTHETIC SECURITISATION

1. For the purpose of calculating risk-weighted exposure amounts for the underlying exposures, the *originator* institution of a *synthetic securitisation* shall use the calculation methodologies set out in Articles 247 to 270A as applicable instead of those set out in the Credit Risk: Standardised Approach (CRR) Part and ~~Chapter 2 of Title II of Part Three of CRR_OPRR~~. For institutions calculating risk-weighted exposure amounts and, where relevant, expected loss amounts with respect to the underlying exposures under the Credit Risk: Internal Ratings Based Approach (CRR) Part, the expected loss amount in respect of such exposures shall be zero.

...

Article 255 DETERMINATION OF K_{IRB} AND K_{SA}

...

6. Where an institution applies the SEC-SA under Articles 258 to 266, it shall calculate K_{SA} by multiplying the risk-weighted exposure amounts that would be calculated under the Credit Risk: Standardised Approach (CRR) Part and ~~Chapter 2 of Title II of Part Three of CRR_OPRR~~ in respect of the underlying exposures as if they had not been securitised by 8% divided by the value of the underlying exposures. K_{SA} shall be expressed in decimal form between zero and one.

For the purposes of this paragraph, institutions shall calculate the exposure value of the underlying exposures without netting any specific credit risk adjustments and additional value adjustments in accordance with Article 34 of the Own Funds (CRR) Part, Article 110 of the Credit Risk: General Provisions (CRR) Part, Commission Delegated Regulation (EU) No 183/2014 and other own funds reductions.

...

10. For the purpose of calculating K_{SA} , an institution that is not the *originator* institution may replace the risk weight for an underlying exposure that would be applied under the Credit Risk: Standardised Approach (CRR) Part and ~~Chapter 2 of Title II of Part Three of CRR_OPRR~~ with one of the following risk weights:

...

...

Article 267 MAXIMUM RISK WEIGHT FOR SENIOR SECURITISATION POSITIONS: LOOK-THROUGH APPROACH

...

2. In the case of pools of underlying exposures where the institution uses exclusively the *Standardised Approach* or the *IRB Approach*, the maximum risk weight of the *senior securitisation position* shall be equal to the exposure-weighted-average risk weight that would apply to the underlying exposures under the Credit Risk: Standardised Approach (CRR) Part and ~~Chapter 2 of Title II of Part Three of CRR_OPRR~~ or the Credit Risk: Internal Ratings Based Approach (CRR) Part, respectively, as if they had not been securitised.

In the case of *mixed pools* the maximum risk weight shall be calculated as follows:

...

Article 268 MAXIMUM CAPITAL REQUIREMENTS

...

1B. The capital requirement Y in paragraph 1A is equal to the capital requirement that would be calculated under the Credit Risk: Standardised Approach (CRR) Part and ~~Chapter 2 of Title II of Part Three of CRR_OPRR~~ or the Credit Risk: Internal Ratings Based Approach (CRR) Part in respect of the underlying exposures had they not been securitised. For the purposes of this Article, the *IRB Approach* capital requirement shall include the amount of the expected losses associated with those exposures calculated under the Credit Risk: Internal Ratings Based Approach (CRR) Part and that of unexpected losses.

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:

...

(e) the third party to which the credit risk is transferred is one or more of the following:

(i) the central government of the *United Kingdom*, the *Bank of England*, a *multilateral development bank*, an international organisation listed in Article 118(1) of the Credit Risk: Standardised Approach (CRR) Part or a *promotional entity*, provided that the exposures to the guarantor or counter-guarantor qualify for a 0% risk weight under the Credit Risk: Standardised Approach (CRR) Part and ~~Chapter 2 of Title II of Part Three of CRR~~;

...

Annex G

Amendments to the Counterparty Credit Risk (CRR) Part

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

...

3 COUNTERPARTY CREDIT RISK (PART THREE, TITLE TWO, CHAPTER SIX CRR)

...

Article 273 METHODS FOR CALCULATING THE EXPOSURE VALUE

...

8. An institution which determines the exposure value of *long settlement transactions* in accordance with this Chapter, shall determine the exposure value for exposures arising from *long settlement transactions* by any of the methods set out in Sections 3 to 6 of this Chapter, regardless of which method the institution has chosen for treating OTC derivatives and repurchase transactions, securities or commodities lending or borrowing transactions, and *margin lending transactions*, provided that if an institution has a *138BA permission* to use the IMM for *long settlement transactions*, it shall determine the exposure value of *long settlement transactions* in accordance with its *138BA permission*. In calculating the own funds requirements for *long settlement transactions*, an institution that uses the approach set out in the Credit Risk: Internal Ratings Based Approach (CRR) Part may assign the risk weights under the approach set out in the Credit Risk: Standardised Approach (CRR) Part and ~~Chapter 2 of Title II of Part Three of the CRR OPRR~~ on a permanent basis and irrespective of the materiality of such positions.

...

Article 291 WRONG-WAY RISK

...

5. Institutions shall calculate the own funds requirements for CCR in relation to transactions where Specific Wrong-way Risk has been identified and where there exists a legal connection between the counterparty and the issuer of the underlying of the OTC derivative or the underlying of the transactions referred to in points (b), (c) and (d) of Article 273(2), in accordance with the following principles:
 - ...
 - (d) for an institution using the approach set out in the Credit Risk: Standardised Approach (CRR) Part and ~~Chapter 2 of Title II of Part Three of CRR OPRR~~, the applicable risk weight shall be that of an unsecured transaction;

...

...

Article 311 OWN FUNDS REQUIREMENTS FOR EXPOSURES TO CCPS THAT CEASE TO MEET CERTAIN CONDITIONS

...

2. Where the condition set out in paragraph 1 is met, institutions shall, within three *months* of becoming aware of the circumstance referred to therein, do the following with respect to their exposures to that CCP:

...

(c) treat their exposures to that CCP, other than the exposures listed in points (a) and (b) of this paragraph, as exposures to a corporate in accordance with the Standardised Approach for credit risk set out in the Credit Risk Standardised Approach (CRR) Part ~~and Chapter 2 of Title II of Part Three of CRR~~.

...

Draft for Consultation

Annex H

Amendments to the Large Exposures (CRR) Part

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

1 APPLICATION AND DEFINITIONS

...

1.3 For the purposes of calculating the value of *exposures* in accordance with this Part the term 'institution' shall include a private or public *undertaking*, including its branches, which, were it established in the *United Kingdom*, would fulfil the definition of the term 'institution' and has been authorised in a *third country* that applies prudential supervisory and regulatory requirements determined by the *Treasury* to be at least equivalent to those applied in the *United Kingdom*.[Deleted]

[Note: Rule 1.3 corresponds to the first subparagraph of Article 391 of *CRR*. The second subparagraph of Article 391 containing the power for the *Treasury* to determine equivalence remains in *CRR*. The third subparagraph of Article 391 of *CRR* contains transitional provisions]

...

Article 390 CALCULATION OF EXPOSURE VALUE

...

6. The term *exposures* does not include any of the following:

...

(d) in the case of the provision of money transmission including the execution of payment services, clearing and settlement in any currency and correspondent banking, intra-day *exposures to institutions* exposures to institutions providing those services; and

...

...

Article 395 LIMITS TO LARGE EXPOSURES

1. A *firm* must not incur an *exposure*, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to a client or *group of connected clients* the value of which exceeds 25% of its *Tier 1 capital*. Where that client is an *institution* or an *investment firm* or where a *group of connected clients* includes one or more *institutions* or *investment firms*, Where the *exposure* is an *exposure to institutions* or where a *group of connected clients* includes one or more *exposures to institutions* that value must not exceed 25% of the *firm's Tier 1 capital* or GBP 130 million, whichever is higher, provided that the sum of exposure values, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to all connected clients that are not *institutions* does not exceed 25% of the *firm's Tier 1 capital*.

...

4. *Assets* constituting *claims* and other *exposures* to *third country investment firms* may be subject to the same treatment as set out in paragraph 1.[Deleted]

...

Annex I

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

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

...

4 ADVANCED STANDARDISED APPROACH (CHAPTER 1A OF TITLE IV OF PART THREE OF CRR)

...

Article 325v DEFINITIONS AND GENERAL PROVISIONS

1. For the purposes of this Section 5, the following definitions apply:

(a) 'covered bonds' means CRR covered bonds which meet the requirements set out in Credit Risk: Standardised Approach (CRR) Part Article 129 eligible covered bonds;

...

...

Draft for Consultation

Annex J**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 (CHAPTER 2 OF TITLE IV OF PART THREE OF CRR)

...

Article 332 CREDIT DERIVATIVES

1. When an institution that is the party who assumes the credit risk (the 'protection seller') calculates an own funds requirement for general and specific risk, unless specified differently, that institution shall use the notional amount of the credit derivative contract. Notwithstanding the first sentence, the institution may elect to replace the notional value by the notional value plus the net market value change of the credit derivative since trade inception, a net downward change from the protection seller's perspective carrying a negative sign. For the purpose of calculating the specific risk charge, other than for total return swaps, the institution shall apply the maturity of the credit derivative contract, rather than the maturity of the obligation. An institution shall determine positions as follows:
 - (a) a total return swap creates a long position in the general risk of the reference obligation and a short position in the general risk of a government bond with a maturity equivalent to the period until the next interest fixing and which is assigned a 0% risk weight under the ~~Credit Risk: Standardised Approach (CRR) Part Standardised Approach~~. It also creates a long position in the specific risk of the reference obligation;

...

...

Article 336 OWN FUNDS REQUIREMENT FOR NON-SECURITISATION DEBT INSTRUMENTS

1. An institution shall assign its net positions in the trading book in instruments that are not securitisation positions as calculated in accordance with Article 327 to the appropriate categories in Table 1 of this Article on the basis of their issuer or obligor, external or internal credit assessment, and residual maturity, and then multiply them by the weightings shown in that table. It shall sum its weighted positions resulting from the application of this Article regardless of whether they are long or short in order to calculate its own funds requirement against specific risk.

Table 1

Categories	Specific risk own funds requirement
Debt securities which would receive a 0% risk weight under the Credit Risk: Standardised Approach (CRR) Part Standardised Approach .	0%

Debt securities which would receive a risk weight greater than 0% and less than or equal to 50% under the Credit Risk: Standardised Approach (CRR) Part Standardised Approach .	0.25% (residual term to final maturity six <i>months</i> or less) 1.00% (residual term to final maturity greater than six <i>months</i> and up to and including 24 <i>months</i>) 1.60% (residual term to maturity exceeding 24 <i>months</i>)
Debt securities which would receive a risk weight greater than 50% and less than or equal to 100% under the Credit Risk: Standardised Approach (CRR) Part Standardised Approach .	8%
Debt securities which would receive risk weight greater than 100% under the Credit Risk: Standardised Approach (CRR) Part Standardised Approach .	12%
...	

Draft for Consultation

Annex K

Amendments to the Settlement Risk (CRR) Part

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

...

3 OWN FUNDS REQUIREMENTS FOR SETTLEMENT RISK (PART THREE, TITLE V, CRR)

...

Article 379 FREE DELIVERIES

...

2. In applying a risk weight to free delivery exposures treated according to Column 3 of Table 2, an institution using the *IRB Approach* set out in the Credit Risk: Internal Ratings Based Approach (CRR) Part may assign *PDs* to counterparties, for which it has no other non-trading book exposure, on the basis of the counterparty's external rating. Institutions using the *Advanced IRB Approach* may apply the *LGD* set out in the Credit Risk: Internal Ratings Based Approach (CRR) Part Article 161(1) to free delivery exposures treated according to Column 3 of Table 2 provided that they apply it to all such exposures. Alternatively, an institution using the *IRB Approach* set out in the Credit Risk: Internal Ratings Based Approach (CRR) Part may apply the risk weights of the *Standardised Approach*, as set out in the Credit Risk: Standardised Approach (CRR) Part and ~~Chapter 2 of Title II of Part Three of CRR_OPRR~~ provided that it applies them to all such exposures or may apply a 100% risk weight to all such exposures.

If the amount of positive exposure resulting from free delivery transactions is not material, institutions may apply a risk weight of 100% to these exposures, except where a risk weight of 1250% in accordance with Column 4 of Table 2 in paragraph 1 is required.

...

Annex L

Amendments to the Reporting Pillar 2 (CRR) Part

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

...

2 PILLAR 2 REPORTING REQUIREMENTS

...

2.7 A *firm* other than an *SDDT* or an *SDDT consolidation entity* must complete the *data item* FSA076 where they have any of the following exposures:

- (1) exposures to central governments or central banks that are assigned a risk weight in accordance with ~~Article 114(7) of CRR regulation 6(1) of OPRR~~;
- (2) exposures to regional governments or local authorities that are assigned a risk weight in accordance with ~~Article 115(4) of CRR regulation 6(3) of OPRR~~; or
- (3) off-balance sheet items that are assigned to the exposure class in Credit Risk: Standardised Approach (CRR) Part Article 112(1)(h) and are subject to a conversion factor of 10% in accordance with Table A1 in Credit Risk: Standardised Approach (CRR) Part Article 111.

...