

PRA RULEBOOK: INDEXATION OF THRESHOLD AMOUNTS INSTRUMENT 2027

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 144G (Disapplication or modification of CRR rules in individual cases);
 - (4) section 144H (Relationship with the capital requirements regulation)
 - (5) section 192J (Rules requiring provision of information by parent undertakings);
 - (6) section 192JA (Rules applying to parent undertakings of ring-fenced bodies); and
 - (7) section 192JB (Rules requiring parent undertakings to facilitate resolution).
 - (8) section 192XA (Rules applying to holding companies);
 - (9) section 192XC (Disapplication or modification of rules in individual cases); and
 - (10) section 340 (Appointment).
- B. The rule-making powers referred to above are specified for the purpose of section 138G (2) (Rule-making instruments) of the Act.

PRA Rulebook: Indexation of Threshold Amounts Instrument 2027

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

Part	Annex
General Provisions	A
Credit Risk: Internal Ratings Based Approach (CRR)	B

Amendment of rules identified in General Provisions Part [9.2]

- D. The PRA amends the rules referred to in the table in General Provisions Part [9.2] (the “indexation table”), in the column titled ‘Threshold reference’, as follows:
1. The threshold amounts identified in the indexation table are subject to indexation.
 2. On each indexation date, for each threshold amount identified in the indexation table (where it appears in the rule referred to in the column titled “Threshold reference”), substitute the amount $T_{i,y}$ that results from applying the indexation formula in paragraph 4 to the amount identified in the column titled “Base amount for indexation” in the same row of the indexation table (each such substitution, an “update”).
 3. The first indexation date is [1 July 2031] and subsequent indexation dates are each five-year anniversary of the first indexation date, in each case unless an exception set out in the column titled “Exceptions” in the indexation table applies.

4. The indexation formula is:

Formula for threshold amount i immediately following the update on the indexation date in year y :

$$T_{i,y}^* = T_{i,b} \times \left(\frac{G_{y-2}}{G_b} \right)$$

$$T_{i,y} = \max(T_{i,prev}, R(T_{i,y}^*))$$

Where:

$T_{i,y}$ = the final value of threshold amount i applying from the indexation date in year y .

$T_{i,y}^*$ = the provisional value of threshold amount i for update on the indexation date in year y , before rounding and application of floor.

$T_{i,b}$ = the base value of threshold amount i identified in the column titled “Base amount for indexation” of the indexation table.

G_{y-2} = annual UK nominal GDP in the reference year for the update in year y . The reference year for an update is the second calendar year before the calendar year in which the relevant indexation date falls (for example, 2029 is the reference year for the update in 2031 and 2034 is the reference year for the update in 2036).

G_b = annual UK nominal GDP for base year 2026.

$R(\cdot)$ denotes rounding of threshold i to two significant figures, in accordance with standard rounding conventions.

$T_{i,prev}$ = the threshold value in place immediately before the update.

5. Annual nominal GDP values for a calendar year used in the indexation formula as the base year or reference year shall be the sum of the nominal GDP of the four quarters of that year as published by the Office for National Statistics in its “GDP at current prices – real-time database (YBHA)” in the most recent version published on or before 1 October of the calendar year immediately preceding the relevant indexation date (the “cut-off date”) (for example, 1 October 2030 is the cut-off date for the update in 2031 and 1 October 2035 is the cut-off date for the update in 2036).

Notes

- E. Each threshold amount identified in the indexation table is to be annotated with the following notes in the online consolidated PRA Rulebook. These notes are included for the convenience of readers but do not form part of the legislative text:
 1. Immediately following each threshold identified in the indexation table (except for threshold numbers in a formula), as it appears in the online consolidated PRA Rulebook, add the following text:
[Note: subject to indexation]
 2. Where one or more threshold numbers identified in the indexation table are in a formula), add the following text directly below the formula:
[Note: one or more numbers in this formula are subject to indexation]

3. Below each rule, article or definition, as applicable, that includes a threshold amount identified in the indexation table, add the following text, which when published electronically will include a hyperlink to this instrument:

[Note: Amounts subject to indexation are indexed by the mechanism set out in the PRA Rulebook: Indexation of Threshold Amounts Instrument 2027 (as amended from time to time).]

Commencement

- F. This instrument comes into force on XX • 2027.

Citation

- G. This instrument may be cited as the PRA Rulebook: Indexation of Threshold Amounts Instrument 2027.

By order of the Prudential Regulation Committee

[DATE]

Annex A

Amendments to the General Provisions Part

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

...

9 INDEXATION OF THRESHOLDS

9.1 Unless otherwise stated, this Chapter applies to every *person* to whom a PRA rule applies.

9.2 This is the indexation table of thresholds referenced in PRA Rulebook: Indexation of Threshold Amounts Instrument 2027:

[Note: the content of the table will reflect the list of in-scope thresholds provided in Annex 3 of this consultation.]

	Part	Threshold reference	Amount on the date brought into indexation mechanism	Date brought into indexation mechanism	Base amount for Indexation	Measure	Exceptions	[Note: Current amount]*
	...	...	...	...	...	...	..	...

* The information in the column “[Note: Current amount]” is included for the convenience of readers but does not form part of the legislative text.

Annex B

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

In this Annex, the formula set out in Article 153(4) is amended by substituting (44-4.4) for the denominator 39.6 to facilitate indexation of the component numbers. In this Annex new text is not underlined and deleted text is struck through.

...

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

...

Article 153 RISK-WEIGHTED EXPOSURE AMOUNTS FOR EXPOSURES TO CORPORATES AND INSTITUTIONS

...

4.

...

$$R = 0.12 \cdot \frac{1 - e^{-50 \cdot PD}}{1 - e^{-50}} + 0.24 \cdot \left(1 - \frac{1 - e^{-50 \cdot PD}}{1 - e^{-50}} \right) - 0.04 \cdot \left(1 - \frac{\min\{\max\{4.4, S\}, 44\} - 4.4}{39.6} \right)$$

$$R = 0.12 \cdot \frac{1 - e^{-50 \cdot PD}}{1 - e^{-50}} + 0.24 \cdot \left(1 - \frac{1 - e^{-50 \cdot PD}}{1 - e^{-50}} \right) - 0.04 \cdot \left(1 - \frac{\min\{\max\{4.4, S\}, 44\} - 4.4}{(44 - 4.4)} \right)$$

...