PRA RULEBOOK: CRR FIRMS: (CRR No. 2) INSTRUMENT 2026

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.

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

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Market Risk: Internal Model Approach (CRR)	AE
Market Risk: Simplified Standardised Approach (CRR)	AF
Operational Risk	AG
Record Keeping	AH
Recovery Plans	AI
Regulatory Reporting	AJ
Remuneration	AK

Reporting (CRR)	AL
Reporting Pillar 2	AM
Required Level of Own Funds (CRR)	AN
Resolution Assessment	AO
Ring-fenced Bodies	AP
Risk Control	AQ
Skills, Knowledge and Expertise	AR
Step-In Risk	AS
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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.

Commencement

E. All Annexes in this instrument come into force on 1 January 2027.

Citation

F. This instrument may be cited as the PRA Rulebook: CRR Firms: (CRR No. 2) Instrument 2026.

By order of the Prudential Regulation Committee

13 January 2026

Annex A

Amendments to the Glossary Part

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

ABCP programme

means a programme of *securitisations* the securities issued by which predominantly take the form of asset-backed commercial paper with an original maturity of one year or less.

[Note: This rule corresponds to Article 242(11) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

ABCP transaction

means a *securitisation* within an *ABCP programme*.

[Note: This rule corresponds to Article 242(12) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

…

~~*Article 18(5) relationship*~~

~~means a relationship where undertakings are linked by participations or capital ties other than those referred to in paragraphs (1) and (4) of Article 18 of the *CRR*.~~

…

consolidated basis

~~has the meaning given in point (48) of Article 4(1) of the *CRR*.~~means on the basis of the *consolidated situation*.

…

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*.

…

consolidation group

means the *undertakings* that a *firm* is required to include in the scope of consolidation pursuant to Articles 18, 19 and 23 of the Groups Part ~~the *CRR* and Groups 2.1 - 2.3~~.

…

first loss tranche

means the most subordinated *tranche* in a *securitisation* that is the first *tranche* to bear losses incurred on the securitised exposures and thereby provides protection to the second loss and, where relevant, higher ranking *tranches*.

[Note: This rule corresponds to Article 242(17) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

individual basis

means on an individual basis excluding any subsidiaries or, if an *individual consolidation permission* has first been granted by the *PRA*, on the basis of the relevant entity including subsidiaries to the extent and subject to any modifications set out in that permission.

…

individual consolidation permission

means a permission granted under section 138BA *FSMA* provided for in Article 9 of the Groups Part.

...

margin period of risk

means the time period from the most recent exchange of collateral covering a *netting set* of transactions with a defaulting counterparty until the transactions are closed out and the resulting market risk is re-hedged.

[Note: This rule corresponds to Article 272(9) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

…

netting set

for the purposes of the Counterparty Credit Risk (CRR) Part and the Credit Valuation Adjustment Risk (CRR) Part means a group of transactions between an *institution* and a single counterparty that is subject to a legally enforceable bilateral netting arrangement that meets the requirements in Section 7 of Chapter 3 of the Credit Risk Mitigation (CRR) Part.

Each transaction that is not subject to a legally enforceable bilateral netting arrangement which meets the requirements under Section 7 of Chapter 3 of the Counterparty Credit Risk (CRR) Part shall be treated as its own netting set for the purposes of Chapter 3 of the Counterparty Credit Risk (CRR) Part.

Under the Internal Model Method set out in Section 6 of Chapter 3 of the Counterparty Credit Risk (CRR) Part, all netting sets with a single counterparty may be treated as a single netting set if negative simulated market values of the individual netting sets are set to zero in the estimation of expected exposure.

[Note: This rule corresponds to Article 272(4) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

…

original lender

has the meaning given in Securitisation 1.3.

originator

has the meaning given in Securitisation 1.3.

…

resecuritisation

has the meaning given in Securitisation 1.3.

…

revolving securitisation

has the meaning given in Securitisation 1.3.

…

~~*RFB sub-consolidated basis*~~

~~means on the *sub-consolidated basis* of the *sub-consolidation group*.~~

…

securitisation

has the meaning given in Securitisation 1.3.

securitisation position

has the meaning given in Securitisation 1.3.

securitisation special purpose entity or SSPE

has the meaning given in Securitisation 1.3.

…

SME

in the Credit Risk: Standardised Approach (CRR) Part, the Securitisation (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

has the meaning given in Securitisation 1.3.

…

sub-consolidation group

means the *undertakings* included in the scope of consolidation as a result of a *sub-consolidation requirement*~~requirement imposed on a *ring-fenced body* under Article 11(5) of *CRR*~~.

…

sub-consolidation requirement

means a requirement imposed on a *firm* under section 55M *FSMA* or given in a direction to a *CRR consolidation entity* under section 192C *FSMA* to comply with the *sub-consolidation rules* on a *sub-consolidated basis*.

sub-consolidation rules

means, unless context otherwise requires, the following Parts and rules:

(1) the Capital Buffers Part;

(2) the Counterparty Credit Risk (CRR) Part;

(3) the Credit Risk: General Provisions (CRR) Part;

(4) the Credit Valuation Adjustment Risk Part;

(5) the Credit Risk: Internal Ratings Based Approach (CRR) Part;

(6) the Credit Risk: Standardised Approach (CRR) Part;

(7) the Credit Risk Mitigation (CRR) Part;

(8) the Definition of Capital Part;

(9) the Disclosure (CRR) Part;

(10) 2.1 (read with 2.2), 2.6, 2A.2, 5 and 6 of the General Organisational Requirements Part;

(11) 2.1(2) (read with 2.2) and 2.4 of the Group Risk Systems Part;

(12) the *ICAAP rules* in the Internal Capital Adequacy Assessment Part;

(13) the *risk control rules* in the Internal Capital Adequacy Assessment Part;

(14) the overall financial adequacy rule in Internal Capital Adequacy Assessment 2.1;

(15) Internal Capital Adequacy Assessment 15;

(16) the Internal Liquidity Adequacy Assessment Part;

(17) the Large Exposures (CRR) Part;

(18) the Leverage Ratio – Capital Requirements and Buffers Part;

(19) the Liquidity (CRR) Part;

(20) the Liquidity Coverage Requirement - UK Designated Investment Firms Part;

(21) the Market Risk: General Provisions (CRR) Part;

(22) the Market Risk: Internal Model Approach (CRR) Part;

(23) the Market Risk: Advanced Standardised Approach (CRR) Part;

(24) the Market Risk: Simplified Standardised Approach (CRR) Part;

(25) the Operational Risk Part;

(26) the Own Funds (CRR) Part;

(27) 2.1 of the Public Disclosure Part;

(28) the Record Keeping Part;

(29) the Regulatory Reporting Part;

(30) the Remuneration Part;

(31) the Reporting (CRR) Part;

(32) the Reporting Pillar 2 Part;

(33) the Required Level of Own Funds (CRR) Part;

(34) the Ring-fenced Bodies Part;

(35) 2.3, 2.7 and 3 of the Risk Control Part;

(36) 3.2 of the Skills, Knowledge and Expertise Part;

(37) the Trading Book (CRR) Part; and

(38) the Step-In Risk Part.

…

synthetic securitisation

means a *securitisation* where the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the *originator*.

[Note: This rule corresponds to Article 242(14) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

…

traditional securitisation

means a *securitisation* involving the transfer of the economic interest in the exposures being securitised through the transfer of ownership of those exposures from the *originator* to an *SSPE* or through sub-participation by an *SSPE*, where the securities issued do not represent payment obligations of the *originator*.

[Note: This rule corresponds to Article 242(13) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

…

tranche

has the meaning given in Securitisation 1.3.

…

UK parent institution

means an ~~parent~~ institution authorised in the *UK* which has an institution, ~~or~~ financial institution or *ancillary services undertaking* as *subsidiary* or which holds a *participation* in such an institution, ~~or~~ 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*.

…

Annex B

Amendments to the Groups Part

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

1 APPLICATION AND DEFINITIONS

…

1.3

~~Unless otherwise defined:~~

~~(1) any italicised expression used in this Part and in the *CRR* has the same meaning as in the *CRR*; and~~

~~(2) any italicised expression used in this Part and in the *CRD* has the same meaning as in the *CRD*.~~[Deleted]

…

2 METHODS OF PRUDENTIAL CONSOLIDATION

2.A1 ~~This chapter applies to a *firm* for the purposes of its obligations under Parts Two and Three of the *CRR*.~~[Deleted]

2.1

(1) ~~In applying the requirements of Part One, Title II, Chapter 2 of the *CRR* for the purposes of prudential consolidation, a *CRR consolidation entity* must include the relevant proportion of an undertaking with whom it has:~~

~~(a) a *common management relationship*;~~

~~(b) an *Article 18(6) relationship*; or~~

~~(c) an *Article 18(8) relationship*;~~[Deleted]

(2) ~~In 2.1(1), the relevant proportion is such proportion (if any) as stated in a requirement imposed on the *firm* in accordance with section 55M of *FSMA*.~~[Deleted]

~~[Note: Art 18(3), (6) and (8) of the *CRR*]~~

2.2 ~~In applying the requirements of Part One, Title II, Chapter 2 of the *CRR* for the purposes of prudential consolidation, a *CRR consolidation entity* for which the *PRA* is the *consolidating supervisor* must carry out a proportional consolidation according to the share of capital held of *participations* in *institutions* and *financial institutions* managed by an undertaking included in the consolidation together with one or more undertakings not included in the consolidation, where those undertakings' liability is limited to the share of capital they hold.~~[Deleted]

~~[Note: Art 18(4) of the *CRR*]~~

2.3 ~~In applying the requirements of Part One, Title II, Chapter 2 of the *CRR* for the purposes of prudential consolidation, a *CRR consolidation entity* must carry out a proportional consolidation according to the share of capital held of any undertaking with whom it has an *Article 18(5) relationship*.~~[Deleted]

~~[Note: Art 18(5) of the *CRR*]~~

…

4 SCOPE OF PRUDENTIAL CONSOLIDATION [DELETED]

4.1 ~~A *CRR consolidation entity* must notify the *PRA* as soon as possible if it excludes a *subsidiary* or *undertaking* in which it has a *participation* from its *consolidation group* under the discretion in Article19(1) of the *CRR*.~~[Deleted]

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

Chapter 1 APPLICATION OF REQUIREMENTS ON AN INDIVIDUAL BASIS

Article 9 INDIVIDUAL CONSOLIDATION METHOD

1. Where an institution is required to comply with a *PRA* rule on an *individual basis*, it must not, for the purposes of such compliance, include any subsidiary unless permission has first been granted by the *PRA* under section 138BA *FSMA*, to the extent and subject to any modifications set out in the permission.

   [Note: This rule corresponds to Article 9 of the *CRR* as it applied immediately before revocation by the *Treasury*]

Chapter 2 PRUDENTIAL CONSOLIDATION

Article 11 GENERAL TREATMENT

1. *CRR consolidation entities* and institutions must, in relation to a *consolidation group* of which they are a member, set up a proper organisational structure and internal control mechanisms to ensure that data required for such consolidation are duly processed and distributed. In particular, they must ensure that subsidiaries which are not subject to *PRA* rules implement arrangements, processes and mechanisms to ensure proper consolidation.

2. For the purpose of ensuring that a *PRA* rule is applied on a *consolidated basis*, the terms 'institution', '*UK parent institution*', 'parent undertaking', '*firm*' and '*CRR firm*' shall, as the case may be, also refer to:

   (a) a financial holding company or mixed financial holding company approved in accordance with Part 12B *FSMA*;

   (b) a *PRA designated institution* controlled by a UK parent financial holding company or UK parent mixed financial holding company where such a parent is not subject to approval in accordance with section 192P(2) and (3) *FSMA*; and

   (c) a financial holding company, mixed financial holding company or institution designated in accordance with section 192T(2)(c) *FSMA*.

   The consolidated situation of an undertaking referred to in point (a) shall be the *consolidated situation* of the financial holding company or mixed financial holding company.

   The consolidated situation of an undertaking referred to in point (b) shall be the *consolidated situation* of the UK parent financial holding company or the UK parent mixed financial holding company.

   The consolidated situation of an undertaking referred to in point (c) shall be the *consolidated situation* of its UK parent financial holding company or UK parent mixed financial holding company.

   [Note: This rule corresponds to the first and second sub-paragraphs of Article 11 of the *CRR* as it applied immediately before revocation by the *Treasury*]

Article 18 METHODS OF PRUDENTIAL CONSOLIDATION

1. *CRR consolidation entities* and institutions that are required to comply with a *PRA* rule on a *consolidated basis* must carry out a full consolidation of all institutions and financial institutions that are their subsidiaries or, in the case of a *PRA designated institution*, subsidiaries of its UK parent undertaking.

2. Ancillary services undertakings must be included in consolidation in the cases, and in accordance with the methods, laid down in this Article.

3. A *CRR consolidation entity* or institution must include the relevant proportion of an undertaking with whom it has a *common management relationship*. The relevant proportion is such proportion (if any) specified in a requirement imposed on or a direction given to the institution or *CRR consolidation entity* in accordance with section 55M or section 192C *FSMA*.

4. A *CRR consolidation entity* or institution must carry out a proportional consolidation according to the share of capital held of participations in institutions and financial institutions managed by an undertaking included in the consolidation together with one or more undertakings not included in the consolidation, where those undertakings' liability is limited to the share of capital they hold.

5. A *CRR consolidation entity* or institution must carry out a proportional consolidation according to the share of capital held of any undertaking with whom it has a relationship linked by participations or capital ties other than those referred to in paragraphs (1) and (4) of this Article.

6. A *CRR consolidation entity* or institution must include the relevant proportion of an undertaking with whom it has an *Article 18(6) relationship*. The relevant proportion is such proportion (if any) specified in a requirement imposed on or a direction given to the institution or the *CRR consolidation entity* in accordance with section 55M or section 192C *FSMA*.

7. Where a *CRR consolidation entity* or institution has a subsidiary which is an undertaking other than an institution, a financial institution or an ancillary services undertaking, or holds a participation in such an undertaking, it must apply to that subsidiary or participation the equity method. That method shall not, however, require inclusion of the undertakings concerned in supervision on a *consolidated basis*.

8. A *CRR consolidation entity* or institution must include any entity that is not an institution, financial institution, or ancillary services undertaking in its consolidation (in full or in part) to the extent specified in a requirement or direction imposed on the institution or *CRR consolidation entity* in accordance with section 55M or section 192C *FSMA*.

[Note: Paragraphs 1 to 8 of this rule correspond to paragraphs 1 to 8 of Article 18 of the *CRR* as it applied immediately before revocation by the *Treasury*]

Article 19 ENTITIES EXCLUDED FROM THE SCOPE OF PRUDENTIAL CONSOLIDATION

1. A *CRR consolidation entity* or institution may exclude from the scope of consolidation an institution, financial institution or an ancillary services undertaking which is a subsidiary or an undertaking in which a participation is held where the total amount of assets and off-balance sheet items of the undertaking concerned is less than the smaller of the following two amounts:

   (a) £8.8 million; and

   (b) 1% of the total amount of assets and off-balance sheet items of the parent undertaking or the undertaking that holds the participation.

1A. A *CRR consolidation entity* must notify the *PRA* as soon as possible if it excludes a subsidiary or an undertaking in which it has a participation under paragraph (1).

2. [Note: Provision left blank]

3. Where the total amount of assets and off-balance sheet items of several undertakings in aggregate exceeds the smaller of the two amounts set out in paragraph (1), a *CRR consolidation entity* or institution must include such undertakings in the scope of consolidation insofar as the assets and items of such undertakings collectively exceed that amount.

[Note: Paragraphs 1 and 3 of this rule correspond to paragraphs 1 and 3 of Article 19 of the *CRR* as it applied immediately before revocation by the *Treasury*]

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 definitions of those terms in Article 4 of *CRR*.

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

Article 24 VALUATION OF ASSETS AND OFF-BALANCE SHEET ITEMS

The valuation of assets and off-balance sheet items must be effected in accordance with the applicable accounting framework.

[Note: This rule corresponds to Article 24 of the *CRR* as it applied immediately before revocation by the *Treasury*]

Annex C

Amendments to the Securitisation (CRR) Part

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

Part

SECURITISATION (CRR)

Chapter content

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2. LEVEL OF APPLICATION
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ARTICLE 262A TREATMENT OF QUALIFYING SECURITISATIONS UNDER THE SEC-SA

ARTICLE 263 CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS UNDER THE SEC-ERBA

ARTICLE 264 TREATMENT OF STS SECURITISATIONS UNDER THE SEC-ERBA

ARTICLE 265 SCOPE AND OPERATIONAL REQUIREMENTS FOR THE INTERNAL ASSESSMENT APPROACH

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ARTICLE 270E SECURITISATION MAPPING

ARTICLE 270F SECURITISATION ECAI MAPPING

APPENDIX 1

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

clean-up call option

means a contractual option that entitles the *originator* to call the *securitisation positions* before all of the securitised exposures have been repaid, either by repurchasing the underlying exposures remaining in the pool in the case of *traditional securitisations* or by terminating the credit protection in the case of *synthetic securitisations*, in both cases when the amount of outstanding underlying exposures falls to or below certain pre-specified levels.

[Note: This rule corresponds to Article 242(1) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

credit-enhancing interest-only strip

means an on-balance sheet asset that represents a valuation of cash flows related to future margin income and is a subordinated *tranche* in the *securitisation*.

[Note: This rule corresponds to Article 242(2) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

due diligence rules

means the due diligence rules in either Article 5 of Chapter 2 or Chapter 3 of the Securitisation Part.

[Note: This rule corresponds to Article 14(3) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

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.

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

investor

means a person holding a *securitisation position*.

IRB pool

means a pool of underlying exposures of a type in relation to which the institution has permission from the *PRA* to use the *IRB Approach* and is able to calculate risk-weighted exposure amounts in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part for all of these exposures.

[Note: This rule corresponds to Article 242(7) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

liquidity facility

means the *securitisation position* arising from a contractual agreement to provide funding to ensure timeliness of cash flows to *investors*.

[Note: This rule corresponds to Article 242(3) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

mezzanine securitisation position

means a position in the *securitisation* which is subordinated to the *senior securitisation position* and more senior than the *first loss tranche*, and which is subject to a risk weight lower than 1250% and higher than 25% in accordance with Articles 254 to 266.

[Note: This rule corresponds to Article 242(18) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

mixed pool

means a pool of underlying exposures of a type in relation to which the institution has permission from the *PRA* to use the *IRB Approach* and is able to calculate risk-weighted exposure amounts in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part for some, but not all, of the exposures.

[Note: This rule corresponds to Article 242(8) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

overcollateralisation

means any form of credit enhancement by virtue of which underlying exposures are posted in value which is higher than the value of the *securitisation positions*.

[Note: This rule corresponds to Article 242(9) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

promotional entity

means any undertaking or entity:

(a) which is established by a government department or devolved administration or by a local authority in any part of the *United Kingdom* ('the establishing body');

(b) which grants promotional loans or guarantees;

(c) whose primary goal is not to make profit or maximise market share, but is to promote public policy objectives of the establishing body; and

(d) in relation to which:

(i) the establishing body is obliged to protect its economic basis and maintain its viability throughout its lifetime; or

(ii) at least 90% of its original capital or funding or the promotional loan it grants is directly or indirectly guaranteed by a government department, a devolved administration or a local authority in any part of the *United Kingdom*.

[Note: This rule corresponds to Article 242(19) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

qualifying securitisation

means a *synthetic securitisation* where:

(a) the underlying exposure consists of a single *regulatory residential real estate exposure* that is not materially dependent on the cash flows generated by the property in accordance with Article 124E of the Credit Risk: Standardised Approach (CRR) Part;

(b) the *securitisation* arises only by reason of the tranched transfer of risk at the level of the underlying exposure; and

(c) all credit protection at the level of the underlying exposure has the same maturity date.

rated position

means a *securitisation position* which has an eligible credit assessment in accordance with Articles 270B, 270C, 270D and 270F.

[Note: This rule corresponds to Article 242(5) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

revolving exposure

means an exposure whereby borrowers' outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to an agreed limit.

[Note: This rule corresponds to Article 242(15) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

SEC-ERBA

means the *securitisation* external ratings based approach under Articles 263 and 264.

SEC-IRBA

means the *securitisation* internal ratings based approach under Articles 258 to 260A.

SEC-SA

means the *securitisation* standardised approach under Articles 261 to 262A.

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 the *CRR* as it applied immediately before its revocation by the *Treasury*]

simple, transparent and standardised securitisation or *STS securitisation*

means:

(a) an STS securitisation as defined in regulation 9 of the Securitisation Regulations 2024;

(b) an overseas STS securitisation as defined in regulation 12(2) of the Securitisation Regulations 2024; or

(c) a qualifying EU securitisation as defined in regulation 12(3) of the Securitisation Regulations 2024.

[Note: This rule corresponds to Article 242(10) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

unrated position

means a *securitisation position* which does not have an eligible credit assessment in accordance with Articles 270B, 270C, 270D and 270F.

[Note: This rule corresponds to Article 242(4) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

2 LEVEL OF APPLICATION

2.1 A *firm* must comply with this Part on an *individual basis*.

2.2 A *CRR consolidation entity* must comply with this Part on a *consolidated basis*.

2.3 A *firm* or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis* as set out in that requirement.

2.4 Parent undertakings and their subsidiaries that are subject to the *PRA's* rules for *CRR firms* must ensure that the arrangements, processes and mechanisms required to ensure compliance with the *due diligence rules* are consistent and well-integrated, and that any data and information relevant to the purpose of supervision can be produced, across the *consolidation group* or *sub-consolidation group*. In particular, they shall ensure that subsidiaries that are not subject to the *PRA's* rules for *CRR firms* implement arrangements, processes and mechanisms to ensure compliance with those provisions.

3 SECURITISATION (CRR) PART

SECTION 1 CRITERIA FOR SIMPLE, TRANSPARENT AND STANDARDISED SECURITISATIONS

Article 242 DEFINITIONS

[Note: Provision left blank]

Article 243 CRITERIA FOR STS SECURITISATIONS QUALIFYING FOR DIFFERENTIATED CAPITAL TREATMENT

1. Positions in an *ABCP programme* or *ABCP transaction* that qualify as positions in an *STS securitisation* shall be eligible for the treatment set out in Articles 260, 262 and 264 where the following requirements are met:

   (a) the underlying exposures meet, at the time of their inclusion in the *ABCP programme*, to the best knowledge of the *originator* or the *original lender*, the conditions for being assigned, under either the *Standardised Approach* taking into account any eligible credit risk mitigation, or, where relevant and applicable, paragraph 10 of Article 255, a risk weight equal to or smaller than 75% on an individual exposure basis where the exposure is a *regulatory retail exposure* or 100% for any other exposures; and

   (b) the aggregate exposure value of all exposures to a single obligor at *ABCP programme* level does not exceed 2% of the aggregate exposure value of all exposures within the *ABCP programme* at the time the exposures were added to the *ABCP programme*. For the purposes of this calculation, loans or leases to a group of connected clients, to the best knowledge of the *sponsor*, shall be considered as exposures to a single obligor.

   In the case of trade receivables, point (b) of the first subparagraph shall not apply where the credit risk of those trade receivables is fully covered by eligible credit protection in accordance with the Credit Risk Mitigation (CRR) Part, provided that in that case the protection provider is

an institution, an investment firm, an insurance undertaking or a reinsurance undertaking. For the purposes of this subparagraph, only the portion of the trade receivables remaining after taking into account the effect of any purchase price discount and *overcollateralisation* shall be used to determine whether they are fully covered and whether the concentration limit is met.

In the case of securitised residual value of leased assets, point (b) of the first subparagraph shall not apply where those values are not exposed to refinancing or resell risk due to a legally enforceable *commitment* to repurchase or refinance the exposure at a pre-determined amount by a third party eligible under Article 201(1) of the Credit Risk Mitigation (CRR) Part.

By way of derogation from point (a) of the first subparagraph, where an institution applies Article 248(3) or is permitted to apply the Internal Assessment Approach in accordance with Article 265, the risk weight that institution would assign to a *liquidity facility* that completely covers the ABCP issued under the programme is equal to or smaller than 100%.

2. Positions in a *securitisation*, other than an *ABCP programme* or *ABCP transaction*, that qualify as positions in an *STS securitisation*, shall be eligible for the treatment set out in Articles 260, 262 and 264 where the following requirements are met:

(a) at the time of inclusion in the *securitisation*, the aggregate exposure value of all exposures to a single obligor in the pool does not exceed 2% of the exposure values of the aggregate outstanding exposure values of the pool of underlying exposures. For the purposes of this calculation, loans or leases to a group of connected clients shall be considered as exposures to a single obligor. In the case of securitised residual value of leased assets, the first subparagraph of this point shall not apply where those values are not exposed to refinancing or resell risk due to a legally enforceable *commitment* to repurchase or refinance the exposure at a pre-determined amount by a third party eligible under Article 201(1) of the Credit Risk Mitigation (CRR) Part;

(b) at the time of their inclusion in the *securitisation*, the underlying exposures meet the conditions for being assigned, under either the *Standardised Approach* taking into account any eligible credit risk mitigation, or, where relevant and applicable, paragraph 10 of Article 255, a risk weight equal to or smaller than:

(i) 40% on an exposure value-weighted average basis for the portfolio where each exposure is a *regulatory residential real estate exposure*;

(ii) 50% on an individual exposure basis where the exposure is any of the following:

(1) a *residential real estate exposure* that is not a regulatory real estate exposure as defined in the Credit Risk: Standardised Approach (CRR) Part;

(2) a mixed real estate exposure as defined in the Credit Risk: Standardised Approach (CRR) Part;

(iii) 60% on an individual exposure basis where the exposure is a commercial real estate exposure as defined in the Credit Risk: Standardised Approach (CRR) Part;

(iv) 75% on an individual exposure basis where the exposure is a *regulatory retail exposure*;

(v) for any other exposures, 100% on an individual exposure basis;

(c) where points (b)(i) to (b)(iii) apply, the loans secured by lower ranking security rights on a given asset shall only be included in the *securitisation* where all loans secured by prior ranking security rights on that asset are also included in the *securitisation*;

(d) where point (b)(i) of this paragraph applies, no loan in the pool of underlying exposures shall have a loan-to-value ratio higher than 100%, at the time of inclusion in the *securitisation*, measured in a manner that is consistent with the relevant provisions in

Article 129(1)(d) of the Credit Risk: Standardised Approach (CRR) Part and, subject to the exclusions in Article 129(3)(b) of the Credit Risk: Standardised Approach (CRR) Part, Article 229(1) of the Credit Risk Mitigation (CRR) Part.

[Note: This rule corresponds to Article 243 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

SECTION 2 RECOGNITION OF SIGNIFICANT RISK TRANSFER

Article 244 TRADITIONAL SECURITISATION

1. The *originator* institution of a *traditional securitisation* may exclude underlying exposures from its calculation of risk-weighted exposure amounts and, where relevant, expected loss amounts if either of the following conditions is fulfilled:

   (a) significant credit risk associated with the underlying exposures has been transferred to third parties;

   (b) the *originator* institution applies a 1250% risk weight to all *securitisation positions* or deducts these *securitisation positions* from Common Equity Tier 1 items in accordance with Article 36(1)(k) of the Own Funds (CRR) Part.

2. Significant credit risk shall be considered as transferred in either of the following cases provided the possible reduction in risk-weighted exposure amounts is justified by a commensurate transfer of credit risk to third parties:

   (a) the risk-weighted exposure amounts of the *mezzanine securitisation positions* held by the *originator* institution in the *securitisation* do not exceed 50% of the risk-weighted exposure amounts of all *mezzanine securitisation positions* existing in this *securitisation*;

   (b) the *originator* institution does not hold more than 20% of the exposure value of the *first loss tranche* in the *securitisation*, provided that both of the following conditions are met:

      (i) the *originator* can demonstrate that the exposure value of the *first loss tranche* exceeds a reasoned estimate of the expected loss on the underlying exposures by a substantial margin;

      (ii) there are no *mezzanine securitisation positions*.

3. By way of derogation from paragraph 2:

   (a) an *originator* institution may recognise significant credit risk transfer in relation to a *securitisation* where it has received the prior *138BA permission* of the *PRA*.

   (b) an *originator* institution shall not recognise significant credit risk transfer where the *PRA* has imposed a requirement on the *originator* institution to preclude this under section 55M of *FSMA* or issued a direction under section 192C of *FSMA* to preclude this.

4. The following additional conditions shall be met by an *originator* institution:

   (a) the transaction documentation reflects the economic substance of the *securitisation*;

   (b) the *securitisation positions* do not constitute payment obligations of the *originator* institution;

   (c) the underlying exposures are placed beyond the reach of the *originator* institution and its creditors in a manner that meets the requirement set out in SECN 2.2.2R of the *FCA Handbook*, as it has effect from time to time;

   (d) the *originator* institution does not retain control over the underlying exposures. It shall be considered that control is retained over the underlying exposures where the *originator* has

the right to repurchase from the transferee the previously transferred exposures in order to realise their benefits or if it is otherwise required to re-assume transferred risk. The *originator* institution's retention of servicing rights or obligations in respect of the underlying exposures shall not of itself constitute control of the exposure;

(e) the *securitisation* documentation does not contain terms or conditions that:

(i) require the *originator* institution to alter the underlying exposures to improve the average quality of the pool; or

(ii) increase the yield payable to holders of positions or otherwise enhance the positions in the *securitisation* in response to a deterioration in the credit quality of the underlying exposures;

(f) where applicable, the transaction documentation makes it clear that the *originator* or the *sponsor* may only purchase or repurchase *securitisation positions* or repurchase, restructure or substitute the underlying exposures beyond their contractual obligations where such arrangements are executed in accordance with prevailing market conditions and the parties to them act in their own interest as free and independent parties (arm's length);

(g) where there is a *clean-up call option*, that option shall also meet all of the following conditions:

(i) it can be exercised at the discretion of the *originator* institution;

(ii) it may only be exercised when 10% or less of the original value of the underlying exposures remains unamortised;

(iii) it is not structured to avoid allocating losses to credit enhancement positions or other positions held by *investors* in the *securitisation* and is not otherwise structured to provide credit enhancement;

(h) the *originator* institution has received an opinion from a qualified legal counsel confirming that the *securitisation* complies with the conditions set out in point (c) of this paragraph.

[Note: This rule corresponds to Article 244 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 245 SYNTHETIC SECURITISATION

1. The *originator* institution of a *synthetic securitisation* may calculate risk-weighted exposure amounts, and, where relevant, expected loss amounts with respect to the underlying exposures in accordance with Articles 251 and 252, where one of the following conditions is met:

(a) significant credit risk has been transferred to third parties either through funded or unfunded credit protection;

(b) the *originator* institution applies a 1250% risk weight to all *securitisation positions* that it retains in the *securitisation* or deducts these *securitisation* positions from Common Equity Tier 1 items in accordance with Article 36(1)(k) of the Own Funds (CRR) Part;

(c) the *securitisation* is a *qualifying securitisation* and any of the following conditions is met:

(i) the underlying *regulatory residential real estate exposure* is not an exposure in relation to which the *originator* institution has permission from the *PRA* to use the *IRB Approach* or the *originator* institution is not able to calculate risk-weighted exposure amounts for the underlying exposure in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part;

(ii) the *originator* institution holds the entirety of all *tranches* in the *qualifying securitisation* for which $5 * A + D > 1$, where A and D are as specified in Article 256; or

(iii) there are two *tranches* in the *qualifying securitisation* and the *originator* institution holds the entirety of the senior *tranche*.

2. Significant credit risk shall be considered transferred in either of the following cases provided the possible reduction in risk-weighted exposure amounts is justified by a commensurate transfer of credit risk to third parties:

(a) the risk-weighted exposure amounts of the *mezzanine securitisation positions* held by the *originator* institution in the *securitisation* do not exceed 50% of the risk-weighted exposure amounts of all *mezzanine securitisation positions* existing in this securitisation;

(b) the *originator* institution does not hold more than 20% of the exposure value of the *first loss tranche* in the *securitisation*, provided that both of the following conditions are met:

(i) the *originator* can demonstrate that the exposure value of the *first loss tranche* exceeds a reasoned estimate of the expected loss on the underlying exposures by a substantial margin;

(ii) there are no *mezzanine securitisation positions*.

3. By way of derogation from paragraph 2:

(a) an *originator* institution may recognise significant credit risk transfer in relation to a *securitisation* where it has received the prior *138BA permission* of the *PRA*.

(b) an *originator* institution shall not recognise significant credit risk transfer where the *PRA* has imposed a requirement on the *originator* institution to preclude this under section 55M of *FSMA* or issued a direction under section 192C of *FSMA* to preclude this.

4. The following additional conditions shall be met by the *originator* institution:

(a) the transaction documentation reflects the economic substance of the *securitisation*;

(b) the credit protection by virtue of which credit risk is transferred complies with Article 249;

(c) the *securitisation* documentation does not contain terms or conditions that:

(i) impose significant materiality thresholds below which credit protection is deemed not to be triggered if a credit event occurs;

(ii) allow for the termination of the protection due to deterioration of the credit quality of the underlying exposures;

(iii) require the *originator* institution to alter the composition of the underlying exposures to improve the average quality of the pool; or

(iv) increase the institution's cost of credit protection or the yield payable to holders of positions in the *securitisation* in response to a deterioration in the credit quality of the underlying pool;

(d) the credit protection is enforceable in all relevant jurisdictions;

(e) where applicable, the transaction documentation makes it clear that the *originator* or the *sponsor* may only purchase or repurchase *securitisation positions* or repurchase, restructure or substitute the underlying exposures beyond their contractual obligations where such arrangements are executed in accordance with prevailing market conditions and the parties to them act in their own interest as free and independent parties (arm's length);

(f) where there is a *clean-up call option*, that option meets all the following conditions:

(i) it may be exercised at the discretion of the *originator* institution;

(ii) it may only be exercised when 10% or less of the original value of the underlying exposures remains unamortised;

(iii) it is not structured to avoid allocating losses to credit enhancement positions or other positions held by *investors* in the *securitisation* and is not otherwise structured to provide credit enhancement;

(g) the *originator* institution has received an opinion from a qualified legal counsel confirming that the *securitisation* complies with the conditions set out in point (d) of this paragraph.

[Note: This rule corresponds to Article 245 of *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 245A NOTIFICATION OF SIGNIFICANT RISK TRANSFER

1. An institution must notify the *PRA* that it is relying on the deemed transfer of significant credit risk under paragraph (2) of Article 244 or paragraph (2) of Article 245, including when this is for the purposes of Article 337(5) of the Market Risk: Simplified Standardised Approach (CRR) Part, no later than one *month* after the date of transfer.

2. The notification in paragraph (1) must include sufficient information to allow the *PRA* to assess whether the possible reduction in risk-weighted exposure amounts which would be achieved by the *securitisation* is justified by a commensurate transfer of credit risk to third parties.

Article 246 OPERATIONAL REQUIREMENTS FOR EARLY AMORTISATION PROVISIONS

Where the *securitisation* includes *revolving exposures* and *early amortisation provisions* or similar provisions, significant credit risk shall only be considered transferred by the *originator* institution where the requirements laid down in Articles 244 and 245 are met and the *early amortisation provision*, once triggered, does not:

(a) subordinate the institution's senior or pari passu claim on the underlying exposures to the other *investors'* claims;

(b) subordinate further the institution's claim on the underlying exposures relative to other parties' claims; or

(c) otherwise increase the institution's exposure to losses associated with the underlying *revolving exposures*.

[Note: This rule corresponds to Article 246 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

SECTION 3 CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS

SUB-SECTION 1 GENERAL PROVISIONS

Article 247 CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS

1. Where one of the conditions in Article 244(1) or Article 245(1) is met, an *originator* institution may:

(a) in the case of a *traditional securitisation*, exclude the underlying exposures from its calculation of risk-weighted exposure amounts, and, as relevant, expected loss amounts;

(b) in the case of a *synthetic securitisation*, calculate risk-weighted exposure amounts, and, where relevant, expected loss amounts, with respect to the underlying exposures in accordance with Articles 251 and 252.

2. Where the *originator* institution has decided to apply paragraph 1, it shall calculate the risk-weighted exposure amounts as set out in this Part for the positions that it may hold in the *securitisation*. Where none of the conditions in Article 244(1) or Article 245(1) are met, or where the institution has decided not to apply paragraph 1, it shall not be required to calculate risk-weighted exposure amounts for any position it may have in the *securitisation* but shall continue including the underlying exposures in its calculation of risk-weighted exposure amounts and, where relevant, expected loss amounts as if they had not been securitised.

3. Where there is an exposure to positions in different *tranches* in a securitisation, the exposure to each *tranche* shall be considered a separate *securitisation position*. The providers of credit protection to *securitisation positions* shall be considered as holding positions in the *securitisation*. *Securitisation positions* shall include exposures to a *securitisation* arising from interest rate or currency derivative contracts that the institution has entered into with the transaction.

4. Unless a *securitisation position* is deducted from Common Equity Tier 1 items pursuant to Article 36(1)(k) of the Own Funds (CRR) Part, the risk-weighted exposure amount shall be included in the institution's total of risk-weighted exposure amounts for the purposes of Article 92(3) of the Required Level of Own Funds (CRR) Part.

5. The risk-weighted exposure amount of a *securitisation* position shall be calculated by multiplying the exposure value of the position, calculated as set out in Article 248, by the relevant total risk weight.

6. The total risk weight shall be determined as the sum of the risk weight set out in this Part.

[Note: This rule corresponds to Article 247 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 248 EXPOSURE VALUE

1. The exposure value of a *securitisation position* shall be calculated as follows:

(a) the exposure value of an on-balance sheet *securitisation position* shall be its accounting value remaining after any relevant specific credit risk adjustments on the *securitisation position* have been applied in accordance with Article 110 of the Credit Risk: General Provisions (CRR) Part and Commission Delegated Regulation (EU) No 183/2014;

(b) the exposure value of an off-balance sheet *securitisation position* shall be its nominal value less any relevant specific credit risk adjustments on the *securitisation position* in accordance with Article 110 of the Credit Risk: General Provisions (CRR) Part and Commission Delegated Regulation (EU) No 183/2014, multiplied by the relevant *conversion factor* as set out in this point. The *conversion factor* shall be 100%, except in the case of cash advance facilities. To determine the exposure value of the undrawn portion of the cash advance facilities, a *conversion factor* of 10% may be applied to the nominal amount of a *liquidity facility* that is unconditionally cancellable provided that repayment of draws on the facility are senior to any other claims on the cash flows arising from the underlying exposures;

(c) the exposure value for the counterparty credit risk of a *securitisation position* that results from a derivative instrument listed in Annex 1 of Chapter 3 of the Counterparty Credit Risk (CRR) Part, shall be determined in accordance with the Counterparty Credit Risk (CRR) Part;

(d) an *originator* institution may deduct from the exposure value of a *securitisation position* which is assigned a 1250% risk weight in accordance with Articles 247 to 270A or deducted from Common Equity Tier 1 in accordance with Article 36(1)(k) of the Own Funds (CRR) Part, the amount of the specific credit risk adjustments on the underlying exposures in accordance with Article 110 of the Credit Risk: General Provisions (CRR) Part and Commission Delegated Regulation (EU) No 183/2014, and any non-refundable purchase price discounts connected with such underlying exposures to the extent that such discounts have caused the reduction of own funds.

2. Where an institution has two or more overlapping positions in a *securitisation*, it shall include only one of the positions in its calculation of risk-weighted exposure amounts.

Where the positions partially overlap, the institution may split the position into two parts and recognise the overlap in relation to one part only in accordance with the first subparagraph. Alternatively, the institution may treat the positions as if they were fully overlapping by expanding for capital calculation purposes the position that produces the higher risk-weighted exposure amounts.

The institution may also recognise an overlap between the specific risk own funds requirements for positions in the trading book and the own funds requirements for *securitisation positions* in the non-trading book, provided that the institution is able to calculate and compare the own funds requirements for the relevant positions.

For the purposes of this paragraph, two positions shall be deemed to be overlapping where they are mutually offsetting in such a manner that the institution is able to preclude the losses arising from one position by performing the obligations required under the other position.

3. Where point (d) of Article 270C applies to positions in an ABCP, the institution may use the risk weight assigned to a *liquidity facility* in order to calculate the risk-weighted exposure amount for the ABCP, provided that the *liquidity facility* covers 100% of the ABCP issued by the *ABCP programme* and the *liquidity facility* ranks pari passu with the ABCP in a manner that they form an overlapping position. The institution shall notify the *PRA* where it has applied the provisions laid down in this paragraph. For the purposes of determining the 100% coverage set out in this paragraph, the institution may take into account other liquidity facilities in the *ABCP programme*, provided that they form an overlapping position with the ABCP.

[Note: This rule corresponds to Article 248 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 249 RECOGNITION OF CREDIT RISK MITIGATION FOR SECURITISATION POSITIONS

1. An institution may recognise funded or unfunded credit protection with respect to a *securitisation position* (including any credit protection that applies to a *tranche* of a *qualifying securitisation*) where the requirements for credit risk mitigation laid down in this Part are met.

2. Eligible credit protection shall be limited to the following:

(a) in the case of eligible funded credit protection, financial collateral which is eligible for the calculation of risk-weighted exposure amounts under the applicable method in the Credit Risk Mitigation (CRR) Part;

(b) in the case of eligible unfunded credit protection and eligible unfunded credit protection providers, unfunded credit protection and unfunded credit protection providers which are eligible, respectively, in accordance with the applicable method in the Credit Risk Mitigation (CRR) Part.

3. In addition to the requirements in point (b) of paragraph 2, the eligible providers of unfunded credit protection listed in points (a) to (h) of Article 201(1) of the Credit Risk Mitigation (CRR) Part (including where they provide a counter-guarantee or a guarantee of a counter-guarantee in accordance with Article 214 of the Credit Risk Mitigation (CRR) Part) shall have been assigned a credit assessment by an ECAI that has been nominated in accordance with Article 138 of the Credit Risk: Standardised Approach (CRR) Part which is credit quality step 2 or above as mapped in Article 136A of the Credit Risk: Standardised Approach (CRR) Part at the time the credit protection was first recognised and credit quality step 3 or above as mapped in Article 136A of the Credit Risk: Standardised Approach (CRR) Part thereafter. The requirement set out in this subparagraph shall not apply to:

   (a) qualifying central counterparties;

   (b) the *UK* government;

   (c) the *Bank of England*;

   (d) an entity listed in Credit Risk: Standardised Approach (CRR) Part Article 114(3), 115(2), 117(2) or 118(1).

   Institutions applying the *Parameter Substitution Method* to a direct exposure to the protection provider may assess eligibility in accordance with the first subparagraph based on the equivalence of the *PD* for the protection provider to the *PD* associated with the credit quality steps referred to in Commission Implementing Regulation (EU) 2016/1799 as it applied immediately before revocation by the *Treasury*.

3AA. For the purposes of paragraph 3, where a credit assessment by an ECAI that has been nominated in accordance with Article 138 of the Credit Risk: Standardised Approach (CRR) Part is not available for an exposure to an eligible provider of unfunded credit protection listed in points (a), (b) or (e) of Article 201(1) of the Credit Risk Mitigation (CRR) Part, an institution may assign to such an exposure the credit assessment for the central government of the jurisdiction of the protection provider, where a credit assessment by an ECAI that has been nominated in accordance with Article 138 of the Credit Risk: Standardised Approach (CRR) Part is available for that central government.

3A. Where an institution takes into account eligible credit protection for a *securitisation position*, other than as provided for in point (c) of Article 248(1), the effect of the credit protection shall be determined as follows:

   (a) where an institution takes into account eligible unfunded credit protection not covered by eligible funded credit protection for a *securitisation position*, then the effect of the credit protection shall be determined in accordance with Appendix 1 Part Two and paragraphs 3B to 3C;

   (b) where an institution takes into account eligible funded credit protection for a *securitisation position*, other than where the funded credit protection covers unfunded credit protection, then the effect of the credit protection shall be determined in accordance with the decision tree in Appendix 1 Part Three and paragraphs 3E to 3G;

   (c) where an institution takes into account credit protection that consists of unfunded credit protection covered by eligible funded credit protection for a *securitisation position*, then when determining how the protection is taken into account the institution shall apply the decision tree in Appendix 1 Part One.

3B. Where the *Risk-Weight Substitution Method* is used to determine the effect of the credit risk protection, the following modifications shall apply to the application of Article 235 of the Credit Risk Mitigation (CRR) Part:

(a) the exposure value (E) shall be determined in accordance with Article 248 except that the *conversion factor* for cash advance facilities shall be 100%;

(b) the risk-weight of the exposure (r_n) shall be the risk-weight of the *tranche* as if there were no unfunded credit protection, determined in accordance with this Part;

(c) maturity mismatch shall be accounted for in accordance with paragraph 3H; and

(d) Article 235(1A) of the Credit Risk Mitigation (CRR) Part shall not apply.

3C. Where the *Parameter Substitution Method* is used to determine the effect of the credit risk protection, the following modifications shall apply to the application of Article 236 of the Credit Risk Mitigation (CRR) Part:

(a) the exposure value (E) shall be determined in accordance with Article 248 except that the conversion factor for cash advance facilities shall be 100%;

(b) the risk-weight of the exposure (r_n) shall be the risk-weight of the *tranche* as if there were no unfunded credit protection, determined in accordance with this Part;

(c) the *LGD* of the exposure shall be 100% calculated as if there was no credit protection (LGD), except as provided for in Article 260A;

(d) the maturity of the exposure (M) shall be the maturity of the *tranche* determined in accordance with Article 257;

(e) maturity mismatch shall be accounted for in accordance with paragraph 3H;

(f) Article 236(1A) of the Credit Risk Mitigation (CRR) Part shall not apply; and

(g) the risk weight for the covered part (r_g) shall be increased by $12.5 * PD * LGD$, where PD and LGD are as defined for the purposes of calculating (r_g) in point (a) of Article 236(1) of the Credit Risk Mitigation (CRR) Part.

3D. Where, in accordance with point (c) of paragraph 3A, the institution takes into account funded credit protection:

(a) the maturity and currency mismatch adjustments for the funded credit protection shall be determined by comparing the funded credit protection to the unfunded credit protection;

(b) the value of any recognised funded credit protection (after applying any applicable haircuts) shall be capped at the value of the unfunded credit protection as determined under Article 233 of the Credit Risk Mitigation (CRR) Part, further adjusted for any maturity mismatch in accordance with paragraph 3H; and

(c) where the institution has not taken into account the unfunded credit protection, the decision tree in Appendix 1 Part Three and paragraphs 3E to 3G shall apply.

3E. Where, for the purpose of point (b) of paragraph 3A or point (c) of paragraph 3D, the *Financial Collateral Simple Method* is used to determine the effect of the credit risk protection, the following modifications shall apply to the application of Article 222 of the Credit Risk Mitigation (CRR) Part:

(a) the exposure value (E) shall be determined in accordance with Article 248 except that the *conversion factor* for cash advance facilities shall be 100%;

(b) the maturity mismatch shall be accounted for in accordance with paragraph 3H and if there is any maturity mismatch then the funded credit protection shall not be recognised; and

(c) in Article 222(3) of the Credit Risk Mitigation (CRR) Part, the institution shall instead apply to the remainder of the exposure value the risk-weight of the *tranche* as if there were no funded credit protection.

3F. Where, for the purpose of point (b) of paragraph 3A or point (c) of paragraph 3D, the *Financial Collateral Comprehensive Method* is used to determine the effect of the credit risk protection, the following modifications shall apply to the application of Article 223 of the Credit Risk Mitigation (CRR) Part:

(a) the exposure value (E) shall be determined in accordance with Article 248 except that the *conversion factor* for cash advance facilities shall be 100%;

(b) maturity mismatch shall be accounted for in accordance with paragraph 3H; and

(c) when calculating the risk-weighted exposure amount, the institution shall multiply the adjusted value of the exposure (E^*) by the risk-weight of the *tranche* as if there were no funded credit protection, determined in accordance with this Part.

3G. An institution that chooses to use the *Financial Collateral Simple Method* in respect of exposures for which it calculates risk-weighted exposure amounts using *SEC-SA* or *SEC-ERBA* shall not use the *Financial Collateral Comprehensive Method* in respect of any such exposures, or any exposures for which it calculates risk-weighted exposure amounts using the *Standardised Approach.*

3H. The effect of maturity mismatch shall be determined as follows:

(a) for the purpose of point (b) of paragraph 3D, Articles 237 to 239 of the Credit Risk Mitigation (CRR) Part shall apply;

(b) otherwise, where Article 251 is applicable, then Article 252 shall determine the effect of maturity mismatch;

(c) otherwise, Articles 237 to 239 of the Credit Risk Mitigation (CRR) Part shall apply and for this purpose the maturity of the exposure shall be the longest maturity of any of the underlying exposures of the *securitisation position*, subject to a maximum of five years.

4. [Note: Provision left blank]

5. [Note: Provision left blank]

6. Where a *securitisation position* benefits from full credit protection or a partial credit protection on a pro-rata basis, the following requirements shall apply:

(a) an institution providing credit protection shall calculate risk-weighted exposure amounts for the portion of the *securitisation position* benefiting from credit protection in accordance with Articles 258 to 266 as if it held that portion of the position directly;

(b) an institution buying credit protection shall calculate risk-weighted exposure amounts in accordance with this Article for the protected portion.

7. In all cases not covered by paragraph 6 where a *securitisation position* benefits from credit protection, the following requirements shall apply:

(a) an institution providing credit protection shall treat the portion of the position benefiting from credit protection as a *securitisation position* and shall calculate risk-weighted exposure amounts as if it held that position directly in accordance with Articles 258 to 266, subject to paragraphs 8, 9 and 10;

(b) an institution buying credit protection shall calculate risk-weighted exposure amounts for the protected portion of the position referred to in point (a) in accordance with this Article. The institution shall treat the portion of the *securitisation position* not benefiting from credit protection as a separate *securitisation position* and shall calculate risk-weighted exposure amounts in accordance with Articles 258 to 266, subject to paragraphs 8, 9 and 10.

8. Institutions using the *SEC-IRBA* or the *SEC-SA* under Articles 258 to 266 shall determine the attachment point (A) and detachment point (D) separately for each of the positions derived in

accordance with paragraph 7 as if these had been issued as separate *securitisation positions* at the time of origination of the transaction. The value of K_{IRB} or K_{SA}, respectively, shall be calculated taking into account the original pool of exposures underlying the *securitisation*.

9. Institutions using the *SEC-ERBA* under Articles 258 to 266 for the original *securitisation position* shall calculate risk-weighted exposure amounts for the positions derived in accordance with paragraph 7 as follows:

   (a) where the derived position has the higher seniority, it shall be assigned the risk weight of the original *securitisation position*;

   (b) where the derived position has the lower seniority, it may be assigned an inferred rating in accordance with Article 263(7). In that case, thickness input T shall only be computed on the basis of the derived position. Where a rating may not be inferred, the institution shall apply the higher of the risk weights resulting from either:

      (i) applying the *SEC-SA* in accordance with paragraph 8 and Articles 258 to 266; or

      (ii) the risk weight of the original *securitisation position* under the *SEC-ERBA*.

10. The derived position with the lower seniority shall be treated as a non-senior *securitisation position* even if the original *securitisation position* prior to protection qualifies as senior.

[Note: Paragraphs (1) to (3) and (6) to (10) of this rule correspond to Article 249(1) to (3) and (6) to (10) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 250 IMPLICIT SUPPORT

1. A *sponsor* institution, or an *originator* institution which in respect of a *securitisation* has made use of Article 247(1) and (2) in the calculation of risk-weighted exposure amounts or has sold instruments from its trading book to the effect that it is no longer required to hold own funds for the risks of those instruments shall not provide support, directly or indirectly, to the *securitisation* beyond its contractual obligations with a view to reducing potential or actual losses to *investors*.

2. A transaction shall not be considered as support for the purposes of paragraph 1 where the transaction has been duly taken into account in the assessment of significant credit risk transfer and both parties have executed the transaction acting in their own interest as free and independent parties (arm's length). For these purposes, the institution shall undertake a full credit review of the transaction and, at a minimum, take into account all of the following items:

   (a) the repurchase price;

   (b) the institution's capital and liquidity position before and after repurchase;

   (c) the performance of the underlying exposures;

   (d) the performance of the *securitisation positions*;

   (e) the impact of support on the losses expected to be incurred by the *originator* relative to *investors*.

3. The *originator* institution and the *sponsor* institution shall notify the *PRA* of any transaction entered into in relation to the *securitisation* in accordance with paragraph 2.

4. [Note: provision left blank]

5. If an *originator* institution or a *sponsor* institution fails to comply with paragraph 1 in respect of a *securitisation*, the institution shall include all of the underlying exposures of that *securitisation* in its calculation of risk-weighted exposure amounts as if they had not been securitised and disclose:

(a) that it has provided support to the *securitisation* in breach of paragraph 1; and

(b) the impact of the support provided in terms of own funds requirements.

[Note: This rule corresponds to Article 250 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

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*. 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.

2. The requirements set out in paragraph 1 of this Article shall apply to the entire pool of exposures backing the *securitisation*. Subject to Article 252, the *originator* institution shall calculate risk-weighted exposure amounts with respect to all *tranches* in the *securitisation* in accordance with Articles 247 to 270A, including the positions in relation to which the institution is able to recognise credit risk mitigation in accordance with Article 249. The risk weight to be applied to positions which benefit from credit risk mitigation may be amended in accordance with the Credit Risk Mitigation (CRR) Part.

[Note: This rule corresponds to Article 251 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 252 TREATMENT OF MATURITY MISMATCHES IN SYNTHETIC SECURITISATIONS

1. For the purposes of calculating risk-weighted exposure amounts in accordance with Article 251, any maturity mismatch between the credit protection by which the transfer of risk is achieved and the underlying exposures shall be calculated as follows:

(a) the maturity of the underlying exposures shall be taken to be the longest maturity of any of those exposures subject to a maximum of five years. The maturity of the credit protection shall be determined in accordance with the Credit Risk Mitigation (CRR) Part;

(b) an *originator* institution shall ignore any maturity mismatch in calculating risk-weighted exposure amounts for *securitisation positions* subject to a risk weight of 1250% in accordance with Articles 247 to 270A. For all other positions, the maturity mismatch treatment set out in the Credit Risk Mitigation (CRR) Part shall be applied in accordance with the following formula:

$$\mathrm{RW}^{*} = \mathrm{RW}_{\mathrm{SP}*}\left[\frac{\mathrm{t} - \mathrm{t}^{*}}{\mathrm{T} - \mathrm{t}^{*}}\right] + \mathrm{RW}_{\mathrm{Ass}} * \left[\frac{\mathrm{T} - \mathrm{t}}{\mathrm{T} - \mathrm{t}^{*}}\right]$$

where:

$\mathrm{RW}^{*} =$	risk-weighted exposure amounts for the purposes of Article 92(3) of the Required Level of Own Funds (CRR) Part;
$\mathrm{RW}_{\mathrm{Ass}} =$	risk-weighted exposure amounts for the underlying exposures as if they had not been securitised, calculated on a pro-rata basis;

RW_{SP} =	risk-weighted exposure amounts calculated under Article 251 as if there was no maturity mismatch;
T =	maturity of the underlying exposures, expressed in years;
t =	maturity of credit protection, expressed in years;
t^* =	0.25

[Note: This rule corresponds to Article 252 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 253 REDUCTION IN RISK-WEIGHTED EXPOSURE AMOUNTS

1. Where a *securitisation position* is assigned a 1250% risk weight under Articles 247 to 270A, an institution may deduct the exposure value of such position from Common Equity Tier 1 capital in accordance with Article 36(1)(k) of the Own Funds (CRR) Part as an alternative to including the position in their calculation of risk-weighted exposure amounts. For that purpose, the calculation of the exposure value may reflect eligible funded credit protection in accordance with Article 249.

2. Where an institution makes use of the alternative set out in paragraph 1, it may subtract the amount deducted in accordance with Article 36(1)(k) of the Own Funds (CRR) Part from the amount specified in Article 268 as maximum capital requirement that would be calculated in respect of the underlying exposures as if they had not been securitised.

[Note: This rule corresponds to Article 253 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

SUB-SECTION 2 HIERARCHY OF METHODS AND COMMON PARAMETERS

Article 254 HIERARCHY OF METHODS

1. Institutions shall use one of the methods set out in Articles 258 to 266 to calculate risk-weighted exposure amounts in accordance with the following hierarchy:

   (a) where the conditions set out in Article 258 are met, an institution shall use the *SEC-IRBA* in accordance with Articles 259 and 260;

   (b) where the *SEC-IRBA* may not be used, an institution shall use the *SEC-SA* in accordance with Articles 261 and 262;

   (c) where the *SEC-SA* may not be used, an institution shall use the *SEC-ERBA* in accordance with Articles 263 and 264 for *rated positions* or positions in respect of which an inferred rating may be used.

2. For *rated positions* or positions in respect of which an inferred rating may be used, an institution shall use the *SEC-ERBA* instead of the *SEC-SA* in each of the following cases:

   (a) where the application of the *SEC-SA* would result in a risk weight higher than 25% for positions qualifying as positions in an *STS securitisation*;

   (b) where the application of the *SEC-SA* would result in a risk weight higher than 25% or the application of the *SEC-ERBA* would result in a risk weight higher than 75% for positions not qualifying as positions in an *STS securitisation*;

(c) for *securitisation* transactions backed by pools of auto loans, auto leases and equipment leases.

3. An institution shall notify the *PRA* of a relevant decision no less than one *month* prior to it coming into effect.

'A relevant decision' is a decision to apply the *SEC-ERBA* instead of the *SEC-SA* to all its rated *securitisation positions* or positions in respect of which an inferred rating may be used.

Any subsequent decision to further change the approach applied to all of its rated *securitisation positions* shall be notified by the institution to the *PRA* no less than one *month* prior to that decision coming into effect.

A decision to use a different approach may only be made once in each 12-*month* period.

4. By way of derogation from paragraph 1, an institution shall not apply the *SEC-SA* where the *PRA* has imposed a requirement under section 55M of *FSMA* or issued a direction under section 192C of *FSMA* to prohibit an institution from doing so.

5. Without prejudice to paragraph 1 of this Article, an institution may apply the Internal Assessment Approach to calculate risk-weighted exposure amounts in relation to an *unrated position* in an *ABCP programme* or *ABCP transaction* in accordance with Article 266, provided that the conditions set out in Article 265 are met. Unless an institution has received the prior *138BA permission* of the *PRA* to apply the Internal Assessment Approach in accordance with Article 265(1), and a specific position in an *ABCP programme* or *ABCP transaction* falls within the scope of application covered by such *138BA permission*, the institution shall not apply that approach to calculate the risk-weighted exposure amount of that position.

6. For a position in a *resecuritisation*, institutions shall apply the *SEC-SA* in accordance with Article 261, with the modifications set out in Article 269.

7. In all other cases, a risk weight of 1250% shall be assigned to *securitisation positions*.

[Note: This rule corresponds to Article 254 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

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

1. Where an institution applies the *SEC-IRBA* under Articles 258 to 266, the institution shall calculate K_{IRB} in accordance with paragraphs 2 to 5.

2. Institutions shall determine K_{IRB} by multiplying the risk-weighted exposure amounts that would be calculated under the Credit Risk: Internal Ratings Based Approach (CRR) Part in respect of the underlying exposures as if they had not been securitised by 8% divided by the exposure value of the underlying exposures. K_{IRB} shall be expressed in decimal form between zero and one.

3. For K_{IRB} calculation purposes, the risk-weighted exposure amounts that would be calculated under the Credit Risk: Internal Ratings Based Approach (CRR) Part in respect of the underlying exposures shall include:

(a) the amount of expected losses associated with all the underlying exposures of the *securitisation* including defaulted underlying exposures that are still part of the pool in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part; and

(b) the amount of unexpected losses associated with all the underlying exposures including defaulted underlying exposures in the pool in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part.

4. Institutions may calculate K_{IRB} in relation to the underlying exposures of the *securitisation* in accordance with the provisions set out in the Credit Risk: Internal Ratings Based Approach

(CRR) Part for the calculation of capital requirements for purchased receivables. For these purposes, retail exposures as defined in the Credit Risk: Internal Ratings Based Approach (CRR) Part shall be treated as purchased retail receivables and non-retail exposures as purchased corporate receivables.

5. Institutions shall calculate K_{IRB} separately for dilution risk in relation to the underlying exposures of a *securitisation* where dilution risk is material to such exposures.

Where losses from dilution and credit risks are treated in an aggregate manner in the *securitisation*, institutions shall combine the respective K_{IRB} for dilution and credit risk into a single K_{IRB} for the purposes of Articles 258 to 266. The presence of a single reserve fund or *overcollateralisation* available to cover losses from either credit or dilution risk may be regarded as an indication that these risks are treated in an aggregate manner.

Where dilution and credit risk are not treated in an aggregate manner in the *securitisation*, institutions shall modify the treatment set out in the second subparagraph to combine the respective K_{IRB} for dilution and credit risk in a prudent manner.

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* 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.

7. For the purposes of paragraphs 1 to 6, where a *securitisation* structure involves the use of an *SSPE*, all the *SSPE's* exposures related to the *securitisation* shall be treated as underlying exposures. Without prejudice to the preceding, the institution may exclude the *SSPE's* exposures from the pool of underlying exposures for K_{IRB} or K_{SA} calculation purposes if the risk from the *SSPE's* exposures is immaterial or if it does not affect the institution's *securitisation position*.

In the case of funded *synthetic securitisations*, any material proceeds from the issuance of credit-linked notes or other funded obligations of the *SSPE* that serve as collateral for the repayment of the *securitisation positions* shall be included in the calculation of K_{IRB} or K_{SA} if the credit risk of the collateral is subject to the tranched loss allocation.

8. [Note: Provision deleted]

9. [Note: Provision left blank]

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* with one of the following risk weights:

(a) 100%, where the underlying exposure is neither a defaulted exposure as defined in the Credit Risk: Standardised Approach (CRR) Part nor a real estate exposure as defined in the Credit Risk: Standardised Approach (CRR) Part, and is:

(i) a retail exposure as defined in the Credit Risk: Standardised Approach (CRR) Part;

(ii) an exposure to a corporate for which a credit assessment by an ECAI nominated in accordance with Article 138 of the Credit Risk: Standardised Approach (CRR) Part is not available, where that exposure is not a *project finance exposure* or an exposure to an *SME*, and provided that the institution replaces the risk weight for all such underlying exposures in the same manner; or

(iii) an exposure to an *SME* for which a credit assessment by an ECAI nominated in accordance with Article 138 of the Credit Risk: Standardised Approach (CRR) Part is not available, where that exposure is not a *project finance exposure*; or

(b) 100%, where the underlying exposure is a *residential real estate exposure* which is not materially dependent on the cashflows generated by the property as determined by Article 124E of the Credit Risk: Standardised Approach (CRR) Part;

(c) 150%, where the underlying exposure is not any of the following:

(i) a *securitisation position*;

(ii) an exposure that is a subordinated debt instrument;

(iii) an own funds instrument or an equity instrument, or

(iv) an exposure in the form of units or shares in a CIU; or

(d) 1250%.

[Note: Paragraphs 1 to 7 of this rule correspond to Article 255(1) to (7) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 256 DETERMINATION OF ATTACHMENT POINT (A) AND DETACHMENT POINT (D)

1. For the purposes of Articles 258 to 266, institutions shall set the attachment point (A) at the threshold at which losses within the pool of underlying exposures would start to be allocated to the relevant *securitisation position*.

   The attachment point (A) shall be expressed as a decimal value between zero and one and shall be equal to the greater of zero and the ratio of the outstanding balance of the pool of underlying exposures in the *securitisation* minus the outstanding balance of all *tranches* that rank senior or pari passu to the *tranche* containing the relevant *securitisation position* including the exposure itself to the outstanding balance of all the underlying exposures in the *securitisation*.

2. For the purposes of Articles 258 to 266, institutions shall set the detachment point (D) at the threshold at which losses within the pool of underlying exposures would result in a complete loss of principal for the *tranche* containing the relevant *securitisation position*.

   The detachment point (D) shall be expressed as a decimal value between zero and one and shall be equal to the greater of zero and the ratio of the outstanding balance of the pool of underlying exposures in the *securitisation* minus the outstanding balance of all *tranches* that rank senior to the *tranche* containing the relevant *securitisation position* to the outstanding balance of all the underlying exposures in the *securitisation*.

3. For the purposes of paragraphs 1 and 2, institutions shall treat *overcollateralisation* and funded reserve accounts as *tranches* and the assets comprising such reserve accounts as underlying exposures.

4. For the purposes of paragraphs 1 and 2, institutions shall disregard unfunded reserve accounts and assets that do not provide credit enhancement, such as those that only provide liquidity support, currency or interest rate swaps and cash collateral accounts related to those positions in the *securitisation*. For funded reserve accounts and assets providing credit enhancement, the institution shall only treat as *securitisation positions* the parts of those accounts or assets that are loss-absorbing.

5. Where two or more positions of the same transaction have different maturities but share pro-rata loss allocation, the calculation of the attachment points (A) and the detachment points (D) shall be based on the aggregated outstanding balance of those positions and the resulting attachment points (A) and detachment points (D) shall be the same.

[Note: This rule corresponds to Article 256 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 257 DETERMINATION OF TRANCHE MATURITY (M_T)

1. For the purposes of Articles 258 to 266 and subject to paragraph 2, institutions may measure the maturity of a *tranche* (M_T) as either:

   (a) the weighted average maturity of the contractual payments due under the *tranche* in accordance with the following: $(\sum_t t * CF_t)/\sum_t CF_t$, where CF_t denotes all contractual payments (principal, interests and fees) payable by the borrower during period t; or

   (b) the final legal maturity of the *tranche* in accordance with the following formula: $M_T = 1 + (M_L - 1) * 80\%$, where M_L is the final legal maturity of the *tranche*.

2. For the purposes of paragraph 1, the determination of a *tranche* maturity (M_T) shall be subject in all cases to a floor of one year and a cap of five years.

3. Where an institution may become exposed to potential losses from the underlying exposures by virtue of contract, the institution shall determine the maturity of the *securitisation position* by taking into account the maturity of the contract plus the longest maturity of such underlying exposures. For *revolving exposures*, the longest contractually possible remaining maturity of the exposure that might be added during the revolving period shall apply.

[Note: This rule corresponds to Article 257 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

SUB-SECTION 3 METHODS TO CALCULATE RISK-WEIGHTED EXPOSURE AMOUNTS

Article 258 CONDITIONS FOR THE USE OF THE SEC-IRBA

1. Institutions shall use the *SEC-IRBA* to calculate risk-weighted exposure amounts in relation to a *securitisation position* where the following conditions are met:

   (a) the position is backed by an *IRB pool* or a *mixed pool*, provided that, in the latter case, the institution is able to calculate K_{IRB} in accordance with Articles 247 to 270A on a minimum of 95% of the underlying exposure amount;

   (b) there is sufficient information available in relation to the underlying exposures of the *securitisation* for the institution to be able to calculate K_{IRB}; and

   (c) paragraph 2 does not apply.

2. An institution shall not use *SEC-IRBA* where the *PRA* has imposed a requirement under section 55M of *FSMA* or issued a direction under section 192C of *FSMA* to preclude the institution from doing so.

[Note: This rule corresponds to Article 258 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 259 CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS UNDER THE SEC-IRBA

1. Under the *SEC-IRBA*, the risk-weighted exposure amount for a *securitisation position* shall be calculated by multiplying the exposure value of the position calculated in accordance with Article 248 by the applicable risk weight determined as follows, in all cases subject to a floor of 15%:

$RW = 1250\%$	when $D \leq K_{POOL}$
$RW = 12.5 * K_{SSFA(K_{POOL})}$	when $D > A \geq K_{POOL}$
$RW = \left[12.5 * \left(\frac{K_{POOL} - A}{D - A}\right)\right] + \left[12.5 * K_{SSFA(K_{POOL})} * \left(\frac{D - K_{POOL}}{D - A}\right)\right]$	when $A < K_{POOL} < D$
$RW = 12.5 * e^{au}$	when $K_{POOL} < A = D$

where:

K_{IRB}	is the capital charge of the pool of underlying exposures as defined in Article 255
K_{POOL}	is a parameter calculated in accordance with paragraph 7
D	is the detachment point as determined in accordance with Article 256
A	is the attachment point as determined in accordance with Article 256

$$K_{SSFA(K_{POOL})} = \frac{e^{au} - e^{al}}{a(u - l)}$$

where:

$a =$	$-\left(\frac{1}{p * K_{POOL}}\right)$
$u =$	$D - K_{POOL}$
$l =$	$\max(A - K_{POOL}, 0)$

where:

$$p = \max\left[0.3, \left(A + B * \left(\frac{1}{N}\right) + C * K_{IRB} + D * LGD + E * M_T\right)\right]$$

where:

N	is the effective number of exposures in the pool of underlying exposures,

	calculated in accordance with paragraphs 4 or 6, and subject to paragraphs 2 and 3;
LGD	is the exposure-weighted average *LGD* of the pool of underlying exposures, calculated in accordance with paragraphs 5 and 6, and subject to paragraphs 2 and 3;
M_T	is the maturity of the *tranche* as determined in accordance with Article 257 and subject to paragraphs 2 and 3

The parameters A, B, C, D, and E shall be determined according to the following look-up table:

		A	**B**	**C**	**D**	**E**
Non-retail	Senior, granular ($N \geq 25$)	0	3.56	-1.85	0.55	0.07
	Senior, non-granular ($N < 25$)	0.11	2.61	-2.91	0.68	0.07
	Non-senior, granular ($N \geq 25$)	0.16	2.87	-1.03	0.21	0.07
	Non-senior, non-granular ($N < 25$)	0.22	2.35	-2.46	0.48	0.07
Retail	Senior	0	0	-7.48	0.71	0.24
	Non-senior	0	0	-5.78	0.55	0.27

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2. If the underlying pool includes both retail and non-retail exposures subject to the *IRB Approach*, the pool shall be divided into one retail and one non-retail subpool and, for each subpool, a separate p-parameter (and the corresponding input parameters N, M_T, K_{IRB} and LGD) shall be estimated. Subsequently, a weighted average p-parameter for the transaction shall be calculated on the basis of the p-parameters of each subpool and the nominal size of the exposures in each subpool and this weighted average p-parameter shall be used as the value of p in paragraph 1.

3. Where an institution applies the *SEC-IRBA* to a *mixed pool*, the values of N, LGD, and M_T shall be based on the underlying exposures subject to the *IRB Approach* only. The underlying exposures subject to the *Standardised Approach* shall be ignored for these purposes.

4. The effective number of exposures (N) shall be calculated as follows:

$$N = \frac{(\sum_i EAD_i)^2}{\sum_i EAD_i^2}$$

where EAD_i represents the exposure value associated with the i^{th} exposure in the pool.

Multiple exposures to the same obligor shall be consolidated and treated as a single exposure.

5. The exposure-weighted average *LGD* shall be calculated as follows:

$$\mathrm{LGD} = \frac{\sum_i \mathrm{LGD}_i * \mathrm{EAD}_i}{\sum_i \mathrm{EAD}_i}$$

where LGD_{i_I} represents the average *LGD* associated with all exposures to the i[th] obligor.

Where credit and dilution risks for purchased receivables are managed in an aggregate manner in a *securitisation*, the *LGD* input shall be construed as a weighted average of the *LGD* for credit risk and 100% *LGD* for dilution risk. The weights shall be the stand-alone *IRB Approach* capital requirements for credit risk and dilution risk, respectively. For these purposes, the presence of a single reserve fund or *overcollateralisation* available to cover losses from either credit or dilution risk may be regarded as an indication that these risks are managed in an aggregate manner.

6. Where the share of the largest underlying exposure in the pool (C_1) is no more than 3%, institutions may use the following simplified method to calculate N and the exposure-weighted average *LGD*:

$$N = \left(C_1 * C_m + \frac{(C_m - C_1)}{(m - 1)} * \max\{1 - m * C_1, 0\} \right)^{-1}$$

exposure-weighted average *LGD* = 0.50

where:

C_m	denotes the share of the pool corresponding to the sum of the largest m exposures; and
m	is set by the institution for each *securitisation position* to which the method in this paragraph is applied.

If only C_1 is available and this amount is no more than 0.03, then the institution may set exposure-weighted average *LGD* as 0.50 and N as $\frac{1}{C_1}$.

7. The value of K_{POOL} is determined in accordance with the following subparagraphs:

Where the position is backed by a *mixed pool* and the institution is able to calculate K_{IRB} on at least 95% of the underlying exposure amounts in accordance with point (a) of Article 258(1), the institution shall calculate K_{POOL} as:

$$K_{POOL} = d * K_{IRB} + (1 - d) * K_A$$

where *d* is the share of the exposure amount of underlying exposures for which the institution can calculate K_{IRB} over the exposure amount of all underlying exposures and K_A is calculated in accordance with Article 261(2).

Where the position is backed by an *IRB pool*, $K_{POOL} = K_{IRB}$.

8. Where an institution has a *securitisation position* in the form of a derivative to hedge market risks, including interest rate or currency risks, the institution may attribute to that derivative an inferred risk weight equivalent to the risk weight of the reference position calculated in accordance with this Article.

For the purposes of the first subparagraph, the reference position shall be the position that is pari passu in all respects to the derivative or, in the absence of such pari passu position, the position that is immediately subordinate to the derivative.

[Note: This rule corresponds to Article 259 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 260 TREATMENT OF STS SECURITISATIONS UNDER THE SEC-IRBA

Under the *SEC-IRBA*, the risk weight for a position in an *STS securitisation* shall be calculated in accordance with Article 259, subject to the following modifications:

risk-weight floor for *senior securitisation positions* = 10%

$$p = \max\left[0.3, 0.5 * \left(A + B * \left(\frac{1}{N}\right) + C * K_{IRB} + D * LGD + E * M_T\right)\right]$$

[Note: This rule corresponds to Article 260 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 260A TREATMENT OF QUALIFYING SECURITISATIONS UNDER THE SEC-IRBA

1. By way of derogation from Article 259, this Article applies when calculating the risk-weighted exposure amount for a position in a *qualifying securitisation* using point (c) of Article 245(1).

2. Under the *SEC-IRBA*, the risk-weighted exposure amount for a position in a *qualifying securitisation* using point (c) of Article 245(1) shall be calculated by multiplying the exposure value of the position as calculated in accordance with Article 248 by a risk weight equal to the sum of:

   (a) the risk weight that would be calculated under Article 154 of the Credit Risk: Internal Ratings Based Approach (CRR) Part in respect of the underlying exposure as if it had not been securitised; and

   (b) the expected loss calculated under Article 158 of the Credit Risk: Internal Ratings Based Approach (CRR) Part in respect of the underlying exposure as if it had not been securitised multiplied by 12.5.

3. For the purpose of point (c) of Article 249(3C), where relevant, the institution may choose to use the *LGD* which would be calculated under the Credit Risk: Internal Ratings Based Approach (CRR) Part in respect of the underlying exposure as if it had not been securitised.

Article 261 CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS UNDER THE SEC-SA

1. Under the *SEC-SA*, the risk-weighted exposure amount for a position in a *securitisation* shall be calculated by multiplying the exposure value of the position as calculated in accordance with Article 248 by the applicable risk weight determined as follows, in all cases subject to a floor of 15%:

$RW = 1250\%$	when $D \leq K_A$
$RW = 12.5 * K_{SSFA(K_A)}$	when $D > A \geq K_A$
$RW = \left[12.5 * \left(\frac{K_A - A}{D - A}\right)\right] + \left[12.5 * K_{SSFA(K_A)} * \left(\frac{D - K_A}{D - A}\right)\right]$	when $A < K_A < D$
$RW = 12.5 * e^{au}$	when $K_A < A = D$

where:

D	is the detachment point as determined in accordance with Article 256;
A	is the attachment point as determined in accordance with Article 256;
K_A	is a parameter calculated in accordance with paragraph 2;

$$K_{SSFA(K_A)} = \frac{e^{au} - e^{al}}{a(u - l)}$$

where:

$a =$	$-\left(\frac{1}{p * K_A}\right)$
$u =$	$D - K_A$
$l =$	$\max(A - K_A, 0)$

For the value of p, an institution may for each *securitisation* either apply a value of 1 or calculate p in accordance with the following formula:

$$p = \min\left[1, \max\left[0.5, \left(A + B * \left(\frac{1}{N}\right) + C * K_A + D * LGD + E * M_T\right)\right]\right]$$ where:

N	is the effective number of exposures in the pool of underlying exposures, calculated in accordance with paragraphs (1)(c) and 1(d), and subject to paragraph 1A;
LGD	is the exposure-weighted average *LGD* of the pool of underlying exposures, calculated in accordance with the table below and subject to paragraph 1A;
M_T	is the maturity of the *tranche* as determined in accordance with Article 257 and subject to paragraph 1A.

The parameters A, B, C, D, and E shall be determined according to the following look-up table:

		A	**B**	**C**	**D**	**E**
Non-retail	Senior, granular (N ≥ 25)	0	3.56	-1.85	0.55	0.07
	Senior, non-granular (N < 25)	0.11	2.61	-2.91	0.68	0.07
	Non-senior, granular (N ≥ 25)	0.16	2.87	-1.03	0.21	0.07
	Non-senior, non-granular (N < 25)	0.22	2.35	-2.46	0.48	0.07
Retail	Senior	0	0	-7.48	0.71	0.24
	Non-senior	0	0	-5.78	0.55	0.27

The exposure-weighted average *LGD* shall be determined in accordance with the following:

(a) In accordance with the following table:

Exposure type	***LGD***
Regulatory residential real estate exposures with LTV at most 100%	20%
Other exposures secured on immovable property with LTV at most 100%	30%
Senior purchased corporate receivables	50%
Other senior exposures to non-financial corporates	40%
Other senior non-retail exposures	45%
Subordinated purchased corporate receivables	100%
Other subordinated non-retail exposures	75%
Other exposures	100%

(b) The exposure-weighted average *LGD* shall be calculated as follows:

$$\mathrm{LGD} = \frac{\sum_i \mathrm{LGD_i} * \mathrm{EAD_i}}{\sum_i \mathrm{EAD_i}}$$

where $\mathrm{LGD_i}$ represents the *LGD* associated with the ith exposure, as specified in the table in paragraph 1(a) above.

(c) The effective number of exposures (N) shall be calculated as follows:

$$\mathrm{N} = \frac{(\sum_i \mathrm{EAD_i})^2}{\sum_i \mathrm{EAD_i}^2}$$

where $\mathrm{EAD_i}$ represents the exposure value associated with the ith exposure in the pool.

Multiple exposures to the same obligor shall be consolidated and treated as a single exposure.

(d) Where the share of the largest underlying exposure in the pool ($\mathrm{C_1}$) is no more than 3%, institutions may use the following simplified method to calculate N and the exposure-weighted average *LGDs*:

$$\mathrm{N} = \left(\mathrm{C_1} * \mathrm{C_m} + \frac{(\mathrm{C_m} - \mathrm{C_1})}{(\mathrm{m} - 1)} * \max\{1 - \mathrm{m} * \mathrm{C_1}, 0\} \right)^{-1}$$

exposure-weighted average *LGD* = 0.50

where:

C_m	denotes the share of the pool corresponding to the sum of the largest m exposures; and
m	is set by the institution for each *securitisation position* to which the method in this paragraph is applied.

If only C_1 is available and this amount is no more than 0.03, then the institution may set exposure-weighted average *LGD* as 0.50 and N as $1/C_1$.

1A. Where an institution chooses to calculate the value of p in accordance with the formula set out in paragraph 1, if the underlying pool comprises both retail and non-retail exposures, the pool shall be divided into one retail and one non-retail subpool and, for each subpool, a separate p-parameter (and the corresponding input parameters N, M_T, K_A and LGD) shall be estimated. Subsequently, a weighted average p-parameter for the transaction shall be calculated on the basis of the p-parameters of each subpool and the nominal size of the exposures in each subpool and this weighted average p-parameter shall be used as the value of p where calculated in accordance with the formula in paragraph 1.

2. For the purposes of paragraph 1, K_A shall for each *securitisation* be calculated in accordance with the formula in either sub-paragraph (i) or (ii):

(i)

$$K_A = (1 - W) * K_{SAE} + W * 0.5$$

(ii)

$$K_A = (1 - W) * K_{SA} + W * 0.5$$

where:

K_{SAE} is the capital charge of the underlying pool as defined in Article 255, excluding any exposures in default;

K_{SA} is as defined in Article 255;

W = ratio of:

(a) the sum of the nominal amount of underlying exposures in default, to

(b) the sum of the nominal amount of all underlying exposures.

For the purposes of this paragraph, an exposure in default shall mean an underlying exposure which is either:

(i) 90 days or more past due;

(ii) subject to bankruptcy or insolvency proceedings;

(iii) subject to foreclosure or similar proceedings; or

(iv) in default in accordance with the *securitisation* documentation.

Where an institution does not know the delinquency status for 5% or less of underlying exposures in the pool, the institution may use the *SEC-SA* subject to the following adjustment in the calculation of K_A:

$$K_A = \frac{EAD_{\text{Subpool 1 where W known}} * K_{\text{Subpool 1 where W known}} + EAD_{\text{Subpool 2 where W unknown}}}{EAD_{\text{Total}}}$$

Where the institution does not know the delinquency status for more than 5% of underlying exposures in the pool, the position in the *securitisation* must be risk-weighted at 1250%.

3. Where an institution has a *securitisation position* in the form of a derivative to hedge market risks, including interest rate or currency risks, the institution may attribute to that derivative an inferred risk weight equivalent to the risk weight of the reference position calculated in accordance with this Article.

   For the purposes of this paragraph, the reference position shall be the position that is pari passu in all respects to the derivative or, in the absence of such pari passu position, the position that is immediately subordinate to the derivative.

[Note: Paragraphs (1), (2) and (3) of this rule correspond to Article 261 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 262 TREATMENT OF STS SECURITISATIONS UNDER THE SEC-SA

Under the *SEC-SA* the risk weight for a position in an *STS securitisation* shall be calculated in accordance with Article 261, subject to the following modifications:

risk-weight floor for *senior securitisation positions* = 10%

for the value of p, an institution may for each *STS securitisation* either apply a value of 0.5 or calculate p in accordance with the following formula:

$$p = \min\left[0.5, \max\left[0.3, 0.5 * \left(A + B * \left(\frac{1}{N}\right) + C * K_A + D * LGD + E * M_T\right)\right]\right]$$

[Note: This rule corresponds to Article 262 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 262A TREATMENT OF QUALIFYING SECURITISATIONS UNDER THE SEC-SA

1. By way of derogation from Article 261, this Article applies when calculating the risk-weighted exposure amount for a position in a *qualifying securitisation* using Article 245(1)(c).

2. Under the *SEC-SA*, the risk-weighted exposure amount for a position in a *qualifying securitisation* using Article 245(1)(c) shall be calculated by multiplying the exposure value of the position as calculated in accordance with Article 248 by the risk weight as determined as follows:

20%	When $A \geq X$
75%	When $D \leq X$
$20\% * \frac{D - X}{D - A} + 75\% * \frac{X - A}{D - A}$	When $D > X > A$

where:

A and D are determined in accordance with Article 256

X is $1 - \left(0.55 * \frac{\text{property value}}{\text{exposure value}}\right)$, where:

exposure value is calculated in accordance with Article 248

property value is calculated in accordance with Article 124D of the Credit Risk: Standardised Approach (CRR) Part

Article 263 CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS UNDER THE SEC-ERBA

1. Under the *SEC-ERBA*, the risk-weighted exposure amount for a *securitisation position* shall be calculated by multiplying the exposure value of the position as calculated in accordance with Article 248 by the applicable risk weight in accordance with this Article and Article 270F.

2. For exposures with short-term credit assessments or when a rating based on a short-term credit assessment may be inferred in accordance with paragraph 7, the following risk weights shall apply:

Table 1

Credit Quality Step	1	2	3	All other ratings
Risk weight	15%	50%	100%	1250%

3. For exposures with long-term credit assessments or when a rating based on a long-term credit assessment may be inferred in accordance with paragraph 7, the risk weights set out in Table 2 shall apply, adjusted as applicable for *tranche* maturity (M_T) in accordance with Article 257 and paragraph 4 and for *tranche* thickness for non-senior *tranches* in accordance with paragraph 5:

Table 2

Credit Quality Step	**Senior Tranche**		**Non-senior (thin) tranche**	
	Tranche maturity (M_T)		*Tranche* maturity (M_T)	
	1 year	5 years	1 year	5 years
1	15%	20%	15%	70%
2	15%	30%	15%	90%
3	25%	40%	30%	120%
4	30%	45%	40%	140%
5	40%	50%	60%	160%
6	50%	65%	80%	180%
7	60%	70%	120%	210%
8	75%	90%	170%	260%
9	90%	105%	220%	310%
10	120%	140%	330%	420%
11	140%	160%	470%	580%
12	160%	180%	620%	760%

13	200%	225%	750%	860%
14	250%	280%	900%	950%
15	310%	340%	1050%	1050%
16	380%	420%	1130%	1130%
17	460%	505%	1250%	1250%
All other	1250%	1250%	1250%	1250%

4. In order to determine the risk weight for *tranches* with a maturity between one and five years, institutions shall use linear interpolation between the risk weights applicable for one and five years maturity respectively in accordance with Table 2.

5. In order to account for *tranche* thickness, institutions shall calculate the risk weight for non-senior *tranches* as follows:

$$\text{RW} = [\text{RW after adjusting for maturity according to paragraph 4}] * [1 - \min(\text{T}, 50\%)]$$

where:

T = *tranche* thickness measured as D – A

where:

D	is the detachment point as determined in accordance with Article 256
A	is the attachment point as determined in accordance with Article 256

6. The risk weights for non-senior *tranches* resulting from paragraphs 3, 4 and 5 shall be subject to a floor of 15%. In addition, the resulting risk weights shall be no lower than the risk weight corresponding to a hypothetical senior *tranche* of the same *securitisation* with the same credit assessment and maturity.

7. For the purposes of using inferred ratings, institutions shall attribute to an *unrated position* an inferred rating equivalent to the credit assessment of a rated reference position which meets all of the following conditions:

   (a) the reference position ranks pari passu in all respects to the *unrated position* or, in the absence of a pari passu ranking position, the reference position is immediately subordinate to the *unrated position*;

   (b) the reference position does not benefit from any third-party guarantees or other credit enhancements that are not available to the *unrated position*;

   (c) the maturity of the reference position shall be equal to or longer than that of the *unrated position* in question;

   (d) on an ongoing basis, any inferred rating shall be updated to reflect any changes in the credit assessment of the reference position.

8. Where an institution has a *securitisation position* in the form of a derivative to hedge market risks, including interest rate or currency risks, the institution may attribute to that derivative an inferred risk weight equivalent to the risk weight of the reference position calculated in accordance with this Article.

For the purposes of the first subparagraph, the reference position shall be the position that is pari passu in all respects to the derivative or, in the absence of such pari passu position, the position that is immediately subordinate to the derivative.

[Note: This rule corresponds to Article 263 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 264 TREATMENT OF STS SECURITISATIONS UNDER THE SEC-ERBA

1. Under the *SEC-ERBA*, the risk weight for a position in an *STS securitisation* shall be calculated in accordance with Article 263 and Article 270F, subject to the modifications laid down in this Article.

2. For exposures with short-term credit assessments or when a rating based on a short-term credit assessment may be inferred in accordance with Article 263(7), the following risk weights shall apply:

Table 3

Credit Quality Step	1	2	3	All other ratings
Risk weight	10%	30%	60%	1250%

3. For exposures with long-term credit assessments or when a rating based on a long-term credit assessment may be inferred in accordance with Article 263(7), risk weights shall be determined in accordance with Table 4, adjusted for *tranche* maturity (M_T) in accordance with Article 257 and Article 263(4) and for *tranche* thickness for non-senior *tranches* in accordance with Article 263(5):

Table 4

Credit Quality Step	**Senior tranche**		**Non-senior (thin) tranche**	
	Tranche maturity (M_T)		*Tranche* maturity (M_T)	
	1 year	5 years	1 year	5 years
1	10%	10%	15%	40%
2	10%	15%	15%	55%
3	15%	20%	15%	70%
4	15%	25%	25%	80%
5	20%	30%	35%	95%
6	30%	40%	60%	135%
7	35%	45%	95%	170%
8	45%	55%	150%	225%
9	55%	65%	180%	255%
10	70%	85%	270%	345%

11	120%	135%	405%	500%
12	135%	155%	535%	655%
13	170%	195%	645%	740%
14	225%	250%	810%	855%
15	280%	305%	945%	945%
16	340%	380%	1015%	1015%
17	415%	455%	1250%	1250%
All other	1250%	1250%	1250%	1250%

[Note: This rule corresponds to Article 264 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 265 SCOPE AND OPERATIONAL REQUIREMENTS FOR THE INTERNAL ASSESSMENT APPROACH

1. Unless an institution has received the prior *138BA permission* of the *PRA*, the institution may not calculate the risk-weighted exposure amounts for *unrated positions* in *ABCP programmes* or *ABCP transactions* under the Internal Assessment Approach in accordance with Article 266.

   Where an institution has received the prior *138BA permission* of the *PRA* to apply the Internal Assessment Approach, and a specific position in an *ABCP programme* or *ABCP transaction* falls within the scope of application covered by such *138BA permission*, the institution shall apply that approach to calculate the risk-weighted exposure amount of that position.

2. [Note: Provision left blank]

3. [Note: Provision left blank]

4. Institutions which have received *138BA permission* to apply the Internal Assessment Approach shall not revert to the use of other methods for positions that fall within scope of application of the Internal Assessment Approach unless the institution has received the prior *138BA permission* of the *PRA* to do so.

[Note: Paragraphs (1) and (4) of this rule correspond to Article 265(1) and (4) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 266 CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS UNDER THE INTERNAL ASSESSMENT APPROACH

1. Under the Internal Assessment Approach, the institution shall assign the *unrated position* in the *ABCP programme* or *ABCP transaction* to one of the rating grades laid down in the institution's internal assessment methodology which shall include rating grades corresponding to the credit assessment of ECAIs, on the basis of its internal assessment. The position shall be attributed a derived rating which shall be the same as the credit assessments corresponding to that rating grade as laid down in the internal assessment methodology.

2. The rating derived in accordance with paragraph 1 shall be at least at the level of investment grade or better at the time it was first assigned and shall be regarded as an eligible credit assessment by an ECAI for the purposes of calculating risk-weighted exposure amounts in accordance with Article 263 or Article 264, as applicable.

[Note: This rule corresponds to Article 266 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

SUB-SECTION 4 CAPS FOR SECURITISATION POSITIONS

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

1. An institution which has knowledge at all times of the composition of the underlying exposures may assign the *senior securitisation position* a maximum risk weight equal to the exposure-weighted average risk weight that would be applicable to the underlying exposures as if the underlying exposures had not been securitised.

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* 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:

   (a) where the institution applies the *SEC-IRBA*, the *Standardised Approach* portion and the *IRB Approach* portion of the underlying pool shall each be assigned the corresponding *Standardised Approach* risk weight and *IRB Approach* risk weight respectively;

   (b) where the institution applies the *SEC-SA* or the *SEC-ERBA*, the maximum risk weight for *senior securitisation positions* shall be equal to the *Standardised Approach* weighted-average risk weight of the underlying exposures.

3. For the purposes of this Article, the exposure-weighted average risk weight that would be applicable to underlying exposures under the *IRB Approach* in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part shall be the sum of the exposure-weighted average risk weight that would be applicable to the underlying exposure under the *IRB Approach* in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part and the ratio of:

   (a) the sum of the expected loss amounts that would be applicable to the underlying exposures under the *IRB Approach* in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part multiplied by 12.5; to

   (b) the sum of the exposure values of the underlying exposures.

4. Where the maximum risk weight calculated in accordance with paragraph 1 results in a lower risk weight than the risk-weight floors set out in Articles 259 to 264, as applicable, the former shall be used instead.

[Note: This rule corresponds to Article 267 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 268 MAXIMUM CAPITAL REQUIREMENTS

1. An *originator* institution, a *sponsor* institution or other institution using the *SEC-IRBA* or an *originator* institution or *sponsor* institution using the *SEC-SA* or the *SEC-ERBA* may apply a maximum aggregated capital requirement for *securitisation positions* it holds in the same *securitisation* equal to the capital requirement in paragraph 1A.

1A. The maximum capital requirement shall be calculated as follows:

Max capital requirement = $U * Y + \sum_i \max(0, V_i - U) * Z_i$

where:

U is a decimal point value between 0 and 1, set by the institution for each *securitisation*;

Y is equal to the credit risk capital requirements calculated in accordance with paragraphs 1B and 2;

Z_i is the capital requirement associated with the i^{th} *tranche*, as would be calculated in accordance with this Part;

V_i is the proportion of interest that the institution holds in the i^{th} *tranche*, expressed as a percentage and calculated as the ratio of the nominal amount of the *securitisation positions* that the institution holds in a given *tranche* to the nominal amount of that *tranche*.

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* 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.

2. In the case of *mixed pools*, the maximum capital requirement shall be determined by calculating the exposure-weighted average of the capital requirements of the *IRB Approach* and *Standardised Approach* portions of the underlying exposures in accordance with paragraph 1B.

3. [Note: Provision left blank]

4. When calculating the maximum capital requirement for a *securitisation position* in accordance with this Article, the entire amount of any gain on sale and credit-enhancing interest-only strips arising from the *securitisation* transaction shall be deducted from Common Equity Tier 1 items in accordance with Article 36(1)(k) of the Own Funds (CRR) Part.

[Note: Paragraphs (1), (1A), (1B), (2) and (4) of this rule correspond to Article 268 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

SUB-SECTION 5 MISCELLANEOUS PROVISIONS

Article 269 RESECURITISATIONS

1. For a position in a *resecuritisation*, institutions shall apply the *SEC-SA* in accordance with Article 261, with the following changes:

   (a) W = 0 for any exposure to a *securitisation tranche* within the pool of underlying exposures;

   (b) p = 1.5;

   (c) the resulting risk weight shall be subject to a risk-weight floor of 100%.

2. K_{SA} for the underlying *securitisation* exposures shall be calculated in accordance with Article 255.

3. The maximum capital requirements set out in Articles 267 to 268 shall not be applied to *resecuritisation* positions.

4. Where the pool of underlying exposures consists of a mix of *securitisation tranches* and other types of assets, the K_A parameter shall be determined as the nominal exposure weighted-average of the K_A calculated individually for each subset of exposures.

[Note: This rule corresponds to Article 269 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 269A NPE SECURITISATIONS

1. The risk weight for a position in an NPE securitisation calculated in accordance with this Part is subject to the requirements laid down in the Non-Performing Exposures Securitisation (CRR) Part.

2. In this Article, 'NPE securitisation' has the same meaning as in Non-Performing Exposures Securitisation (CRR) 1.2.

[Note: This rule corresponds to Article 269A of the *CRR* as it applied immediately before its revocation by the *Treasury*]

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:

(a) the *securitisation* meets the requirements for *STS securitisation* set out in SECN 2.2.1R, 2.2.8R to 2.2.29R, and 2.3.1R to 2.3.37R of the *FCA Handbook*;

(aa) the *originator*, *sponsor* and *SSPE* are each established in the *United Kingdom*;

(b) the position qualifies as the *senior securitisation position*;

(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* 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*;

(d) the credit risk associated with the positions not retained by the *originator* institution is transferred through a guarantee or a counter-guarantee meeting the requirements for unfunded credit protection set out in the Credit Risk Mitigation (CRR) Part that are applicable to institutions using the *Risk-Weight Substitution Method*;

(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*;

(ii) an institutional investor as defined in the Securitisation Part, provided that the guarantee or counter-guarantee is fully collateralised by cash on deposit with the *originator* institution.

[Note: This rule corresponds to Article 270 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 270A NOTIFICATION OF BREACHES

1. Where an institution does not meet the requirements in either 2.4, Chapter 2 or Chapter 3 by reason of negligence or omission by the institution, the institution shall notify the *PRA*, if the *PRA* would reasonably expect to be notified.

1A. [Note: provision left blank]

2. [Note: provision left blank]

3. An institution shall notify the *PRA* if the requirements laid down in *due diligence rules* on a *consolidated basis* or *sub-consolidated basis* are breached with reference to the act or omission of an entity established in a *third country* included in the consolidation in accordance with Article 18 of the Groups Part, if the *PRA* would reasonably expect to be notified.

[Note: Paragraph (1) of this rule corresponds to Article 270a(1) of the *CRR* as it applied immediately before its revocation by the *Treasury* and paragraph (3) of this rule corresponds to Article 14(2) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

SECTION 4 EXTERNAL CREDIT ASSESSMENTS

Article 270B USE OF CREDIT ASSESSMENTS BY ECAIS

An institution may only use a credit assessment of a *securitisation position* to determine the risk weight of a *securitisation position* in accordance with this Part where the credit assessment has been issued or has been endorsed by an ECAI in accordance with Regulation (EC) No 1060/2009.

[Note: This rule corresponds to Article 270b of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 270C REQUIREMENTS TO BE MET BY THE CREDIT ASSESSMENTS OF ECAIS

For the purposes of calculating risk-weighted exposure amounts in accordance with Articles 242 to 270A, institutions shall only use a credit assessment of a *securitisation position* from an ECAI where all of the following conditions are met:

(a) there is no mismatch between the types of payments reflected in the credit assessment and the types of payments to which the institution is entitled under the contract giving rise to the *securitisation position* in question;

(b) the ECAI publishes the credit assessments and information on loss and cash-flow analysis, sensitivity of ratings to changes in the underlying ratings assumptions, including the performance of underlying exposures, and on the procedures, methodologies, assumptions, and key elements underpinning the credit assessments in accordance with Regulation (EC) No 1060/2009. For the purposes of this point, information shall be considered as publicly available where it is published in accessible format. Information that is made available only to a limited number of entities shall not be considered as publicly available;

(c) the credit assessments are included in the ECAI's transition matrix;

(d) the credit assessments are not based or partly based on unfunded support provided by the institution itself. Where a position is based or partly based on unfunded support, the institution shall consider that position as if it were unrated for the purposes of calculating risk-weighted exposure amounts for this position in accordance with Articles 242 to 270A;

(e) the ECAI has committed to publishing explanations on how the performance of underlying exposures affects the credit assessment.

[Note: This rule corresponds to Article 270c of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 270D USE OF CREDIT ASSESSMENTS

1. An institution may decide to nominate one or more ECAIs, whose credit assessments of *securitisation positions* shall be used in the calculation of its risk-weighted exposure amounts under this Part.

1A. Where an institution has nominated an ECAI under paragraph 1, that ECAI shall not be treated as a nominated ECAI for the purposes of the Credit Risk: Standardised Approach (CRR) Part unless the institution has also nominated that ECAI in accordance with Article 138 of the Credit Risk: Standardised Approach (CRR) Part.

1B. The requirements in this Article do not apply when the institution is using a credit assessment of an ECAI for the purpose of determining a risk weight in accordance with the Credit Risk: Standardised Approach (CRR) Part, and instead the institution shall comply with the requirements in Articles 138 to 141 of that Part.

2. An institution shall use the credit assessments of its *securitisation positions* in a consistent and non-selective manner and, for these purposes, shall comply with the following requirements:

   (a) an institution shall not use an ECAI's credit assessments for its positions in some t*ranches* and another ECAI's credit assessments for its positions in other *tranches* within the same *securitisation* that may or may not be rated by the first ECAI;

   (b) where a position has two credit assessments by ECAIs nominated under paragraph 1, the institution shall use the less favourable credit assessment;

   (c) where a position has three or more credit assessments by ECAIs nominated under paragraph 1, the two most favourable credit assessments shall be used. Where the two most favourable assessments are different, the less favourable of the two shall be used; and

   (d) an institution shall not actively solicit the withdrawal of less favourable ratings.

3. Where the exposures underlying a *securitisation* benefit from full or partial eligible credit protection in accordance with the Credit Risk Mitigation (CRR) Part, and the effect of such protection has been reflected in the credit assessment of a *securitisation position* by an ECAI nominated under paragraph 1, the institution shall use the risk weight associated with that credit assessment. Where the credit protection referred to in this paragraph is not eligible under the Credit Risk Mitigation (CRR) Part, the credit assessment shall not be recognised and the *securitisation position* shall be treated as unrated.

4. Where a *securitisation position* benefits from eligible credit protection in accordance with the Credit Risk Mitigation (CRR) Part and the effect of such protection has been reflected in its credit assessment by an ECAI nominated under paragraph 1, the institution shall treat the *securitisation position* as if it were unrated and calculate the risk-weighted exposure amounts in accordance with the Credit Risk Mitigation (CRR) Part.

[Note: Paragraphs (1) and (2) to (4) of this rule correspond to Article 270d of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 270E SECURITISATION MAPPING

[Note: Provision left blank]

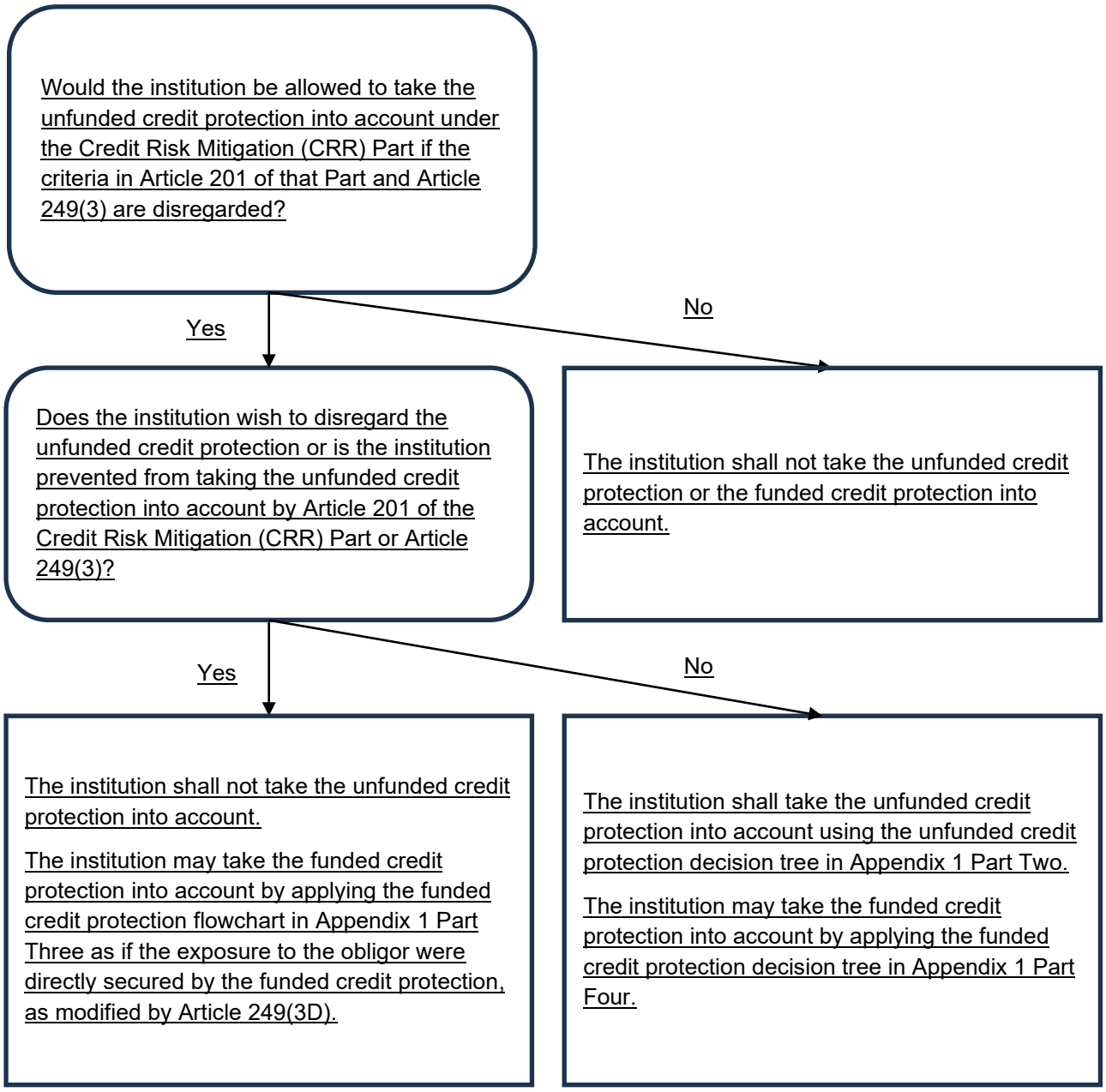
Article 270F SECURITISATION ECAI MAPPING

1. For the purposes of ~~Chapter 5 (Securitisation) of Title II of Part Three of the *CRR*~~this Part, an institution shall use the following table setting out the correspondence of the rating categories for *securitisation positions* of each ECAI with the credit quality steps set out in Articles 263 and 264 ~~of the *CRR*~~.

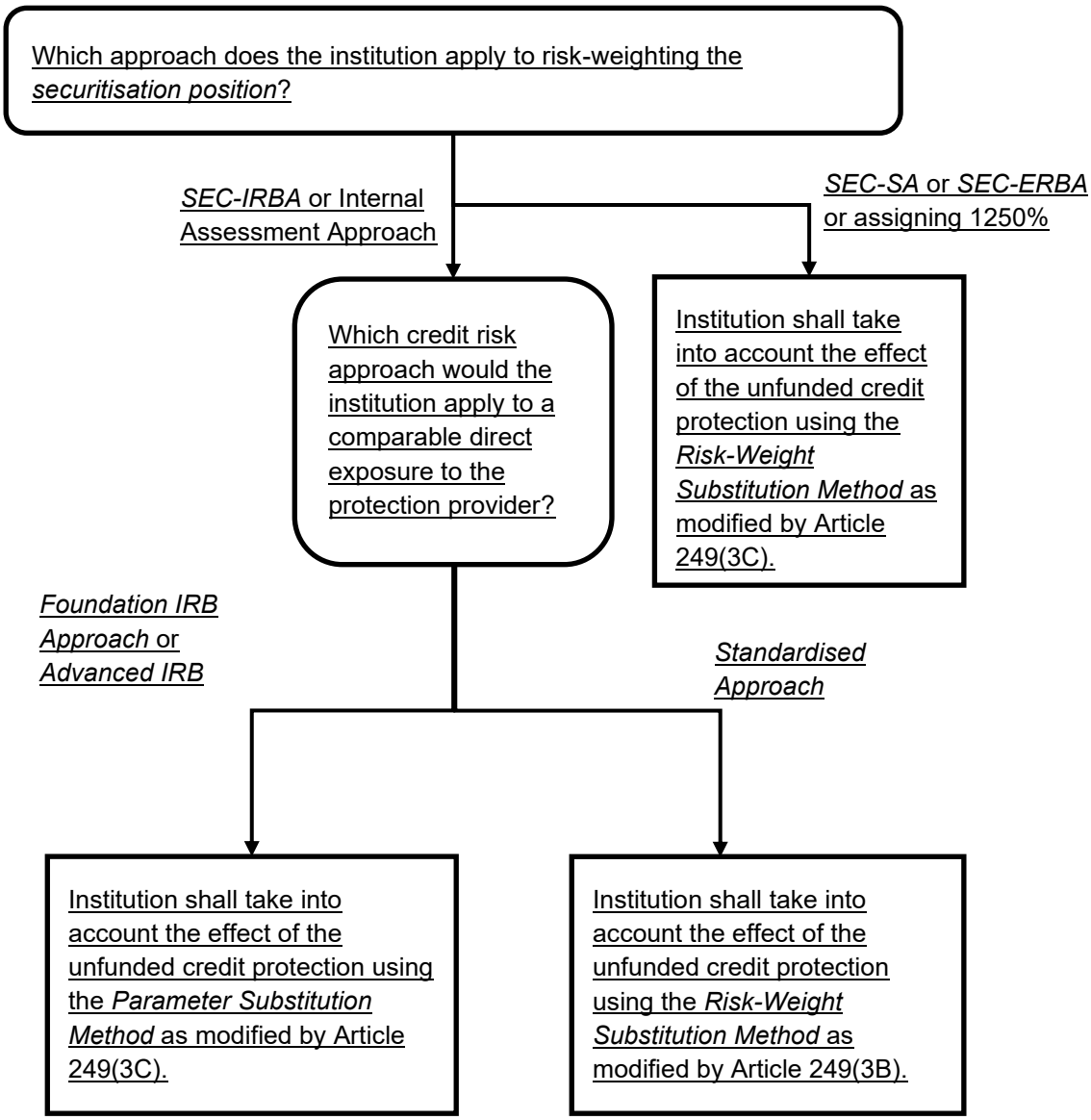
…

Appendix 1

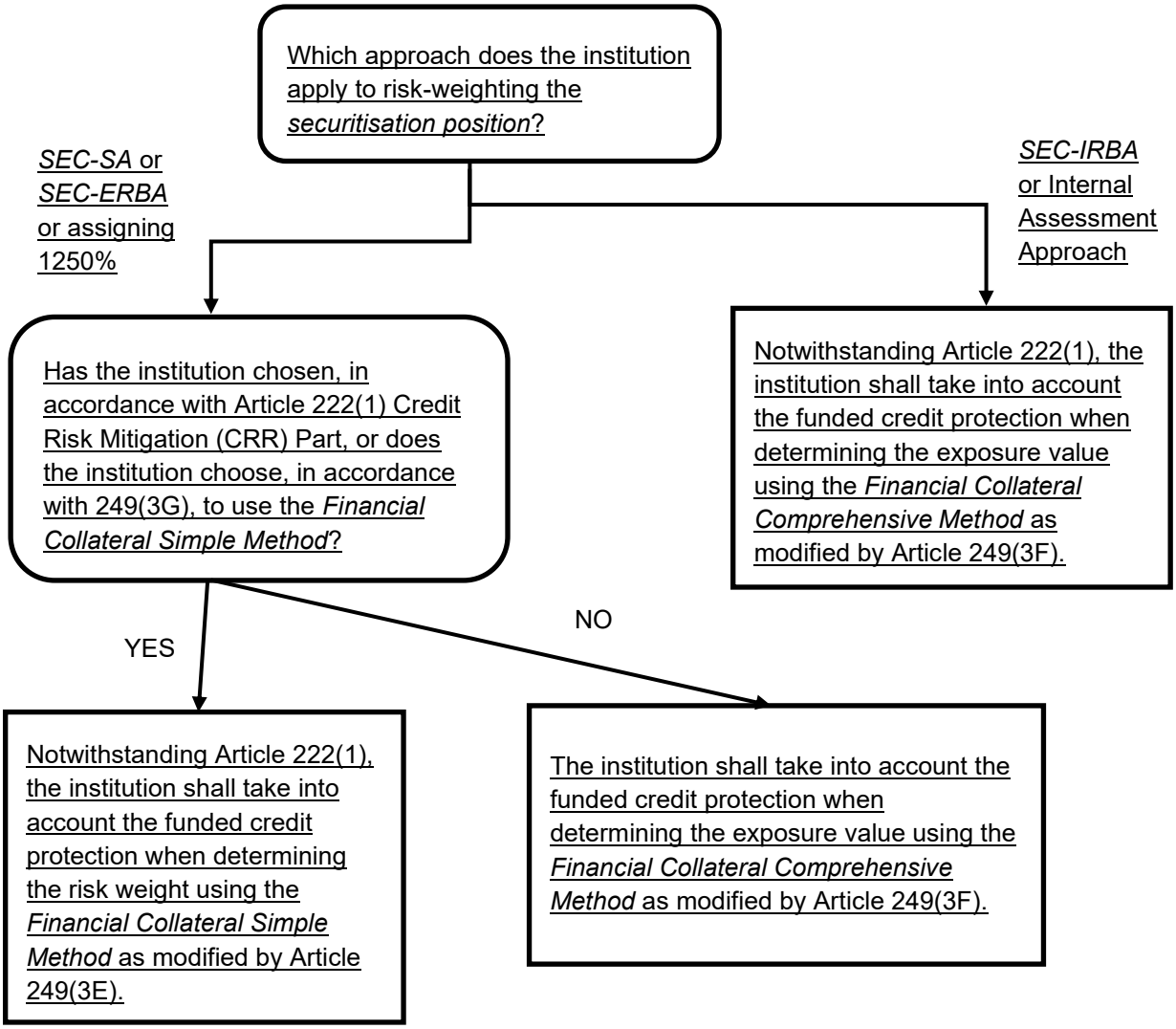
PART ONE: SECURITISATION POSITION COVERED BY UNFUNDED CREDIT PROTECTION WHICH IS COVERED BY FUNDED CREDIT PROTECTION



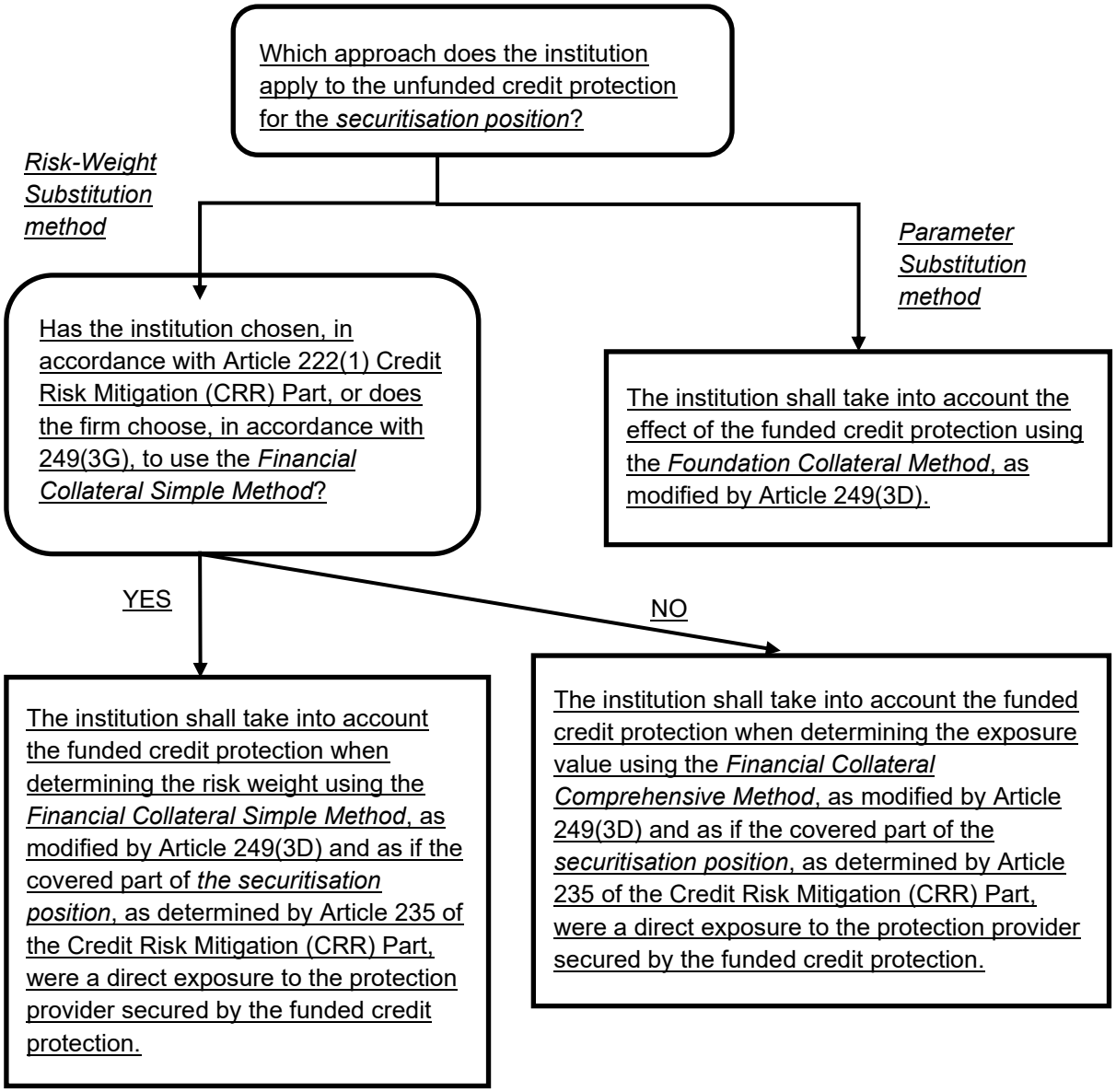
PART TWO: UNFUNDED CREDIT PROTECTION COVERING A SECURITISATION EXPOSURE



PART THREE: FUNDED CREDIT PROTECTION COVERING A SECURITISATION EXPOSURE



PART FOUR (SUPPLEMENTARY TO PART ONE): FUNDED CREDIT PROTECTION COVERING THE PART OF A SECURITISATION POSITION COVERED BY UNFUNDED PROTECTION



Annex D

Amendments to the Non-Performing Exposures Securitisation (CRR) Part

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

1 APPLICATION AND DEFINITIONS

1.1 This Part applies to:

(1) a *CRR firm*; and

(2) a *CRR consolidation entity*.~~;~~

~~for the purpose of its obligations under Parts Two and Three of the *CRR*.~~

1.1A (1) A *firm* must comply with this Part on an ~~individual basis~~*individual basis*.

(2) A *CRR consolidation entity* must comply with this Part on a ~~consolidated basis~~*consolidated basis*~~, and for this purpose, references to a *firm* in this Part (other than in 1.1 and 1.1A) are to a *CRR consolidation entity*~~.

(3) A *firm* or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

1.2 In this Part, the following definitions apply:

forbearance measure

means a concession by an institution towards an obligor that is experiencing or is likely to experience difficulties in meeting its financial commitments, where:

(1) a concession may entail a loss for the lender and shall refer to either of the following actions:

(a) a modification of the terms and conditions of a debt obligation, where such modification would not have been granted had the obligor not experienced difficulties in meeting its financial commitments;

(b) a total or partial refinancing of a debt obligation, where such refinancing would not have been granted had the obligor not experienced difficulties in meeting its financial commitments;

(2) at least the following situations shall be considered forbearance measures:

(a) new contract terms are more favourable to the obligor than the previous contract terms, where the obligor is experiencing or is likely to experience difficulties in meeting its financial commitments;

(b) new contract terms are more favourable to the obligor than contract terms offered by the same institution to obligors with a similar risk profile at that time, where the obligor is experiencing or is likely to experience difficulties in meeting its financial commitments;

(c) the exposure under the initial contract terms was classified as non-performing before the modification to the contract terms or would have been classified as non-performing in the absence of modification to the contract terms;

(d) the measure results in a total or partial cancellation of the debt obligation;

(e) the institution approves the exercise of clauses that enable the obligor to modify the terms of the contract and the exposure was classified as non-performing before the exercise of those clauses, or would be classified as non-performing were those clauses not exercised;

(f) at or close to the time of the granting of debt, the obligor made payments of principal or interest on another debt obligation with the same institution, which was classified as a *non-performing exposure* or would have been classified as non-performing in the absence of those payments;

(g) the modification to the contract terms involves repayments made by taking possession of collateral, where such modification constitutes a concession.

(3) the following circumstances are indicators that forbearance measures may have been adopted:

(a) the initial contract was past due by more than 30 days at least once during the three *months* prior to its modification or would be more than 30 days past due without modification;

(b) at or close to the time of concluding the credit agreement, the obligor made payments of principal or interest on another debt obligation with the same institution that was past due by 30 days at least once during the three months prior to the granting of new debt;

(c) the institution approves the exercise of clauses that enable the obligor to change the terms of the contract, and the exposure is 30 days past due or would be 30 days past due were those clauses not exercised;

(4) the difficulties experienced by an obligor in meeting its financial commitments shall be assessed at obligor level, taking into account all the legal entities in the obligor's group which are included in the accounting consolidation of the group, and natural persons who control that group.

[Note: This rule corresponds to Article 47b of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Non-performing exposure or NPE

means: ~~an exposure that meets any of the conditions set out in Article 47a(3) of the *CRR*.~~

(1) any of the following:

(a) an exposure in respect of which a default is considered to have occurred in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part Article 178;

(b) an exposure which is considered to be impaired in accordance with the applicable accounting framework;

(c) an exposure under probation in accordance with paragraph (6) below, where additional *forbearance measures* are granted or where the exposure becomes more than 30 days past due;

(d) an exposure in the form of a *commitment* that, were it drawn down or otherwise used, would likely not be paid back in full without realisation of collateral;

(e) an exposure in the form of a financial guarantee that is likely to be called by the guaranteed party, including where the underlying guaranteed exposure meets the criteria to be considered as non-performing.

(2) For the purposes of point (1)(a), where an institution has on-balance-sheet exposures to an obligor that are past due by more than 90 days and that represent more than 20% of all on-balance-sheet exposures to that obligor, all on- and off-balance-sheet exposures to that obligor shall be considered to be non-performing.

(3) Exposures that have not been subject to a *forbearance measure* shall cease to be classified as non-performing where all the following conditions are met:

(a) the exposure meets the exit criteria applied by the institution for the discontinuation of the classification as impaired in accordance with the applicable accounting framework and of the classification as defaulted in accordance with Credit Risk: Internal Ratings Based Approach (CRR) Part Article 178;

(b) the situation of the obligor has improved to the extent that the institution is satisfied that full and timely repayment is likely to be made;

(c) the obligor does not have any amount past due by more than 90 days.

(4) The classification of a *non-performing exposure* as a non-current asset held for sale in accordance with the applicable accounting framework shall not discontinue its classification as *non-performing exposure*.

(5) *Non-performing exposures* subject to *forbearance measures* shall cease to be classified as non-performing where all the following conditions are met:

(a) the exposures have ceased to be in a situation that would lead to their classification as non-performing under the provisions above;

(b) at least one year has passed since the date on which the *forbearance measures* were granted and the date on which the exposures were classified as non-performing, whichever is later;

(c) there is no past-due amount following the *forbearance measures* and the institution, on the basis of the analysis of the obligor's financial situation, is satisfied that full and timely repayment of the exposure is likely. Full and timely repayment may be considered likely where the obligor has executed regular and timely payments of amounts equal to either of the following:

(i) the amount that was past due before the *forbearance measure* was granted, where there were amounts past due;

(ii) the amount that has been written-off under the *forbearance measures* granted, where there were no amounts past due.

(6) Where a *non-performing exposure* has ceased to be classified as non-performing pursuant to paragraph (5) above, such exposure shall be under probation until all the following conditions are met:

(a) at least two years have passed since the date on which the exposure subject to *forbearance measures* was re-classified as performing;

(b) regular and timely payments have been made during at least half of the period that the exposure would be under probation, leading to the payment of a substantial aggregate amount of principal or interest;

(c) none of the exposures to the obligor is more than 30 days past due.

[Note: This rule corresponds to Article 47a(3) to (7) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

…

NPE securitisation

means a securitisation backed by a pool of ~~non-performing exposures~~ *non-performing exposures* the nominal value of which makes up not less than 90% of the entire pool's nominal value at the time of origination and at any later time where assets are added to or removed from the underlying pool due to replenishment or restructuring.

…

Annex E

Amendments to the Counterparty Credit Risk (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:

actual distribution

means a *distribution of market values* or exposures at a future time period where the distribution is calculated using historical or realised values such as volatilities calculated using past price or rate changes.

[Note: This rule corresponds to Article 272(16) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

…

contractual cross product netting agreement

means a bilateral contractual agreement between an institution and a counterparty which creates a single legal obligation (based on netting of covered transactions) covering all bilateral master agreements and transactions belonging to different product categories that are included within the agreement.

For the purposes of this definition, 'different product categories' means:

(1) repurchase transactions, securities and commodities lending and borrowing transactions;

(2) *margin lending transactions*;

(3) the contracts listed in Annex 1 of Chapter 3 of this Part.

[Note: This rule corresponds to Article 272(25) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

counterparty credit risk or CCR

means the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

[Note: This rule corresponds to Article 272(1) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

cross-product netting

means the inclusion of transactions of different product categories within the same *netting set* pursuant to the cross-product netting rules set out in this Part.

[Note: This rule corresponds to Article 272(11) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

current exposure

means the larger of zero and the market value of a transaction or portfolio of transactions within a *netting set* with a counterparty that would be lost upon the default of the

counterparty, assuming no recovery on the value of those transactions in insolvency or liquidation.

[Note: This rule corresponds to Article 272(17) of the *CRR* as it applied immediately before its revocation by the Treasury]

current market value or CMV

means the net market value of all the transactions within a ~~netting set~~*netting set* gross of any collateral held or posted where positive and negative market values are netted in computing the *CMV*.

[Note: This rule corresponds to Article 272(12) of the *CRR* as it applied immediately before revocation by the *Treasury*.]

distribution of exposures

means the forecast of the probability *distribution of market values* that is generated by setting forecast instances of negative net market values equal to zero.

[Note: This rule corresponds to Article 272(14) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

distribution of market values

means the forecast of the probability distribution of net market values of transactions within a *netting set* for a future date (the forecasting horizon), given the realised market value of those transactions at the date of the forecast.

[Note: This rule corresponds to Article 272(13) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

effective expected exposure at a specific date or Effective EE

means the maximum *expected exposure* that occurs at that date or any prior date. Alternatively, an institution may define it for a specific date as the greater of the *expected exposure* at that date or the effective *expected exposure* at any prior date.

[Note: This rule corresponds to Article 272(20) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

effective expected positive exposure or Effective EPE

means the weighted average of effective *expected exposure* over the first year of a *netting set* or, if all the contracts within the *netting set* mature within less than one year, over the time period of the longest maturity contract in the *netting set*, where the weights are the proportion of the entire time period that an individual *expected exposure* represents.

[Note: This rule corresponds to Article 272(22) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

effective maturity

under the Internal Model Method for a *netting set* with maturity greater than one year means the ratio of the sum of *expected exposure* over the life of the transactions in the *netting set* discounted at the risk-free rate of return, divided by the sum of *expected exposure* over one year in the *netting set* discounted at the risk-free rate.

This effective maturity may be adjusted to reflect *rollover risk* by replacing *expected exposure* with effective *expected exposure* for forecasting horizons under one year.

[Note: This rule corresponds to Article 272(10) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

expected exposure or EE

means the average of the *distribution of exposures* at a particular future date before the longest maturity transaction in the *netting set* matures.

[Note: This rule corresponds to Article 272(19) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

expected positive exposure or EPE

means the weighted average over time of *expected exposures*, where the weights are the proportion of the entire time period that an individual *expected exposure* represents.

When calculating the own funds requirement, institutions shall take the average over the first year or, if all the contracts within the *netting set* mature within less than one year, over the time period until the contract with the longest maturity in the *netting set* has matured.

[Note: This rule corresponds to Article 272(21) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

hedging set

means a group of transactions within a single ~~netting set~~*netting set* for which full or partial offsetting is allowed for determining the potential future exposure under the methods set out in Section 3 or 4 of ~~this~~ Chapter 3.

[Note: This rule corresponds to Article 272(6) of the *CRR* as it applied immediately before revocation by the *Treasury*]

long settlement transactions

means transactions where a counterparty undertakes to deliver a security, a commodity, or a foreign exchange amount against cash, other financial instruments, or commodities, or vice versa, at a settlement or delivery date specified by contract that is later than the market standard for this particular type of transaction or five *business days* after the date on which the institution enters into the transaction, whichever is earlier.

[Note: This rule corresponds to Article 272(2) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

margin agreement

means an agreement or provisions of an agreement under which one counterparty must supply collateral to a second counterparty when an exposure of that second counterparty to the first counterparty exceeds a specified level.

[Note: This rule corresponds to Article 272(7) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

margin lending transactions

means transactions in which an institution extends credit in connection with the purchase, sale, carrying or trading of securities. Margin lending transactions do not include other loans that are secured by collateral in the form of securities.

[Note: This rule corresponds to Article 272(3) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

…

net independent collateral amount or NICA

means the sum of the volatility-adjusted value of net collateral received or posted, as applicable, to the ~~netting set~~*netting set* other than variation margin.

…

one way margin agreement

means a ~~margin agreement~~*margin agreement* under which an institution is required to post variation margin to a counterparty but is not entitled to receive variation margin from that counterparty or vice-versa.

…

peak exposure

means a high percentile of the *distribution of exposures* at particular future date before the maturity date of the longest transaction in the *netting set*.

[Note: This rule corresponds to Article 272(18) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

…

risk-neutral distribution

means a *distribution of market values* or exposures over a future time period where the distribution is calculated using market implied values such as implied volatilities.

[Note: This rule corresponds to Article 272(15) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

rollover risk

means the amount by which *EPE* is understated when future transactions with a counterparty are expected to be conducted on an ongoing basis.

The additional exposure generated by those future transactions is not included in calculation of *EPE*.

[Note: This rule corresponds to Article 272(23) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

…

1.4 For the purposes of Section 7 of Chapter 3 of this Part, 'counterparty' means any legal or natural person that enters into a netting agreement, and has the contractual capacity to do so.

[Note: This rule corresponds to Article 272(24) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

2 LEVEL OF APPLICATION

2.1 ~~Title II of Part One (Level of application) of the *CRR* applies to Chapter 3 of this Part as that Title applies to Part Three (Capital Requirements) of the *CRR*.~~A *firm* to which this Part applies shall comply with this Part on an *individual basis*.

2.2 A *CRR consolidation entity* must comply with this Part on a *consolidated basis*.

2.3 An institution or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

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

SECTION 1 DEFINITIONS

Article 271 DETERMINATION OF THE EXPOSURE VALUE

~~[Note: Article 271 remains in the *CRR*]~~

1. An institution shall determine the exposure value of derivative instruments listed in Annex 1 of Chapter 3 in accordance with this Chapter.

2. An institution may, subject to paragraph 3 of this Article, determine the exposure value of repurchase transactions, securities or commodities lending or borrowing transactions, *long settlement transactions* and *margin lending transactions* in accordance with this Chapter instead of the Credit Risk Mitigation (CRR) Part.

3. An institution which has a *138BA permission* to use the Internal Model Method (IMM) must determine the exposure value of repurchase transactions, securities or commodities lending or borrowing transactions, *long settlement transactions* and *margin lending transactions* that are within the scope of that *138BA permission* in accordance with the method set out in Section 6 of this Chapter to the extent and subject to any modifications set out in the *138BA permission*.

[Note: This rule corresponds to Article 271 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 272 DEFINITIONS

[Note: Article 272 (1)~~, (2), (3), (4), (7), (9), (10), (11), and (13) to (25) remain in the *CRR*. Article 272 (6), (8), (12), and (26)~~ – (26) are set out above at rule 1.2 and 1.4. Article 272 (5) has been deleted]

SECTION 2 METHODS FOR CALCULATING THE EXPOSURE VALUE

Article 273 METHODS FOR CALCULATING THE EXPOSURE VALUE

…

2. Where an institution is permitted by the ~~competent authorities~~*PRA* to disapply the methods set out in Sections 3 to 5 of this Chapter (if otherwise applicable) and to apply the method set out in Section 6 of this Chapter in accordance with Article 283(1)~~ and (2)~~, an institution ~~may~~shall determine the exposure value for the following items using the ~~Internal Model Method~~IMM set out in Section 6 of this Chapter:

(a) the contracts listed in Annex ~~II~~1 of ~~the *CRR*~~ this Chapter;

(b) repurchase transactions;

(c) securities or commodities lending or borrowing transactions;

(d) ~~margin lending transactions~~*margin lending transactions*;

(e) ~~long settlement transactions~~*long settlement transactions*,~~.~~

to the extent and subject to any modifications set out in the *138BA permission*.

…

4. Notwithstanding paragraph 3, an institution may choose consistently to include for the purposes of calculating own funds requirements for ~~counterparty credit risk~~*counterparty credit risk* all credit derivatives not included in the trading book and purchased as protection against a non-trading book exposure or against a ~~counterparty credit risk~~*counterparty credit risk* exposure where the credit protection is recognised under the *CRR*.

…

6. Under the methods set out in Sections 3 to 6 of this Chapter, the exposure value for a given counterparty shall be equal to the sum of the exposure values calculated for each ~~netting set~~ *netting set* with that counterparty.

   By way of derogation from the first subparagraph, where one ~~margin agreement~~*margin agreement* applies to multiple~~ netting sets~~ *netting sets* with that counterparty and the institution is using one of the methods set out in Sections 3 to 6 to calculate the exposure value of those ~~netting sets~~*netting sets*, the exposure value shall be calculated in accordance with the relevant Section.

   For a given counterparty, the exposure value for a given ~~netting set~~*netting set* of OTC derivative instruments listed in Annex ~~II~~1 of ~~the *CRR*~~this Part calculated in accordance with this Chapter shall be the greater of zero and the difference between the sum of exposure values across all ~~netting sets~~*netting sets* with the counterparty and the sum of credit valuation adjustments for that counterparty being recognised by the institution as an incurred write-down. The credit valuation adjustments shall be calculated without taking into account any offsetting debit value adjustment attributed to the own credit risk of the firm that has been already excluded from own funds under Article 33(1) Own Funds (CRR) Part.

…

8. An institution which determines the exposure value of *long settlement transactions* in accordance with this Chapter,~~Institutions~~ shall determine the exposure value for exposures arising from ~~long settlement transactions~~*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~~*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~~*long settlement transactions*, an institution that uses the approach set out in ~~Chapter 3~~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* on a permanent basis and irrespective of the materiality of such positions.

…

Article 273a CONDITIONS FOR USING SIMPLIFIED METHODS FOR CALCULATING THE EXPOSURE VALUE

…

4. By way of derogation from paragraph 1 or 2, as applicable, where the derivative business on a ~~consolidated basis~~*consolidated basis* does not exceed the thresholds set out in paragraph 1 or 2, as applicable, an institution which is included in the consolidation and which would have to apply the method set out in Section 3 or 4 because it exceeds those thresholds on an ~~individual basis~~*individual basis*, may, subject to the approval of ~~competent authorities~~the *PRA*, instead choose to apply the method that would apply on a ~~consolidated basis~~*consolidated basis*.

…

5. Institutions shall notify the ~~competent authorities~~ *PRA* of the methods set out in Section 4 or 5 of this Chapter that they use, or cease to use, as applicable, to calculate the exposure value of their derivative positions.

…

Article 273b NON-COMPLIANCE WITH THE CONDITIONS FOR USING SIMPLIFIED METHODS FOR CALCULATING THE EXPOSURE VALUE OF DERIVATIVES

1. An institution that no longer meets one or more of the conditions set out in Article 273a(1) or (2) shall immediately notify the ~~competent authority~~*PRA* thereof.

   …

3. Where an institution has ceased to calculate the exposure values of its derivative positions in accordance with Section 4 or 5 of this Chapter, as applicable, it shall only be permitted to resume calculating the exposure value of its derivative positions as set out in Section 4 or 5 of this Chapter where it demonstrates to the ~~competent authority~~*PRA* that all the conditions set out in Article 273a(1) or (2) have been met for an uninterrupted period of one year.

   [Note: This is a permission under section 144G and 192XC of *FSMA* to which Part 8 of the *Capital Requirements Regulations* applies]

SECTION 3 STANDARDISED APPROACH FOR COUNTERPARTY CREDIT RISK

Article 274 EXPOSURE VALUE

1. An institution may calculate a single exposure value at ~~netting set~~*netting set* level for all the transactions covered by a contractual netting agreement where all the following conditions are met:

   …

   (b) ~~the netting agreement has been recognised by competent authorities in accordance with Article 296;~~the netting agreement satisfies the requirements referred to in paragraphs 2 and 3 of Article 296 and Article 297;

   …

   Where any of the conditions set out in the first subparagraph are not met, the institution shall treat each transaction as if it was its own ~~netting set~~*netting set*.

2. Institutions shall calculate the exposure value of a ~~netting set~~*netting set* under the standardised approach for ~~counterparty credit risk~~*counterparty credit risk* as follows:

…

2A.

(1) Subject to sub-paragraph 2, for transactions entered into prior to 1 January 2027 with a counterparty referred to in point (a) or (b) of Credit Valuation Adjustment Risk Part 7.1(1), an institution shall add the following percentages of the *alpha add-on* to the exposure value of the ~~netting set~~*netting set*:

...

(2) An institution is not required to add the percentages of the *alpha add-on* required by paragraph 1 to the exposure value of the ~~netting set~~*netting set* from the date where it ceases to apply the treatment in Credit Valuation Adjustment Risk Part 7.1(1) or (2).

...

3. The exposure value of a ~~netting set~~*netting set* that is subject to a contractual ~~margin agreement~~*margin agreement* shall be capped at the exposure value of the same ~~netting set~~*netting set* not subject to any form of ~~margin agreement~~*margin agreement*.

4. Where multiple ~~margin agreements~~*margin agreements* apply to the same ~~netting set~~*netting set*, institutions shall calculate the replacement cost of the ~~netting set~~*netting set* in accordance with Article 275(2) for margined transactions. The potential future exposure of the ~~netting set~~*netting set* shall be calculated in accordance with Article 278 with the modification that AggAddOn shall be set equal to the sum of AggAddOn across each sub-netting set, with sub-netting sets constructed as follows:

(a) all transactions that are unmargined or are subject to a *one way margin agreement* where the institution is required to post, but not entitled to receive, variation margin, within the ~~netting set~~*netting set* form a single sub-netting set;

(b) all margined transactions within the ~~netting set~~*netting set* that share the same ~~margin period of risk~~*margin period of risk* form a single sub-netting set.

5. Institutions may set to zero the exposure value of a ~~netting set~~*netting set* that satisfies all the following conditions:

(a) the ~~netting set~~*netting set* is solely composed of sold options;

(b) the *current market value* of the ~~netting set~~*netting set* is at all times negative;

(c) the premium of all the options included in the ~~netting set~~*netting set* has been received upfront by the institution to guarantee the performance of the contracts;

(d) the ~~netting set~~*netting set* is not subject to any ~~margin agreement~~*margin agreement*.

6. In a ~~netting set~~*netting set*, institutions shall replace a transaction which is a finite linear combination of bought or sold call or put options with all the single options that form that linear combination, taken as an individual transaction, for the purpose of calculating the exposure value of the ~~netting set~~*netting set* in accordance with this Section. Each such combination of options shall be treated as an individual transaction in the ~~netting set~~*netting set* in which the combination is included for the purpose of calculating the exposure value.

7. The exposure value of a credit derivative transaction representing a long position in the underlying may be capped to the amount of outstanding unpaid premium provided it is treated as its own ~~netting set~~*netting set* that is not subject to a ~~margin agreement~~*margin agreement*.

Article 275 REPLACEMENT COST

1. Institutions shall calculate the replacement cost RC for ~~netting sets~~*netting sets* that are not subject to a ~~margin agreement~~*margin agreement*, or are subject to a *one way margin agreement* where the institution is required to post, but not entitled to receive, variation margin, in accordance with the following formula:

   RC = max{*CMV* – *NICA*, 0}

   For ~~netting sets~~*netting sets* that are subject to *one way margin agreements* where the institution is required to post, but not entitled to receive, variation margin, NICA shall include VM (as defined in paragraph 2).

2. Institutions shall calculate the replacement cost for single ~~netting sets~~*netting sets* that are subject to ~~margin agreements~~*margin agreements* (other than those subject to the treatment under Article 275(1)) in accordance with the following formula:

   …

   VM = the volatility-adjusted value of the net variation margin received or posted, as applicable, to the ~~netting set~~*netting set* on a regular basis to mitigate changes in the ~~netting set's~~*netting set's CMV*;

   TH = the *margin threshold* applicable to the ~~netting set~~*netting set* under the ~~margin agreements~~*margin agreements* below which the institution cannot call for collateral; and

   MTA = the minimum transfer amount applicable to the ~~netting set~~*netting set* under the ~~margin agreements~~*margin agreements*.

3. Institutions shall calculate the replacement cost for multiple ~~netting sets~~*netting sets* that are subject to the same ~~margin agreement~~*margin agreement* in accordance with the following formula:

   …

   where:

   RC = the replacement cost;

   i = the index that denotes the ~~netting sets~~*netting sets* that are subject to the single ~~margin agreement~~*margin agreement*;

   CMV_i = the *CMV* of ~~netting set~~*netting set* i;

   VM_{MA} = the sum of the volatility-adjusted value of collateral received or posted, as applicable, to multiple ~~netting sets~~*netting sets* on a regular basis to mitigate changes in their *CMV*; and

   $NICA_{MA}$ = the sum of the volatility-adjusted value of collateral received or posted, as applicable, to multiple ~~netting sets~~*netting sets* other than VM_{MA}.

   For the purposes of the first subparagraph, $NICA_{MA}$ may be calculated at trade level, at ~~netting set~~*netting set* level or at the level of all the ~~netting sets~~*netting sets* to which the ~~margin agreement~~*margin agreement* applies depending on the level at which the ~~margin agreement~~*margin agreement* applies.

Article 276 RECOGNITION AND TREATMENT OF COLLATERAL

1. …

(a) where all the transactions included in a ~~netting set~~*netting set* belong to the trading book, only collateral that is eligible under Articles 197 and 299 shall be recognised;

(b) where a ~~netting set~~*netting set* contains at least one transaction that belongs to the non-trading book, only collateral that is eligible under Article 197 shall be recognised;

…

3. For the purposes of point (d) of paragraph 1, institutions shall set the liquidation period relevant for the calculation of the volatility-adjusted value of any collateral received or posted in accordance with one of the following time horizons:

(a) the longest remaining maturity of transactions in the ~~netting set~~*netting set*, capped at *OneBusinessYear*, for the ~~netting sets~~*netting sets* referred to in Article 275(1);

(b) the ~~margin period of risk~~*margin period of risk* determined in accordance with point (b) of Article 279c(1) for the ~~netting sets~~*netting sets* referred to in Article 275(2) and (3).

Article 277 MAPPING OF TRANSACTIONS TO RISK CATEGORIES

1. Institutions shall map each transaction of a ~~netting set~~*netting set* to one of the following risk categories to determine the potential future exposure of the ~~netting set~~*netting set* referred to in Article 278:

…

Article 277a HEDGING SETS

1. Institutions shall establish the relevant *hedging sets* for each risk category of a ~~netting set~~*netting set* and assign each transaction to those *hedging sets* as follows:

…

3. Institutions shall be able to make available upon request by the ~~competent authorities~~*PRA* the number of *hedging sets* established in accordance with paragraph 2 of this Article for each risk category, with the primary risk driver, or the most material risk driver in the given risk category for transactions referred to in Article 277(3), or the pair of risk drivers of each of those *hedging sets* and with the number of transactions in each of those *hedging sets*.

…

Article 278 POTENTIAL FUTURE EXPOSURE

1. Institutions shall calculate the potential future exposure of a ~~netting set~~*netting set* as follows:

…

a = the index that denotes the risk categories included in the calculation of the potential future exposure of the ~~netting set~~*netting set*;

…

For the purpose of this calculation, institutions shall include the add-on of a given risk category in the calculation of the potential future exposure of a ~~netting set~~*netting set* where at least one transaction of the ~~netting set~~*netting set* has been mapped to that risk category.

2. The potential future exposure of multiple ~~netting sets~~*netting sets* that are subject to one ~~margin agreement~~*margin agreement*, as referred in Article 275(3), shall be calculated as the sum of the potential future exposures of all the individual ~~netting sets~~*netting sets* as if they were not subject to any form of a ~~margin agreement~~*margin agreement*.

3. For the purposes of paragraph 1, the multiplier shall be calculated as follows:

…

$NICA_i$ = the *net independent collateral amount* calculated only for transactions that are included in ~~netting set~~*netting set* i. $NICA_i$ shall be calculated at trade level or at ~~netting set~~*netting set* level depending on the ~~margin agreement~~*margin agreement*.

Article 279 CALCULATION OF THE RISK POSITION

For the purpose of calculating the risk category add-ons referred to in Articles 280a to 280f, institutions shall calculate the risk position of each transaction of a ~~netting set~~*netting set* as follows:

…

…

Article 279b ADJUSTED NOTIONAL AMOUNT

1. Institutions shall calculate the adjusted notional amount as follows:

(a)…

The start date of a transaction is the earliest date at which at least a contractual payment under the transaction, to or from the institution, is either fixed or exchanged, other than payments related to the exchange of collateral in a ~~margin agreement~~*margin agreement*. Where the transaction has already been fixing or making payments at the calculation date, the start date of a transaction shall be equal to 0.

Where a transaction involves one or more contractual future dates on which the institution or the counterparty may decide to terminate the transaction prior to its contractual maturity, the start date of a transaction shall be equal to the earliest of the following:

(i) the date or the earliest of the multiple future dates at which the institution or the counterparty may decide to terminate the transaction earlier than its contractual maturity;

(ii) the date at which a transaction starts fixing or making payments, other than payments related to the exchange of collateral in a ~~margin agreement~~*margin agreement*.

…

Article 279c MATURITY FACTOR

1. Institutions shall calculate the maturity factor as follows:

(a) for transactions included in the ~~netting sets~~*netting sets* referred to in Article 275(1), institutions shall use the following formula:

…

(b) for transactions included in the ~~netting sets~~*netting sets* referred to in Article 275(2) and (3), the maturity factor is defined as:

…
where:

MF = the maturity factor;

MPOR = the ~~margin period of risk~~*margin period of risk* of the ~~netting set~~*netting set* determined in accordance with Article 285(2) to (5); and

When determining the ~~margin period of risk~~*margin period of risk* for transactions between a client and a clearing member, an institution acting either as the client or as the clearing member shall replace the minimum period set out in point (b) of Article 285(2) with five ~~business days~~*business days*.

…

Article 280a INTEREST RATE RISK CATEGORY ADD-ON

1. For the purposes of Article 278, institutions shall calculate the interest rate risk category add-on for a given ~~netting set~~*netting set* as follows:

…

where:

…

j = the index that denotes all the interest risk rate *hedging sets* established in accordance with point (a) of Article 277a(1) and with Article 277a(2) for the ~~netting set~~*netting set*; and

…

Article 280b FOREIGN EXCHANGE RISK CATEGORY ADD-ON

1. For the purposes of Article 278, institutions shall calculate the foreign exchange risk category add-on for a given ~~netting set~~*netting set* as follows:

…

J = the index that denotes the foreign exchange risk *hedging sets* established in accordance with point (b) of Article 277a(1) and with Article 277a(2) for the ~~netting set~~*netting set*; and

…

Article 280c CREDIT RISK CATERGORY ADD-ON

1. For the purposes of paragraph 2, institutions shall establish the relevant credit reference entities of the ~~netting set~~*netting set* in accordance with the following:

…

2. For the purposes of Article 278, institutions shall calculate the credit risk category add-on for a given ~~netting set~~*netting set* as follows:

…

j = the index that denotes all the credit risk *hedging sets* established in accordance with point (c) of Article 277a(1) and with Article 277a(2) for the ~~netting set~~*netting set*; and

…

3. Institutions shall calculate the credit risk category add-on for *hedging set* j as follows:

…

k = the index that denotes the credit reference entities of the ~~netting set~~*netting set* established in accordance with paragraph 1;

…

…

5. Institutions shall calculate the supervisory factor applicable to the credit reference entity k as follows:

…

(i) an institution using the approach referred to in ~~Chapter 3~~the Credit Risk: Internal Ratings Based Approach (CRR) Part shall map the internal rating of the individual issuer to one of the external credit assessments;

(ii) an institution using the approach referred to in the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of *CRR* shall assign $\mathrm{SF}_{k,1}^{\mathrm{Credit}}$ = 0.54% to that credit reference entity; however, where an institution applies Article 128 to risk weight ~~counterparty credit risk~~*counterparty credit risk* exposures to that individual issuer, $\mathrm{SF}_{k,1}^{\mathrm{Credit}}$=1.6% shall be assigned to that credit reference entity;

…

Article 280d EQUITY RISK CATEGORY ADD-ON

1. For the purposes of paragraph 2, institutions shall establish the relevant equity reference entities of the ~~netting set~~*netting set* in accordance with the following:

…

2. For the purposes of Article 278, institutions shall calculate the equity risk category add-on for a given ~~netting set~~*netting set* as follows:

…

j = the index that denotes all the equity risk *hedging sets* established in accordance with point (d) of Article 277a(1) and Article 277a(2) for the ~~netting set~~*netting set*; and

…

3. Institutions shall calculate the equity risk category add-on for *hedging set* j as follows:

…

k = the index that denotes the equity reference entities of the ~~netting set~~*netting set* established in accordance with paragraph 1;

…

…

Article 280e COMMODITY RISK CATEGORY ADD-ON

1. For the purposes of Article 278, institutions shall calculate the commodity risk category add-on for a given ~~netting set~~*netting set* as follows:

…

j = the index that denotes the commodity *hedging sets* established in accordance with point (e) of Article 277a(1) and with Article 277a(2) for the ~~netting set~~*netting set*; and

…

2. For the purpose of calculating the add-on for a commodity *hedging set* of a given ~~netting set~~*netting set* in accordance with paragraph 4, institutions shall establish the relevant commodity reference types of each *hedging set*. Commodity derivative transactions shall be

assigned to the same commodity reference type only where the underlying commodity instrument of those transactions has the same nature, irrespective of the delivery location and quality of the commodity instrument.

…

…

4. Institutions shall calculate the commodity risk category add-on for *hedging set* j as follows:

…

k = the index that denotes the commodity reference types of the ~~netting set~~*netting set* established in accordance with paragraph 2; and

…

…

Article 280f OTHER RISKS CATEGORY ADD-ON

1. For the purposes of Article 278, institutions shall calculate the other risks category add-on for a given ~~netting set~~*netting set* as follows:

…

j = the index that denotes the other risk *hedging sets* established in accordance with point (f) of Article 277a(1) and Article 277a(2) for the ~~netting set~~*netting set*; and

…

SECTION 4 SIMPLIFIED STANDARDISED APPROACH FOR COUNTERPARTY CREDIT RISK

Article 281 CALCULATION OF THE EXPOSURE VALUE

1. Institutions shall calculate a single exposure value at ~~netting set~~*netting set* level in accordance with Section 3, subject to paragraph 2 of this Article.

2. The exposure value of a ~~netting set~~*netting set* shall be calculated in accordance with the following requirements:

(a) institutions shall not apply the treatment referred to in Article 274(6);

(b) by way of derogation from Article 275(1), for ~~netting sets~~*netting sets* that are not referred to in Article 275(2), institutions shall calculate the replacement cost in accordance with the following formula:

…

(c) by way of derogation from Article 275(2), for ~~netting sets~~*netting sets* of transactions: that are traded on a recognised exchange; that are centrally cleared by a central counterparty authorised in accordance with Article 14 of Regulation (EU) No 648/2012 or recognised in accordance with Article 25 of that Regulation; or for which collateral is exchanged bilaterally with the counterparty in accordance with Article 11 of Regulation (EU) No 648/2012, institutions shall calculate the replacement cost in accordance with the following formula:

…

TH = the *margin threshold* applicable to the ~~netting set~~*netting set* under the ~~margin agreement~~*margin agreement* below which the institution cannot call for collateral; and

MTA = the minimum transfer amount applicable to the ~~netting set~~*netting set* under the ~~margin agreement~~*margin agreement*;

(d) by way of derogation from Article 275(3), for multiple ~~netting sets~~*netting sets* that are subject to a ~~margin agreement~~*margin agreement*, institutions shall calculate the replacement cost as the sum of the replacement cost of each individual ~~netting set~~*netting set*, calculated in accordance with paragraph 1 as if they were not margined;

…

(i) the maturity factor referred to in Article 279c(1) shall be calculated as follows:

(i) for transactions included in ~~netting sets~~*netting sets* referred to in Article 275(1), MF = 1;

(ii) for transactions included in ~~netting sets~~*netting sets* referred to in Article 275(2) and (3), MF = 0.42;

…

SECTION 5 ORIGINAL EXPOSURE METHOD

Article 282 CALCULATION OF THE EXPOSURE VALUE

1. Institutions may calculate a single exposure value for all the transactions within a contractual netting agreement where all the conditions set out in Article 274(1) are met. Otherwise, institutions shall calculate an exposure value separately for each transaction, which shall be treated as its own ~~netting set~~*netting set*.

2. The exposure value of a ~~netting set~~*netting set* or a transaction shall be the product of 1.4 times the sum of the current replacement cost and the potential future exposure.

3. The current replacement cost referred to in paragraph 2 shall be calculated as follows:

(a) for ~~netting sets~~*netting sets* of transactions: that are traded on a recognised exchange; centrally cleared by a central counterparty authorised in accordance with Article 14 of Regulation (EU) No 648/2012 or recognised in accordance with Article 25 of that Regulation; or for which collateral is exchanged bilaterally with the counterparty in accordance with Article 11 of Regulation (EU) No 648/2012, institutions shall use the following formula:

…

TH = the *margin threshold* applicable to the ~~netting set~~*netting set* under the ~~margin agreement~~*margin agreement* below which the institution cannot call for collateral; and

MTA = the minimum transfer amount applicable to the ~~netting set~~*netting set* under the ~~margin agreement~~*margin agreement*;

(b) for all other ~~netting sets~~*netting sets* or individual transactions, institutions shall use the following formula:

…

4. Institutions shall calculate the potential future exposure referred to in paragraph 2 as follows:

(a) the potential future exposure of a ~~netting set~~*netting set* is the sum of the potential future exposure of all the transactions included in the ~~netting set~~*netting set*, calculated in accordance with point (b);

…

…

(d) the potential future exposure of ~~netting sets~~*netting sets* referred to in point (a) of paragraph 3 shall be multiplied by 0.42.

…

~~[Note: Articles 283 to 299 remain in the *CRR*]~~

SECTION 6 INTERNAL MODEL METHOD

Article 283 PERMISSION TO USE THE INTERNAL MODEL METHOD

1. An institution that has a *138BA permission* from the *PRA* to disapply the methods set out in Sections 3 to 5 of this Chapter (if otherwise applicable) and to apply the method set out in Section 6 of this Chapter shall use the Internal Model Method (IMM) to calculate the exposure value for any of the following transactions:

   (a) transactions in Article 273(2)(a);

   (b) transactions in Article 273(2)(b), (c) and (d);

   (c) transactions in Article 273(2)(a) to (d),

   to the extent and subject to any modifications set out in the *138BA permission*.

   Where an institution has a *138BA permission* from the *PRA* to disapply the methods set out in Sections 3 to 5 of this Chapter (if otherwise applicable) and uses the IMM to calculate exposure value for any of the transactions mentioned in points (a) to (c) of the first paragraph, it may also be granted a *138BA permission* to use the IMM for the transactions in Article 273(2)(e), and in this case shall calculate the exposure value for those transactions using the IMM.

   Notwithstanding the third subparagraph of Article 273(1), an institution may choose not to apply this method to exposures that are immaterial in size and risk. In such case, an institution shall apply one of the methods set out in Sections 3 to 5 of this Chapter to these exposures where the relevant requirements for each approach are met.

2. [Note: Provision left blank]

3. Institutions that have been granted a *138BA permission* to use the IMM which provides for implementation of the IMM sequentially across different transaction types shall use the methods set out in Sections 3 to 5 of this Chapter (if otherwise applicable) for transaction types for which they do not use the IMM during the period of sequential implementation, as specified in the *138BA permission*.

4. For all OTC derivative transactions, and for *long settlement transactions* (where the exposure value of *long settlement transactions* is determined in accordance with this Chapter) for which an institution has not received a *138BA permission* to disapply the methods set out in Sections 3 to 5 of this Chapter (if otherwise applicable) and use the IMM, the institution shall use the method set out in Section 3 of this Chapter. Those methods may be used in combination on a permanent basis within a group.

5. An institution that has a *138BA permission* to disapply the methods set out in Sections 3 to 5 of this Chapter (if otherwise applicable) and uses the IMM shall not revert to the use of the methods set out in Sections 3 to 5 of this Chapter (if otherwise applicable) unless it has a *138BA permission* from the *PRA* to do so.

6. If an institution ceases to comply with the requirements laid down in this Section (Section 6 of this Chapter), it shall notify the *PRA* and do one of the following:

   (a) present to the *PRA* a plan for a timely return to compliance;

   (b) demonstrate to the *PRA* that the effect of non-compliance is immaterial.

[Note: This rule corresponds to Article 283 of the *CRR* as it applied immediately before its revocation by the *Treasury* except there is no corresponding rule for Article 283(2) of the *CRR*]

Article 284 EXPOSURE VALUE

1. Where an institution has a *138BA permission* to use the IMM to calculate the exposure value of some or all transactions mentioned in Article 283(1), it shall measure the exposure value of those transactions at the level of the *netting set*.

   The model used by the institution for that purpose shall:

   (a) specify the forecasting distribution for changes in the market value of the *netting set* attributable to joint changes in relevant market variables, such as interest rates, foreign exchange rates; and

   (b) calculate the exposure value for the *netting set* at each of the future dates on the basis of the joint changes in the market variables.

2. In order for the model to capture the effects of margining, the model of the collateral value shall meet the quantitative, qualitative and data requirements for the IMM in accordance with this Section and the institution may include in its forecasting distributions for changes in the market value of the *netting set* only eligible financial collateral as referred to in the Credit Risk Mitigation (CRR) Part Articles 197 and 198, and point (d) of Article 299(2) and Article 299A of this Part.

3. The own funds requirement for *counterparty credit risk* with respect to the *CCR* exposures to which an institution applies the IMM, shall be the higher of the following:

   (a) the own funds requirement for those exposures calculated on the basis of *Effective EPE* using current market data;

   (b) the own funds requirement for those exposures calculated on the basis of *Effective EPE* using a single consistent stress calibration for all *CCR* exposures to which they apply the IMM.

4. Except for counterparties identified as having Specific Wrong-way Risk that fall within the scope of Article 291(4) and (5), institutions shall calculate the exposure value as the product of alpha (α) times *Effective EPE*, as follows:

$$Exposure\ value\ =\ \alpha \cdot Effective\ EPE$$

   where:

   $\alpha\ =\ 1.4$, unless otherwise specified in the institution's *138BA permission*

   Effective EPE shall be calculated by estimating *expected exposure* as the average exposure at future date t, where the average is taken across possible future values of relevant market risk factors.

   The model shall estimate *EE* at a series of future dates t1, t2, t3, etc.

5. Institutions shall calculate *Effective EE* recursively as:

$$Effective\ EE_{tk} = \max\{Effective\ EE_{tk-1},\ EE_{tk}\}$$

where:
the current date is denoted as t_0;
Effective EE_{t0} equals *current exposure*.

6. *Effective EPE* is the average *Effective EE* during the first year of future exposure. If all contracts in the *netting set* mature within less than one year, *EPE* shall be the average of *EE* until all contracts in the *netting set* mature. Institutions shall calculate *Effective EPE* as a weighted average of *Effective EE*:

$$Effective\ EPE = \frac{1}{min\{1\ year, maturity\}} \times \sum_{k=1}^{min\{1\ year, maturity\}} Effective\ EE_{tk} \times \Delta t_k$$

where the weights $\Delta t_k = t_k - t_{k-1}$ allow for the case when future exposure is calculated at dates that are not equally spaced over time.

7. Institutions shall calculate *EE* or *peak exposure* measures on the basis of a *distribution of exposures* that accounts for the possible non-normality of the *distribution of exposures*.

8. An institution may use a measure of the distribution calculated by the IMM that is more conservative than α multiplied by *Effective EPE* as calculated in accordance with the equation in paragraph 4 for every counterparty.

9. Notwithstanding paragraph 4, an institution may use their own estimates of alpha if the *PRA* has granted a *138BA permission* to do so. For an institution that has been granted this *138BA permission*:

   (a) alpha shall equal the ratio of internal capital from a full simulation of *CCR* exposure across counterparties (numerator) and internal capital based on *EPE* (denominator);

   (b) in the denominator, *EPE* shall be used as if it were a fixed outstanding amount.

   When estimated in accordance with this paragraph, alpha shall be no lower than 1.2.

10. For the purposes of an estimate of alpha under paragraph 9 where an institution has been granted a *138BA permission* to use own estimates of alpha, an institution shall ensure that the numerator and denominator are calculated in a manner consistent with the modelling methodology, parameter specifications and portfolio composition. The approach used to estimate alpha shall be based on the institution's internal capital approach, be well documented and be subject to independent validation. In addition, an institution shall review its estimates of alpha on at least a quarterly basis, and more frequently when the composition of the portfolio varies over time. An institution shall also assess the model risk.

11. An institution that has been granted a *138BA permission* to use own estimates of alpha, shall ensure that its internal estimates of alpha capture in the numerator material sources of dependency of *distribution of market values* of transactions or of portfolios of transactions across counterparties. Internal estimates of alpha shall take account of the granularity of portfolios.

12. In establishing the estimates in paragraph 9, institutions shall have regard to the significant variation in estimates of alpha that arises from the potential for mis-specification in the models used for the numerator, especially where convexity is present.

13. Institutions shall where appropriate, condition volatilities and correlations of market risk factors used in the joint modelling of market and credit risk on the credit risk factor to reflect potential increases in volatility or correlation in an economic downturn.

[Note: This rule corresponds to Article 284 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 285 EXPOSURE VALUE FOR NETTING SETS SUBJECT TO A MARGIN AGREEMENT

1. If the *netting set* is subject to a *margin agreement* and daily mark-to-market valuation, the institution shall calculate *Effective EPE* as set out in this paragraph. An institution shall use one of the following *Effective EPE* measures:

   (a) *Effective EPE*, calculated without taking into account any collateral held or posted by way of margin plus any collateral that has been posted to the counterparty independent of the daily valuation and margining process or *current exposure*;

   (b) *Effective EPE*, calculated as the potential increase in exposure over the *margin period of risk*, plus the larger of:

      (i) the *current exposure* including all collateral currently held or posted, other than collateral called or in dispute;

      (ii) the largest net exposure, including collateral under the *margin agreement*, that would not trigger a collateral call. This amount shall reflect all applicable thresholds, minimum transfer amounts, independent amounts and initial margins under the *margin agreement*.

   An institution which has a model which captures the effects of margining may, with the *138BA permission* of the *PRA*, use the model's *EE* measure directly in the equation in Article 284(5) instead.

   For the purposes of point (b), institutions shall calculate the add-on as the expected positive change of the mark-to-market value of the transactions during the *margin period of risk*. Changes in the value of collateral shall be reflected using *Financial Collateral Comprehensive Method* in accordance with the Credit Risk Mitigation (CRR) Part, but no collateral payments shall be assumed during the *margin period of risk*. The *margin period of risk* is subject to the minimum periods set out in paragraphs 2 to 5.

2. For transactions subject to daily re-margining and mark-to-market valuation, institutions shall use a *margin period of risk* for the purpose of modelling the exposure value with *margin agreements* of not less than:

   (a) five *business days* for *netting sets* consisting only of repurchase transactions, securities or commodities lending or borrowing transactions and *margin lending transactions*;

   (b) 10 *business days* for all other *netting sets*.

3. Points (a) and (b) of paragraph 2 shall be subject to the following exceptions:

   (a) for all *netting sets* where the number of trades exceeds 5000 at any point during a quarter, the *margin period of risk* for the following quarter shall not be less than 20 *business days*. This exception shall not apply to institutions' trade exposures;

   (b) for *netting sets* containing one or more trades involving either illiquid collateral, or an OTC derivative that cannot be easily replaced, the *margin period of risk* shall not be less than 20 *business days*.

   An institution shall determine whether collateral is illiquid or whether OTC derivatives cannot be easily replaced in the context of stressed market conditions, which shall be characterised by the absence of continuously active markets where a counterparty would, within two days or fewer, obtain multiple price quotations that would not move the market or represent a price reflecting a market discount (in the case of collateral) or premium (in the case of an OTC derivative).

An institution shall consider whether trades or securities it holds as collateral are concentrated in a particular counterparty and if that counterparty exited the market precipitously whether the institution would be able to replace those trades or securities.

4. If an institution has been involved in more than two margin call disputes on a particular *netting set* over the immediately preceding two quarters that have lasted longer than the applicable *margin period of risk* under paragraphs 2 and 3, the institution shall use a *margin period of risk* that is at least double the period specified in paragraphs 2 and 3 for that *netting set* for the subsequent two quarters.

5. For re-margining with a periodicity of N days, the *margin period of risk* shall be at least equal to the period specified in paragraphs 2 and 3, F, plus N days minus one day. That is:

   Margin Period of Risk = $F + N - 1$

6. If the internal model includes the effect of margining on changes in the market value of the *netting set*, an institution shall model collateral, other than cash of the same currency as the exposure itself, jointly with the exposure in its exposure value calculations for OTC derivatives and securities financing transactions.

7. If an institution is not able to model collateral jointly with the exposure, it shall not recognise in its exposure value calculations for OTC derivatives and securities financing transactions the effect of collateral other than cash of the same currency as the exposure itself, unless it uses *Financial Collateral Comprehensive Method* in accordance with the Credit Risk Mitigation (CRR) Part.

8. An institution using the IMM shall ignore in its models the effect of a reduction of the exposure value due to any clause in a collateral agreement that requires receipt of collateral when counterparty credit quality deteriorates.

[Note: This rule corresponds to Article 285 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 286 MANAGEMENT OF CCR – POLICIES, PROCESSES AND SYSTEMS

1. An institution shall establish and maintain a *CCR* management framework, consisting of:

   (a) policies, processes and systems to ensure the identification, measurement, management, approval and internal reporting of *CCR*;

   (b) procedures for ensuring that those policies, processes and systems are complied with.

   Those policies, processes and systems shall be conceptually sound, implemented with integrity and documented. The documentation shall include an explanation of the empirical techniques used to measure *CCR*.

2. The *CCR* management framework required by paragraph 1 shall take account of market, liquidity, and legal and operational risks that are associated with *CCR*. In particular, the framework shall ensure that the institution complies with the following principles:

   (a) it does not undertake business with a counterparty without assessing its creditworthiness;

   (b) it takes due account of settlement and pre-settlement credit risk;

   (c) it manages such risks as comprehensively as practicable at the counterparty level by aggregating *CCR* exposures with other credit exposures and at the firm-wide level.

3. An institution using the IMM shall ensure that its *CCR* management framework accounts for the liquidity risks of all of the following:

(a) potential incoming margin calls in the context of exchanges of variation margin or other margin types, such as initial or independent margin, under adverse market shocks;

(b) potential incoming calls for the return of excess collateral posted by counterparties;

(c) calls resulting from a potential downgrade of its own external credit quality assessment.

An institution shall ensure that the nature and horizon of collateral re-use is consistent with its liquidity needs and does not jeopardise its ability to post or return collateral in a timely manner.

4. An institution's management body and senior management shall be actively involved in, and ensure that adequate resources are allocated to, the management of *CCR*. Senior management shall be aware of the limitations and assumptions of the model used and the impact those limitations and assumptions can have on the reliability of the output through a formal process. Senior management shall be also aware of the uncertainties of the market environment and operational issues and of how these are reflected in the model.

5. The daily reports prepared on an institution's exposures to *CCR* in accordance with Article 287(2)(b) shall be reviewed by a level of management with sufficient seniority and authority to enforce both reductions of positions taken by individual credit managers or traders and reductions in the institution's overall *CCR* exposure.

6. An institution's *CCR* management framework established in accordance with paragraph 1 shall be used in conjunction with internal credit and trading limits. Credit and trading limits shall be related to the institution's risk measurement model in a manner that is consistent over time and that is well understood by credit managers, traders and senior management. An institution shall have a formal process to report breaches of risk limits to the appropriate level of management.

7. An institution's measurement of *CCR* shall include measuring daily and intra-day use of credit lines. The institution shall measure *current exposure* gross and net of collateral. At portfolio and counterparty level, the institution shall calculate and monitor *peak exposure* or potential future exposure at the confidence interval chosen by the institution. The institution shall take account of large or concentrated positions, including by groups of related counterparties, by industry and by market.

8. An institution shall establish and maintain a routine and rigorous program of stress testing. The results of that stress testing shall be reviewed regularly and at least quarterly by senior management and shall be reflected in the *CCR* policies and limits set by the management body or senior management. Where stress tests reveal particular vulnerability to a given set of circumstances, the institution shall take prompt steps to manage those risks.

[Note: This rule corresponds to Article 286 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 287 ORGANISATION STRUCTURES FOR CCR MANAGEMENT

1. An institution using the IMM shall establish and maintain:

(a) a risk control unit that complies with paragraph 2;

(b) a collateral management unit that complies with paragraph 3.

2. The risk control unit shall be responsible for the design and implementation of its *CCR* management, including the initial and on-going validation of the model, and shall carry out the following functions and meet the following requirements:

(a) it shall be responsible for the design and implementation of the *CCR* management system of the institution;

(b) it shall produce daily reports on and analyse the output of the institution's risk measurement model. That analysis shall include an evaluation of the relationship between measures of *CCR* exposure values and trading limits;

(c) it shall control input data integrity and produce and analyse reports on the output of the institution's risk measurement model, including an evaluation of the relationship between measures of risk exposure and credit and trading limits;

(d) it shall be independent from units responsible for originating, renewing or trading exposures and free from undue influence;

(e) it shall be adequately staffed;

(f) it shall report directly to the senior management of the institution;

(g) its work shall be closely integrated into the day-to-day credit risk management process of the institution;

(h) its output shall be an integral part of the process of planning, monitoring and controlling the institution's credit and overall risk profile.

3. The collateral management unit shall carry out the following tasks and functions:

(a) calculating and making margin calls, managing margin call disputes and reporting levels of independent amounts, initial margins and variation margins accurately on a daily basis;

(b) controlling the integrity of the data used to make margin calls, and ensuring that it is consistent and reconciled regularly with all relevant sources of data within the institution;

(c) tracking the extent of re-use of collateral and any amendment of the rights of the institution to or in connection with the collateral that it posts;

(d) reporting to the appropriate level of management the types of collateral assets that are reused, and the terms of such reuse including instrument, credit quality and maturity;

(e) tracking concentration to individual types of collateral assets accepted by the institution;

(f) reporting collateral management information on a regular basis, but at least quarterly, to senior management, including information on the type of collateral received and posted, the size, aging and cause for margin call disputes. That internal reporting shall also reflect trends in these figures.

4. Senior management shall allocate sufficient resources to the collateral management unit required under paragraph 1(b) to ensure that its systems achieve an appropriate level of operational performance, as measured by the timeliness and accuracy of margin calls by the institution and the timeliness of the response of the institution to margin calls by its counterparties. Senior management shall ensure that the unit is adequately staffed to process calls and disputes in a timely manner even under severe market crisis, and to enable the institution to limit its number of large disputes caused by trade volumes.

[Note: This rule corresponds to Article 287 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 288 REVIEW OF CCR MANAGEMENT SYSTEM

An institution shall regularly conduct an independent review of its *CCR* management system through its internal auditing process. That review shall include both the activities of the control and collateral management units required by Article 287 and shall specifically address, as a minimum:

(a) the adequacy of the documentation of the *CCR* management system and process required by Article 286;

(b) the organisation of the *CCR* control unit required by Article 287(1)(a);

(c) the organisation of the collateral management unit required by Article 287(1)(b);

(d) the integration of *CCR* measures into daily risk management;

(e) the approval process for risk pricing models and valuation systems used by front and back-office personnel;

(f) the validation of any significant change in the *CCR* measurement process;

(g) the scope of *CCR* captured by the risk measurement model;

(h) the integrity of the management information system;

(i) the accuracy and completeness of *CCR* data;

(j) the accurate reflection of legal terms in collateral and netting agreements into exposure value measurements;

(k) the verification of the consistency, timeliness and reliability of data sources used to run models, including the independence of such data sources;

(l) the accuracy and appropriateness of volatility and correlation assumptions;

(m) the accuracy of valuation and risk transformation calculations;

(n) the verification of the model's accuracy through frequent back-testing as set out in points (b) to (e) of Article 293(1);

(o) the compliance of the *CCR* control unit and collateral management unit with the relevant regulatory requirements.

[Note: This rule corresponds to Article 288 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 289 USE TEST

1. Institutions shall ensure that the *distribution of exposures* generated by the model used to calculate *Effective EPE* is closely integrated into the day-to-day *CCR* management process of the institution, and that the output of the model is taken into account in the process of credit approval, *CCR* management, internal capital allocation and corporate governance.

2. [Note: Provision left blank]

3. Institutions shall ensure that the model used to generate a *distribution of exposures* to *CCR* is part of the *CCR* management framework required by Article 286. This framework shall include the measurement of usage of credit lines, aggregating *CCR* exposures with other credit exposures and internal capital allocation.

4. In addition to *EPE*, an institution shall measure and manage *current exposures*. Where appropriate, the institution shall measure *current exposure* gross and net of collateral. The use test is satisfied if an institution uses other *CCR* measures, such as *peak exposure*, based on the *distribution of exposures* generated by the same model to compute *EPE*.

5. An institution shall have the systems capability to estimate *EE* daily if necessary to calculate its exposures to *CCR*, unless the institution's *138BA permission* to use IMM provides for less frequent calculation in accordance with the terms of the *138BA permission*. The institution shall estimate *EE* along a time profile of forecasting horizons that adequately reflects the time structure of future cash flows and maturity of the contracts and in a manner that is consistent with the materiality and composition of the exposures.

6. An institution shall measure, monitor and control exposure over the life of all contracts in the *netting set* and not only to the one-year horizon. The institution shall have procedures in place to identify and control the risks for counterparties where the exposure rises beyond the one-year horizon. The forecast increase in exposure shall be an input into the institution's internal capital model.

[Note: This rule corresponds to Article 289 of the *CRR* as it applied immediately before its revocation by the *Treasury* except there is no corresponding rule for Article 289(2) of the *CRR*]

Article 290 STRESS TESTING

1. An institution shall have a comprehensive stress testing programme for *CCR*, including for use in assessment of own funds requirements for *CCR*, which complies with the requirements laid down in paragraphs 2 to 10.

2. It shall identify possible events or future changes in economic conditions that could have unfavourable effects on an institution's credit exposures and assess the institution's ability to withstand such changes.

3. The stress measures under the programme shall be compared against risk limits and considered by the institution as part of the Internal Capital Adequacy Assessment Part 6.1.

4. The programme shall comprehensively capture trades and aggregate exposures across all forms of *counterparty credit risk* at the level of specific counterparties in a sufficient time frame to conduct regular stress testing.

5. It shall provide for at least monthly exposure stress testing of principal market risk factors such as interest rates, FX, equities, credit spreads, and commodity prices for all counterparties of the institution, in order to identify, and enable the institution when necessary to reduce outsized concentrations in specific directional risks. Exposure stress testing - including single factor, multifactor and material non-directional risks - and joint stressing of exposure and creditworthiness shall be performed at the counterparty-specific, counterparty group and aggregate institution-wide *CCR* levels.

6. It shall apply at least quarterly multifactor stress testing scenarios and assess material non-directional risks including yield curve exposure and basis risks. Multiple-factor stress tests shall, at a minimum, address the following scenarios in which the following occurs:

   (a) severe economic or market events have occurred;

   (b) broad market liquidity has decreased significantly;

   (c) a large financial intermediary is liquidating positions.

7. The severity of the shocks of the underlying risk factors shall be consistent with the purpose of the stress test. When evaluating solvency under stress, the shocks of the underlying risk factors shall be sufficiently severe to capture historical extreme market environments and extreme but plausible stressed market conditions. The stress tests shall evaluate the impact of such shocks on own funds, own funds requirements and earnings. For the purpose of day-to-day portfolio monitoring, hedging, and management of concentrations the testing programme shall also consider scenarios of lesser severity and higher probability.

8. The programme shall include provision, where appropriate, for reverse stress tests to identify extreme, but plausible, scenarios that could result in significant adverse outcomes. Reverse stress testing shall account for the impact of material non-linearity in the portfolio.

9. The results of the stress testing under the programme shall be reported regularly, at least on a quarterly basis, to senior management. The reports and analysis of the results shall cover the largest counterparty-level impacts across the portfolio, material concentrations within segments

of the portfolio (within the same industry or region), and relevant portfolio and counterparty specific trends.

10. Senior management shall take a lead role in the integration of stress testing into the risk management framework and risk culture of the institution and ensure that the results are meaningful and used to manage *CCR*. The results of stress testing for significant exposures shall be assessed against guidelines that indicate the institution's risk appetite, and referred to senior management for discussion and action when excessive or concentrated risks are identified.

[Note: This rule corresponds to Article 290 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 291 WRONG-WAY RISK

1. For the purposes of this Article:

   (a) 'General Wrong-way Risk' arises when the likelihood of default by counterparties is positively correlated with general market risk factors;

   (b) 'Specific Wrong-way Risk' arises when future exposure to a specific counterparty is positively correlated with the counterparty's *PD* due to the nature of the transactions with the counterparty. An institution shall be considered to be exposed to Specific Wrong-way Risk if the future exposure to a specific counterparty is expected to be high when the counterparty's probability of a default is also high.

2. An institution shall give due consideration to exposures that give rise to a significant degree of Specific and General Wrong-way Risk.

3. In order to identify General Wrong-way Risk, an institution shall design stress testing and scenario analyses to stress risk factors that are adversely related to counterparty creditworthiness. Such testing shall address the possibility of severe shocks occurring when relationships between risk factors have changed. An institution shall monitor General Wrong-way Risk by product, by region, by industry, or by other categories that are relevant to the business.

4. An institution shall maintain procedures to identify, monitor and control cases of Specific Wrong-way Risk for each legal entity, beginning at the inception of a transaction and continuing through the life of the transaction.

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:

   (a) the instruments where Specific Wrong-way Risk exists shall not be included in the same *netting set* as other transactions with the counterparty, and shall each be treated as a separate *netting set*;

   (b) within any such separate *netting set*, for single-name credit default swaps the exposure value equals the full expected loss in the value of the remaining fair value of the underlying instruments based on the assumption that the underlying issuer is in liquidation;

   (c) *LGD* for an institution using the approach set out in the Credit Risk: Internal Ratings Based Approach (CRR) Part shall be 100% for such swap transactions;

(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*, the applicable risk weight shall be that of an unsecured transaction;

(e) for all other transactions referencing a single name in any such separate *netting set*, the calculation of the exposure value shall be consistent with the assumption of a jump-to-default of those underlying obligations where the issuer is legally connected with the counterparty. For transactions referencing a basket of names or index, the jump-to-default of the respective underlying obligations where the issuer is legally connected with the counterparty shall be applied, if material;

(f) to the extent that this uses existing market risk calculations for own funds requirements for default risk as set out in either the Market Risk: Internal Model Approach (CRR) Part or the Market Risk: Advanced Standardised Approach (CRR) Part that already contain an *LGD* assumption, the *LGD* in the formula used shall be 100%.

6. Institutions shall provide senior management and the appropriate committee of the management body with regular reports on both Specific and General Wrong-way Risks and the steps being taken to manage those risks.

[Note: This rule corresponds to Article 291 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 292 INTEGRITY OF THE MODELLING PROCESS

1. An institution shall ensure the integrity of modelling process as set out in Article 284 by adopting at least the following measures:

(a) the model shall reflect transaction terms and specifications in a timely, complete, and conservative fashion;

(b) those terms shall include at least contract notional amounts, maturity, reference assets, margining arrangements and netting arrangements;

(c) those terms and specifications shall be maintained in a database that is subject to formal and periodic audit;

(d) a process for recognising netting arrangements that requires legal staff to verify that netting under those arrangements is legally enforceable;

(e) the verification required under point (d) shall be entered into the database mentioned in point (c) by an independent unit;

(f) the transmission of transaction terms and specification data to the *EPE* model shall be subject to internal audit;

(g) there shall be processes for formal reconciliation between the model and source data systems to verify on an ongoing basis that transaction terms and specifications are being reflected in *EPE* correctly or at least conservatively.

2. Current market data shall be used to determine *current exposures*. An institution may calibrate its *EPE* model using either historical market data or market implied data to establish parameters of the underlying stochastic processes, such as drift, volatility and correlation. If an institution uses historical data, it shall use at least three years of such data. The data shall be updated at least quarterly, and more frequently if necessary to reflect market conditions.

To calculate the *Effective EPE* using a stress calibration, an institution shall calibrate *Effective EPE* using either three years of data that includes a period of stress to the credit default spreads of its counterparties or market implied data from such a period of stress.

The requirements in paragraphs 3, 4 and 5 shall be applied by the institution for that purpose.

3. An institution shall verify, at least quarterly, that the stress period used for the calculation under this paragraph coincides with a period of increased credit default swap or other credit (such as loan or corporate bond) spreads for a representative selection of its counterparties with traded credit spreads, and shall be able to produce such verification to the *PRA* on request. In situations where the institution does not have adequate credit spread data for a counterparty, it shall map that counterparty to specific credit spread data based on region, internal rating and business types.

4. An institution shall ensure that the *EPE* model for all counterparties shall use data, either historical or implied, that include the data from the stressed credit period and shall use such data in a manner consistent with the method used for the calibration of the *EPE* model to current data.

5. To evaluate the effectiveness of its stress calibration for *Effective EPE*, an institution shall create several benchmark portfolios that are vulnerable to the main risk factors to which the institution is exposed. The exposure to these benchmark portfolios shall be calculated using (a) a stress methodology, based on *current market values* and model parameters calibrated to stressed market conditions, and (b) the exposure generated during the stress period, but applying the method set out in this Section (end of stress period market value, volatilities, and correlations from the three-year stress period).

   An institution must adjust the stress calibration if the exposures of those benchmark portfolios deviate substantially from each other.

6. An institution shall subject the model to a validation process that is clearly articulated in the institutions' policies and procedures. That validation process shall:

   (a) specify the kind of testing needed to ensure model integrity and identify conditions under which the assumptions underlying the model are inappropriate and may therefore result in an understatement of *EPE*;

   (b) include a review of the comprehensiveness of the model.

7. An institution shall monitor the relevant risks and have processes in place to adjust its estimation of *Effective EPE* when those risks become significant. In complying with this paragraph, the institution shall:

   (a) identify and manage its exposures to Specific Wrong-way Risk arising as specified in Article 291(1)(b) and exposures to General Wrong-way Risk arising as specified in Article 291(1)(a);

   (b) for exposures with a rising risk profile after one year, compare on a regular basis the estimate of a relevant measure of exposure over one year with the same exposure measure over the life of the exposure;

   (c) for exposures with a residual maturity below one year, compare on a regular basis the replacement cost (*current exposure*) and the realised exposure profile, and store data that would allow such a comparison.

8. An institution shall have internal procedures to verify that, prior to including a transaction in a *netting set*, the transaction is covered by a legally enforceable netting contract that meets the requirements set out in Section 7 of Chapter 3.

9. An institution that uses collateral to mitigate its *CCR* shall have internal procedures to verify that, prior to recognising the effect of collateral in its calculations, the collateral meets the legal certainty standards set out in the Credit Risk Mitigation (CRR) Part.

[Note: This rule corresponds to Article 292 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 293 REQUIREMENTS FOR THE RISK MANAGEMENT SYSTEM

1. An institution shall comply with the following requirements:

   (a) it shall meet the qualitative requirements set out in the Market Risk: Internal Model Approach (CRR) Part;

   (b) it shall conduct a regular programme of back-testing, comparing the risk measures generated by the model with realised risk measures, and hypothetical changes based on static positions with realised measures;

   (c) it shall carry out an initial validation and an on-going periodic review of its *CCR* exposure model and the risk measures generated by it. The validation and review shall be independent of the model development;

   (d) the management body and senior management shall be involved in the risk control process and shall ensure that adequate resources are devoted to credit and *counterparty credit risk* control. In this regard, the daily reports prepared by the independent risk control unit established in accordance Article 287(1)(a) shall be reviewed by a level of management with sufficient seniority and authority to enforce both reductions of positions taken by individual traders and reductions in the overall risk exposure of the institution;

   (e) the internal risk measurement exposure model shall be integrated into the day-to-day risk management process of the institution;

   (f) the risk measurement system shall be used in conjunction with internal trading and exposure limits. In this regard, exposure limits shall be related to the institution's risk measurement model in a manner that is consistent over time and that is well understood by traders, the credit function and senior management;

   (g) an institution shall ensure that its risk management system is well documented. In particular, it shall maintain a documented set of internal policies, controls and procedures concerning the operation of the risk measurement system, and arrangements to ensure that those policies are complied with;

   (h) an independent review of the risk measurement system shall be carried out regularly in the institution's own internal auditing process. This review shall include both the activities of the business trading units and of the independent risk control unit. A review of the overall risk management process shall take place at regular intervals (and no less than once a year) and shall specifically address, as a minimum, all items referred to in Article 288;

   (i) the on-going validation of *counterparty credit risk* models, including back-testing, shall be reviewed periodically by a level of management with sufficient authority to decide the action that will be taken to address weaknesses in the models.

2. [Note: Provision left blank]

3. An institution shall document the process for initial and on-going validation of its *CCR* exposure model and the calculation of the risk measures generated by the models to a level of detail that would enable a third party to recreate, respectively, the analysis and the risk measures. That documentation shall set out the frequency with which back-testing analysis and any other on-going validation will be conducted, how the validation is conducted with respect to data flows and portfolios and the analyses that are used.

4. An institution shall define criteria with which to assess its *CCR* exposure models and the models that input into the calculation of exposure and maintain a written policy that describes the process by which unacceptable performance will be identified and remedied.

5. An institution shall define how representative counterparty portfolios are constructed for the purposes of validating an *CCR* exposure model and its risk measures.

6. The validation of *CCR* exposure models and their risk measures that produce forecast distributions shall consider more than a single statistic of the forecast distribution.

[Note: This rule corresponds to Article 293 of the *CRR* as it applied immediately before its revocation by the *Treasury* except there is no corresponding rule for Article 293(2) of the *CRR*]

Article 294 VALIDATION REQUIREMENTS

1. As part of the on-going validation of its *CCR* exposure model and its risk measures, an institution shall ensure that the following requirements are met:

   (a) [Note: Provision left blank]

   (b) the institution using the approach set out in Article 285(1)(b) shall regularly validate its model to test whether realised *current exposures* are consistent with prediction over all margin periods within one year. If some of the trades in the *netting set* have a maturity of less than one year, and the *netting set* has higher risk factor sensitivities without these trades, the validation shall take this into account;

   (c) it shall back-test the performance of its *CCR* exposure model and the model's relevant risk measures as well as the market risk factor predictions. For collateralised trades, the prediction time horizons considered shall include those reflecting typical margin periods of risk applied in collateralised or margined trading;

   (d) if the model validation indicates that *Effective EPE* is underestimated, the institution shall take the action necessary to address the inaccuracy of the model;

   (e) it shall test the pricing models used to calculate *CCR* exposure for a given scenario of future shocks to market risk factors as part of the initial and on-going model validation process. Pricing models for options shall account for the nonlinearity of option value with respect to market risk factors;

   (f) the *CCR* exposure model shall capture the transaction-specific information necessary to be able to aggregate exposures at the level of the *netting set*. An institution shall verify that transactions are assigned to the appropriate *netting set* within the model;

   (g) the *CCR* exposure model shall include transaction-specific information to capture the effects of margining. It shall take into account both the current amount of margin and margin that would be passed between counterparties in the future. Such a model shall account for the nature of *margin agreements* that are unilateral or bilateral, the frequency of margin calls, the *margin period of risk*, the minimum threshold of un-margined exposure the institution is willing to accept, and the minimum transfer amount. Such a model shall either estimate the mark-to-market change in the value of collateral posted or apply the rules set out in the Credit Risk Mitigation (CRR) Part;

   (h) the model validation process shall include static, historical back-testing on representative counterparty portfolios. An institution shall conduct such back-testing on a number of representative counterparty portfolios that are actual or hypothetical at regular intervals. Those representative portfolios shall be chosen on the basis of their sensitivity to the material risk factors and combinations of risk factors to which the institution is exposed;

(i) an institution shall conduct back-testing that is designed to test the key assumptions of the *CCR* exposure model and the relevant risk measures, including the modelled relationship between tenors of the same risk factor, and the modelled relationships between risk factors;

(j) the performance of *CCR* exposure models and its risk measures shall be subject to appropriate back-testing practice. The back-testing programme shall be capable of identifying poor performance in an *EPE* model's risk measures;

(k) an institution shall validate its *CCR* exposure models and all risk measures out to time horizons commensurate with the maturity of trades for which exposure is calculated using IMM in accordance to the Article 283;

(l) an institution shall regularly test the pricing models used to calculate counterparty exposure against appropriate independent benchmarks as part of the on-going model validation process;

(m) the on-going validation of an institution's *CCR* exposure model and the relevant risk measures shall include an assessment of the adequacy of the recent performance;

(n) the frequency with which the parameters of an *CCR* exposure model are updated shall be assessed by an institution as part of the initial and on-going validation process;

(o) the initial and on-going validation of *CCR* exposure models shall assess whether or not the counterparty level and *netting set* exposure calculations of exposure are appropriate.

2. An institution may use a measure that is more conservative than the metric used to calculate regulatory exposure value for every counterparty in place of alpha multiplied by *Effective EPE*, if the *PRA* has granted a *138BA permission* to use IMM. The degree of relative conservatism will be assessed at the regular supervisory reviews of the *EPE* models. An institution that has been granted a *138BA permission* shall validate the conservatism regularly, and on-going assessment of model performance shall cover all counterparties for which the models are used.

3. [Note: Provision left blank]

[Note: This rule corresponds to Article 294 of the *CRR* as it applied immediately before its revocation by the *Treasury* except there is no corresponding rule for Article 294(1)(a) and Article 294(3) of the *CRR*]

SECTION 7 CONTRACTUAL NETTING

Article 295 RECOGNITION OF CONTRACTUAL NETTING AS RISK-REDUCING

Institutions may treat as risk reducing in accordance with Article 298 only the following types of contractual netting agreements where the institution meets the requirements set out in paragraphs 2 and 3 of Article 296 and Article 297:

(a) bilateral contracts for novation between an institution and its counterparty under which mutual claims and obligations are automatically amalgamated in such a way that the novation fixes one single net amount each time it applies so as to create a single new contract that replaces all former contracts and all obligations between parties pursuant to those contracts and is binding on the parties;

(b) other bilateral agreements between an institution and its counterparty;

(c) *contractual cross product netting agreements* for institutions that have received a *138BA permission* to disapply the methods set out in Sections 3 to 5 of this Chapter (if otherwise applicable) and use the method set out in Section 6 of Chapter 3 for transactions falling under the scope of that method.

Netting across transactions entered into by different legal entities of a group shall not be recognised for the purposes of calculating the own funds requirements.

[Note: This rule corresponds to Article 295 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 296 RECOGNITION OF CONTRACTUAL NETTING AGREEMENTS

1. [Note: Provision left blank]

2. An institution shall not use a contractual netting agreement for determining exposure values in this Part, unless it meets the following requirements:

   (a) the institution has concluded a contractual netting agreement with its counterparty which creates a single legal obligation, covering all included transactions, such that, in the event of default by the counterparty it would be entitled to receive or obliged to pay only the net sum of the positive and negative mark-to-market values of included individual transactions;

   (b) the institution has written and reasoned legal opinions to the effect that, in the event of a legal challenge of the netting agreement, the institution's claims and obligations would not exceed those referred to in point (a), and the institution must be able to make available these legal opinions upon request by the *PRA*. The legal opinion shall refer to the applicable law of:

      (i) the jurisdiction in which the counterparty is incorporated;

      (ii) if a branch of an undertaking is involved, which is located in a country other than that where the undertaking is incorporated, the jurisdiction in which the branch is located;

      (iii) the jurisdiction whose law governs the individual transactions included in the netting agreement;

      (iv) the jurisdiction whose law governs any contract or agreement necessary to effect the contractual netting;

   (c) credit risk to each counterparty is aggregated to arrive at a single legal exposure across transactions with each counterparty. This aggregation shall be factored into credit limit purposes and internal capital purposes;

   (d) the contract shall not contain any clause which, in the event of default of a counterparty, permits a non-defaulting counterparty to make limited payments only, or no payments at all, to the estate of the defaulting party, even if the defaulting party is a net creditor (i.e. walk-away clause).

   If an institution is unable to obtain sufficiently robust and reasoned legal opinions establishing that contractual netting is legally valid and enforceable under the law of each of the jurisdictions referred to in point (b) the contractual netting agreement shall not be recognised as risk-reducing for either of the counterparties.

3. The legal opinions referred to in point (b) may be drawn up by reference to types of contractual netting. The following additional conditions shall be fulfilled by *contractual cross product netting agreements*:

   (a) the net sum referred to in point (a) of paragraph 2 is the net sum of the positive and negative close out values of any included individual bilateral master agreement and of the positive and negative mark-to-market value of the individual transactions (the 'cross-product net amount');

   (b) the legal opinions referred to in point (b) of paragraph 2 shall address the validity and enforceability of the entire *contractual cross product netting agreement* under its terms and

the impact of the netting arrangement on the material provisions of any included individual bilateral master agreement.

[Note: This rule corresponds to Article 296 of the *CRR* as it applied immediately before its revocation by the *Treasury* except there is no corresponding rule for Article 296(1) of the *CRR*]

Article 297 OBLIGATIONS OF INSTITUTIONS

1. An institution shall establish and maintain procedures to ensure that the legal validity and enforceability of its contractual netting is reviewed in the light of changes in the law of relevant jurisdictions referred to in Article 296(2)(b).

2. The institution shall maintain all required documentation relating to its contractual netting in its files.

3. The institution shall factor the effects of netting into its measurement of each counterparty's aggregate credit risk exposure and the institution shall manage its *CCR* on the basis of those effects of that measurement.

4. In the case of *contractual cross product netting agreements* referred to in Article 295, the institution shall maintain procedures under Article 296(2)(c) to verify that any transaction which is to be included in a *netting set* is covered by a legal opinion referred to in Article 296(2)(b).

   Taking into account the *contractual cross product netting agreement*, the institution shall continue to comply with the requirements for the recognition of bilateral netting and the requirements of the Credit Risk Mitigation (CRR) Part for the recognition of credit risk mitigation, as applicable, with respect to each included individual bilateral master agreement and transaction.

[Note: This rule corresponds to Article 297 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 298 EFFECTS OF RECOGNITION OF NETTING AS RISK-REDUCING

Netting for the purposes of Sections 3 to 6 of this Chapter shall be recognised as set out in those Sections.

[Note: This rule corresponds to Article 298 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

SECTION 8 ITEMS IN THE TRADING BOOK

Article 299 ITEMS IN THE TRADING BOOK

1. For the purposes of the application of this Article, Annex 1 of Chapter 3 of this Part shall include a reference to derivative instruments for the transfer of credit risk as mentioned in paragraph 8 of Part 1 of Schedule 2 to the *Regulated Activities Order*.

2. When calculating risk-weighted exposure amounts for counterparty risk of items in the trading book, institutions shall comply with the following principles:

   (a) [Note: Provision left blank]

   (b) institutions shall not use the *Financial Collateral Simple Method* set out in Credit Risk Mitigation (CRR) Part Article 222 for the recognition of the effects of financial collateral;

   (c) [Note: Provision left blank]

   (d) for exposures arising from OTC derivative instruments booked in the trading book, institutions may recognise commodities that are eligible to be included in the trading book

as eligible collateral provided that the requirements in paragraphs (a) to (c) of Article 299A are met;

(e) for the purposes of calculating volatility adjustments where financial instruments or commodities which are not eligible under the Credit Risk Mitigation (CRR) Part are lent, sold or provided, or borrowed, purchased or received by way of collateral or otherwise under such a transaction, and an institution is using the *Financial Collateral Comprehensive Method* in accordance with the Credit Risk Mitigation (CRR) Part, institutions shall treat such instruments and commodities in the same way as non-main index equities listed on a recognised exchange;

(f) where an institution has permission to use the SFT VaR Method defined in the Credit Risk Mitigation (CRR) Part 1.2, it may also apply that approach in the trading book;

(g) in relation to the recognition of master netting agreements covering repurchase transactions, securities or commodities lending or borrowing transactions, or other capital market-driven transactions, institutions shall only recognise netting across positions in the trading book and the non-trading book when the netted transactions fulfil the following conditions:

(i) all transactions are marked to market daily;

(ii) any items borrowed, purchased or received under the transactions may be recognised as eligible financial collateral under the Credit Risk Mitigation (CRR) Part without the application of points (d) to (f) of this paragraph;

(h) where a credit derivative included in the trading book forms part of an internal hedge and the credit protection is recognised in accordance with the Credit Risk Mitigation (CRR) Part Article 204, institutions shall apply one of the following approaches:

(i) treat it as if there were no counterparty risk arising from the position in that credit derivative;

(ii) consistently include for the purpose of calculating the own funds requirements for *counterparty credit risk* all credit derivatives in the trading book forming part of internal hedges or purchased as protection against a *CCR* exposure where the credit protection is recognised as eligible under the Credit Risk Mitigation (CRR) Part.

[Note: This rule corresponds to Article 299 (except for Article 299(2)(c)) of the *CRR* as it applied immediately before its revocation by the *Treasury*]

…

Article 301 MATERIAL SCOPE

1. This Section applies to the following contracts and transactions, for as long as they are outstanding with a CCP:

(a) the derivative contracts listed in Annex ~~II~~1 ~~of the *CRR*~~of this Part and credit derivatives;

(b) securities financing transactions and *fully guaranteed deposit lending or borrowing transactions*; and

(c) ~~long settlement transactions~~*long settlement transactions*.

…

Article 304 TREATMENT OF CLEARING MEMBERS' EXPOSURES TO CLIENTS

1. An institution that acts as a *clearing member* and, in that capacity, acts as a financial intermediary between a *client* and a CCP shall calculate the own funds requirements for its

CCP-related transactions with that *client* in accordance with Sections 1 to 8 of this Chapter~~,~~ ~~with Section 4 of Chapter 4 of this Title and with Title VI~~ and the Credit Risk Mitigation (CRR) Part and the Credit Valuation Adjustment Risk Part, as applicable.

…

3. Where an institution that acts as a *clearing member* uses the methods set out in Section 3 or 6 of this Chapter to calculate the own funds requirement for its exposures, the following provisions shall apply:

   (a) by way of derogation from Article 285(2), the institution may use a ~~margin period of risk~~ *margin period of risk* of at least five ~~business days~~*business days* for its exposures to a *client*;

   (b) the institution shall apply a ~~margin period of risk~~*margin period of risk* of at least 10 *business days* for its exposures to a CCP;

   (c) by way of derogation from Article 285(3), where a ~~netting set~~*netting set* included in the calculation meets the condition set out in point (a) of that paragraph, the institution may disregard the limit set out in that point, provided that the ~~netting set~~*netting set* does not meet the condition set out in point (b) of that paragraph and does not contain disputed trades or exotic options;

   (d) where a CCP retains variation margin against a transaction, and the institution's collateral is not protected against the insolvency of the CCP, the institution shall apply a ~~margin period of risk~~*margin period of risk* that is the lower of one year and the remaining maturity of the transaction, with a floor of 10 *business days*.

…

Article 305 TREATMENT OF CLIENTS' EXPOSURES

1. An institution that is a *client* shall calculate the own funds requirements for its *CCP-related transactions* with its *clearing member* in accordance with Sections 1 to 8 of this Chapter, ~~with Section 4 of Chapter 4 of this Title and with Title VI~~ the Credit Risk Mitigation (CRR) Part and the Credit Valuation Adjustment Risk Part, as applicable.

2. …

   (b) laws, regulations, rules and contractual arrangements applicable to or binding that institution or the CCP facilitate the transfer of the *client's* positions relating to those contracts and transactions and of the corresponding collateral to another *clearing member* within the applicable ~~margin period of risk~~*margin period of risk* in the event of default or insolvency of the original *clearing member*. In such circumstance, the *client's* positions and the collateral shall be transferred at market value unless the *client* requests to close out the position at market value;

   …

…

Article 306 OWN FUNDS REQUIREMENTS FOR TRADE EXPOSURES

…

2. By way of derogation from paragraph 1, where assets posted as collateral to a CCP or a *clearing member* are *bankruptcy remote* in the event that the CCP, the *clearing member* or one or more of the other clients of the *clearing member* becomes insolvent, an institution may attribute an exposure value of zero to the ~~counterparty credit risk~~*counterparty credit risk* exposures for those assets.

3. An institution shall calculate exposure values of its trade exposures with a CCP in accordance with Sections 1 to 8 of this Chapter and with ~~Section 4 of Chapter 4~~the Credit Risk Mitigation (CRR) Part, as applicable.

…

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~~*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*.

Annex 1 of Chapter 3

Types of derivatives

1. Interest-rate contracts:

(a) single-currency interest rate swaps;

(b) basis-swaps;

(c) forward rate agreements;

(d) interest-rate futures;

(e) interest-rate options;

(f) other contracts of similar nature.

2. Foreign-exchange contracts and contracts concerning gold:

(a) cross-currency interest-rate swaps;

(b) forward foreign-exchange contracts;

(c) currency futures;

(d) currency options;

(e) other contracts of a similar nature;

(f) contracts of a nature similar to (a) to (e) concerning gold.

3. Contracts of a nature similar to those in points 1(a) to (e) and 2(a) to (d) of this Annex concerning other reference items or indices. This includes as a minimum all instruments specified in paragraphs 4 to 7, 9, 10 and 11 of Part 1 of Schedule 2 to the *Regulated Activities Order* not otherwise included in point 1 or 2 of this Annex.

[Note: This Annex corresponds to Annex II of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Annex F

Settlement Risk (CRR) Part

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

Part

SETTLEMENT RISK (CRR)

1. **APPLICATION**
2. **LEVEL OF APPLICATION**
3. **OWN FUNDS REQUIREMENTS FOR SETTLEMENT RISK (PART THREE, TITLE V, CRR)**

ARTICLE 378 SETTLEMENT/DELIVERY RISK
ARTICLE 379 FREE DELIVERIES
ARTICLE 380 OWN FUNDS REQUIREMENTS IN THE EVENT OF A SYSTEM WIDE FAILURE

1 APPLICATION

1.1 This Part applies to:

(a) a *firm* that is a *CRR firm*; and

(b) a *CRR consolidation entity*.

2 LEVEL OF APPLICATION

2.1 A *firm* to which this Part applies shall comply with this Part on an *individual basis*.

2.2 A *CRR consolidation entity* must comply with this Part on a *consolidated basis*.

2.3 An institution or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

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

Article 378 SETTLEMENT/DELIVERY RISK

In the case of transactions in which debt instruments, equities, foreign currencies and commodities excluding repurchase transactions and securities or commodities lending and securities or commodities borrowing are unsettled after their due delivery dates, an institution shall calculate the price difference to which it is exposed.

The price difference is calculated as the difference between the agreed settlement price for the debt instrument, equity, foreign currency or commodity in question and its current market value, where the difference could involve a loss for the credit institution.

The institution shall multiply that price difference by the appropriate factor in the right column of the following Table 1 in order to calculate the institution's own funds requirement for settlement risk.

Table 1

Number of working days after due settlement date	(%)
5 - 15	8
16 - 30	50
31 - 45	75
46 or more	100

[Note: This rule corresponds to Article 378 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 379 FREE DELIVERIES

1. An institution shall be required to hold own funds, as set out in Table 2, where the following occurs:

(a) it has paid for securities, foreign currencies or commodities before receiving them or it has delivered securities, foreign currencies or commodities before receiving payment for them;

(b) in the case of cross-border transactions, one day or more has elapsed since it made that payment or delivery.

Table 2 Capital treatment for free deliveries

Column 1	Column 2	Column 3	Column 4
Transaction Type	Up to first contractual payment or delivery leg	From first contractual payment or delivery leg up to four days after second contractual payment or delivery leg	From five *business days* post second contractual payment or delivery leg until extinction of the transaction
Free delivery	No capital charge	Treat as an exposure	Treat as an exposure risk weighted at 1250%

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* 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.

3. As an alternative to applying a risk weight of 1250% to free delivery exposures according to Column 4 of Table 2 in paragraph 1, institutions may deduct the value transferred plus the current positive exposure of those exposures from Common Equity Tier 1 items in accordance with the Own Funds (CRR) Part Article 36(1)(k).

[Note: This rule corresponds to Article 379 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Article 380 OWN FUNDS REQUIREMENTS IN THE EVENT OF A SYSTEM WIDE FAILURE

Where a system wide failure of a settlement system, a clearing system or a CCP occurs, the own funds requirements calculated as set out in Articles 378 and 379 do not apply until the situation is rectified. In this case, the failure of a counterparty to settle a trade shall not be deemed a default for purposes of credit risk.

[Note: This rule corresponds to Article 380 of the *CRR* as it applied immediately before its revocation by the *Treasury*]

Annex G

Amendments to the Credit Risk Part

This Part is deleted.

Part

CREDIT RISK [DELETED]

This Part has been deleted in its entirety.

Annex H

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

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

…

2 LEVEL OF APPLICATION

~~Application of requirements on an individual basis~~

2.1 ~~An institution shall~~A *firm* must comply with this Part on an ~~individual basis~~*individual basis*.

~~[Note: Rule 2.1 sets out an equivalent provision to Article 6(1) of *CRR* that applies to this Part]~~

2.2 ~~Where an institution has been given permission under Article 9(1) of *CRR* it shall incorporate relevant subsidiaries in the calculation undertaken to comply with 2.1.~~ A *CRR consolidation entity* must comply with this Part on a *consolidated basis*.

~~[Note: Rule 2.2 applies Article 9(1) of *CRR* to this Part where a permission under that Article has been given]~~

~~Application of requirements on a consolidated basis~~

2.3 ~~A *CRR consolidation entity* shall comply with this Part on the basis of its consolidated situation.~~A *firm* or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

~~[Note: Rule 2.3 sets out an equivalent provision to the first sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.4 ~~For the purposes of applying this Part on a consolidated basis, the terms 'institution' and 'UK parent institution' shall include a *CRR consolidation entity* (if it would not otherwise have been included).~~[Deleted]

~~[Note: Rule 2.4 sets out an equivalent provision to the first sub-paragraph of Article 11(2) of *CRR* that applies to this Part]~~

2.5 ~~The expression 'consolidated situation' applies for the purposes of this Part as it does for the purposes of Parts Two and Three of *CRR*.~~[Deleted]

~~[Note: The term 'consolidated situation' is defined in Article 4(1)(47) of *CRR*]~~

~~Application of requirements on a sub-consolidated basis~~

2.6 ~~An institution that is required to comply with Parts Two and Three of *CRR* on a sub-consolidated basis, shall comply with this Part on the same basis.~~[Deleted]

~~[Note: This rule sets out an equivalent provision to Article 11(6) of *CRR* that applies to this Part]~~

~~Organisational structure and control mechanisms~~

2.7 ~~A *CRR consolidation entity* and an institution shall set up a proper organisational structure and appropriate internal control mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.~~[Deleted]

~~[Note: Rule 2.7 sets out an equivalent provision to the second sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.8 ~~A *CRR consolidation entity* and an institution shall ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.~~[Deleted]

~~[Note: Rule 2.8 sets out an equivalent provision to the third sentence of Article 11(1) of *CRR* that applies to this Part]~~

3 CREDIT RISK GENERAL PROVISIONS

…

Article 109 TREATMENT OF SECURITISATION POSITIONS

Institutions shall calculate the risk-weighted exposure amount for a position they hold in a *securitisation* in accordance with the Securitisation (CRR) Part.

[This rule corresponds to Article 109 of the *CRR* as it applied immediately before revocation by the *Treasury*]

~~[Note: Provision not in *PRA* Rulebook]~~

Article 110 TREATMENT OF CREDIT RISK ADJUSTMENTS

…

3. Institutions using the *IRB Approach* that apply the *Standardised Approach* for a part of their exposures on a ~~consolidated~~*consolidated basis* or ~~individual basis~~*individual basis*, in accordance with Credit Risk: Internal Ratings Based Approach (CRR) Part Articles 148 and 150 shall determine the part of general credit risk adjustments that shall be assigned to the treatment of general credit risk adjustments under the *Standardised Approach* and to the treatment of general credit risk adjustments under the *IRB Approach* as follows:

   …

…

Annex I

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

…

group credit risk risk-weighted exposure amount

means the sum of points (a) and (f) of paragraph 3 of Required Level of Own Funds (CRR) Part Article 92 on a ~~consolidated basis~~*consolidated basis* where the institution is a member of a *consolidation group* and measured on an ~~individual basis~~*individual basis* otherwise.

…

…

2 LEVEL OF APPLICATION

~~**Application of requirements on an individual basis**~~

2.1 ~~An institution to which this Part applies shall~~ Subject to Rule 2.1A a *firm* must comply with this Part on an ~~individual basis~~*individual basis*.

~~[Note: Rule 2.1 sets out an equivalent provision to Article 6(1) of *CRR* that applies to this Part]~~

2.1A Where a *UK parent institution* and its *subsidiaries*, the *subsidiaries* of a UK parent financial holding company or a UK parent mixed financial holding company use the *IRB Approach* on a unified basis, the requirements set out in Articles 169 to 191 may be complied with by such parent and its *subsidiaries* considered together in a way that is consistent with the structure of the relevant group and its risk management systems, processes and methodologies.

[Note: This rule corresponds to Article 20(6) of the *CRR* as it applied immediately before revocation by the *Treasury*]

2.2 ~~Where an institution has been given permission under Article 9(1) of *CRR* it shall incorporate relevant subsidiaries in the calculation undertaken to comply with 2.1.~~A *CRR consolidation entity* must comply with this Part on a *consolidated basis*.

~~[Note: Rule 2.2 applies Article 9(1) of *CRR* to this Part where a permission under that Article has been given]~~

~~**Application of requirements on a consolidated basis**~~

2.3 ~~A *CRR consolidation entity* shall comply with this Part on the basis of its consolidated situation.~~A *firm* or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

~~[Note: Rule 2.3 sets out an equivalent provision to the first sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.4 ~~For the purposes of applying this Part on a consolidated basis, the terms 'institution' and 'UK parent institution' shall include a *CRR consolidation entity* (if it would not otherwise have been included).~~[Deleted]

2.5 ~~The expression 'consolidated situation' applies for the same purposes as it does for the purposes of Part Two and Three of *CRR*.~~[Deleted]

~~[Note: The term 'consolidated situation' is defined in Article 4(1)(47) of *CRR*]~~

~~Application of requirements on a sub-consolidated basis~~

2.6 ~~An institution to which this Part applies that is required to comply with Part Two and Part Three of *CRR* on a sub-consolidated basis, shall comply with this Part on the same basis.~~[Deleted]

~~[Note: Rule 2.6 sets out an equivalent provision to Article 11(6) of *CRR* that applies to this Part]~~

~~Organisational Structure and Control Mechanisms~~

2.7 ~~A *CRR consolidation entity* and an institution shall set up a proper organisational structure and appropriate internal control mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.~~[Deleted]

~~[Note: Rule 2.7 sets out an equivalent provision to the second sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.8 ~~A *CRR consolidation entity* and an institution shall ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.~~[Deleted]

~~[Note: Rule 2.8 sets out an equivalent provision to the third sentence of Article 11(1) of *CRR* that applies to this Part]~~

…

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

SECTION 1 PERMISSION BY THE PRA TO USE THE IRB APPROACH

…

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:

   (a) the aggregate amount of risk-weighted exposure amounts calculated using the *Overseas Model Approach* is no more than 7.5% of the *group credit risk risk-weighted exposure amounts* and the aggregate exposure value using the *Overseas Model Approach* is no more than 7.5% of the group's total exposure value, as calculated by the institution on a ~~consolidated basis~~*consolidated basis* and prior to the application of the *output floor*;

   …

…

Article 143C RATING SYSTEMS: MATERIAL CHANGES TO THE IRB APPROACH

1. For the purposes of Article 143(3), changes to the *IRB Approach* shall be considered material if they fulfil any of the following conditions:

   (a) they fall under any of the changes to the range of application of a *rating system* described in Appendix 2, Part 1, Section 1;

   (b) they fall under any changes to the *rating systems* described in Appendix 2, Part 2, Section 1;

   (c) the change results in the institution's risk-weighted exposure amounts:

      (i) decreasing by 1.5% or more for either of the following:

         (1) on a ~~consolidated basis~~*consolidated basis*, the overall *UK* parent institution's risk-weighted exposure amounts for credit and dilution risk;

         (2) the overall risk-weighted exposure amounts for credit and dilution risk in the case of an institution which is neither a parent institution, nor a subsidiary;

      (ii) decreasing by 15% or more of the risk-weighted exposure amounts for credit and dilution risk associated with the range of application of the *rating system*.

…

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):

   (a) exposures to institutions, 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;

   (b) exposures to financial institutions treated as exposures to institutions in accordance with ~~Article 119(5) of *CRR*~~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.

…

Article 147A TREATMENT BY EXPOSURE CLASS AND EXPOSURE SUBCLASS

1. An institution shall, for the purpose of calculating the own funds requirement for credit risk, for exposures assigned to the *exposure class* or *exposure subclass*, as the case may be, set out in this Article, use the following specified approaches:

   …

   (j) for point (f) of Article 147(2) (items representing securitisation positions), the approach set out in ~~Chapter 5 of Title II of Part Three of *CRR*;~~the Securitisation (CRR) Part;

…

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 ~~Chapter 5 of Title II of Part Three of *CRR*~~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:

…

(b) for exposures assigned to the items representing securitisation positions *exposure class* referred to in point (f) of Article 147(2), the institution shall apply the treatment set out in ~~Article 254 of *CRR*~~Securitisation (CRR) Part Article 254 as if those exposures were directly held by the institution;

…

…

SUB-SECTION 2 CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS FOR CREDIT RISK

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

…

7.

(a) For purchased corporate receivables, refundable purchase price discounts, collaterals or partial guarantees that provide first loss protection for default losses, dilution losses, or both, may be treated as a first loss protection by an institution that is the purchaser of the receivables or by the beneficiary of the collateral or of the partial guarantee in accordance with ~~Sub-sections 2 and 3 of Section 3 of Chapter 5 of Title II of Part Three of *CRR*.~~Securitisation (CRR) Part Articles 254 to 266.

(b) An institution that is the seller providing the refundable purchase price discount or the provider of a collateral or a partial guarantee shall treat those as an exposure to a first loss position in accordance with ~~Sub-sections 2 and 3 of Section 3 of Chapter 5 of Title II of Part Three of *CRR*.~~Securitisation (CRR) Part Articles 254 to 266.

…

Article 154 RISK-WEIGHTED EXPOSURE AMOUNTS FOR RETAIL EXPOSURES

…

6. An institution may, for purchased retail receivables, if the institution is the purchaser of the receivables or the beneficiary of collateral or of a partial guarantee, treat refundable purchase price discounts, collaterals or partial guarantees that provide first loss protection for default losses, dilution losses, or both, as a first loss protection in accordance with ~~Sub-sections 2 and 3 of Section 3 of Chapter 5 of Title II of Part Three of *CRR*.~~Securitisation (CRR) Part Articles 254 to 266. An institution that is the seller providing the refundable purchase price discount or the provider of a collateral or a partial guarantee shall treat those as an exposure to a first loss position in accordance with ~~Sub-sections 2 and 3 of Section 3 of Chapter 5 of Title II of Part Three of *CRR*.~~Securitisation (CRR) Part Articles 254 to 266.

…

Article 158 TREATMENT BY EXPOSURE TYPE

…

2. An institution shall calculate the expected loss amounts for securitised exposures in accordance with ~~Chapter 5 of Title II of Part Three of *CRR*.~~the Securitisation (CRR) Part.

…

Article 162 MATURITY: CORPORATES AND INSTITUTIONS

…

2A.

…

(c) for exposures arising from fully or nearly-fully collateralised derivative instruments listed in ~~Annex II of *CRR*~~Annex 1 of Chapter 3 of the Counterparty Credit Risk (CRR) Part and fully or nearly-fully collateralised margin lending transactions which are subject to a master netting agreement, where the documentation:

…

(g) for an institution using the Internal Model Method set out in ~~Section 6 of Chapter 6 of Title II of Part Three of *CRR*~~Section 6 of Chapter 3 of the Counterparty Credit Risk (CRR) Part to calculate the exposure values, M shall be calculated for exposures to which it applies this method, and for which the maturity of the longest-dated contract contained in the netting set is greater than one year, in accordance with the following formula:

…

(h) an institution that uses an internal model to calculate a one-sided *CVA* and that uses the Internal Model Method set out in ~~Section 6 of Chapter 6 of Title II of Part Three of *CRR*~~Section 6 of Chapter 3 of the Counterparty Credit Risk (CRR) Part to calculate the exposure values, may, as an alternative to point (g) and subject to the prior permission of the *PRA*, use the effective credit duration estimated by the internal model as M.

…

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:

(a) fully or nearly-fully collateralised derivative instruments listed in ~~Annex II of *CRR*;~~ Annex 1 of Chapter 3 of the Counterparty Credit Risk (CRR) Part;

…

…

Article 166B EXPOSURE VALUE FOR CORPORATES, INSTITUTIONS AND RETAIL: COUNTERPARTY CREDIT RISK

1. An institution that takes into account credit risk mitigation techniques in calculating the exposure value of securities financing transactions and long settlement transactions shall calculate such exposure value consistently with Credit Risk Mitigation (CRR) Part Article 191A in accordance with either ~~Chapter 6 of Title II of Part Three of *CRR* and~~ Chapter 3 of ~~Counterparty Credit Risk (CRR) Part~~the Counterparty Credit Risk (CRR) Part~~,~~ or Chapter 3 of Credit Risk Mitigation (CRR) Part; provided that where the institution takes into account a master netting agreement in relation to a set of securities financing transactions, it shall calculate the exposure value for all transactions covered by that master netting agreement as a single exposure value at netting set level

2. In the case of any contract listed in ~~Annex II of *CRR*~~,Annex 1 of Chapter 3 of the Counterparty Credit Risk (CRR) Part, the exposure value shall be determined by the methods set out in ~~Chapter 6 of Title II of Part Three of *CRR*~~the Counterparty Credit Risk (CRR) Part ~~and Sections 3 to 5 of Chapter 3 of Counterparty Credit Risk (CRR) Part~~ and shall not take into account any credit risk adjustment made.

3. Unless otherwise determined by paragraph 1, where an exposure takes the form of securities or commodities sold, posted or lent under securities financing transactions or long settlement transactions, the institution shall use the exposure value of the securities or commodities determined in accordance with Groups Part Article 24~~ of *CRR*~~. The institution shall, where it uses the *Financial Collateral Comprehensive Method*, increase such exposure value by the volatility adjustment appropriate to such securities or commodities, as prescribed in Credit Risk Mitigation (CRR) Part Articles 223 to 224.

…

Annex J

Amendments to the Credit Risk Mitigation (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:

…

IMM

means the internal model method set out in ~~Articles 283 to 294 of *CRR*.~~Section 6 of Chapter 3 of the Counterparty Credit Risk (CRR) Part.

IMM Permission

means a permission granted to an institution in accordance with ~~Article 283 of *CRR*.~~Counterparty Credit Risk (CRR) Part Article 283.

…

~~*margin period of risk*~~

~~has the meaning given in Article 272(9) of *CRR*.~~

…

2 LEVEL OF APPLICATION

~~**Application of requirements on an individual basis**~~

2.1 ~~An institution to which this Part applies shall~~A *firm* must comply with this Part on an ~~individual basis~~*individual basis*.

~~[Note: Rule 2.1 sets out an equivalent provision to Article 6(1) of *CRR* that applies to this Part]~~

2.2 ~~Where an institution has been given permission under paragraph 1 of Article 9 of *CRR* it shall incorporate relevant subsidiaries in the calculation undertaken to comply with rule 2.1.~~A *CRR consolidation entity* must comply with this Part on a *consolidated basis*.

~~[Note: Rule 2.2 applies paragraph 1 of Article 9 of *CRR* to this Part where a permission under that Article has been given]~~

~~**Application of requirements on a consolidated basis**~~

2.3 ~~A *CRR consolidation entity* to which this Part applies shall comply with this Part on the basis of its consolidated situation.~~A *firm* or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

~~[Note: Rule 2.3 sets out an equivalent provision to the first sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.4 ~~For the purposes of applying this Part on a consolidated basis, the terms 'institution' and 'UK parent institution' shall include a *CRR consolidation entity* (if it would not otherwise have been included).~~[Deleted]

~~[Note: Rule 2.4 sets out an equivalent provision to the first sub-paragraph of Article 11(2) of *CRR* that applies to this Part]~~

2.5 ~~The expression 'consolidated situation' applies for the purposes of this Part as it does for the purposes of Parts Two and Three of *CRR*.~~[Deleted]

~~[Note: The term 'consolidated situation' is defined in point 47 of Article 4(1) of *CRR*]~~

~~Application of requirements on a sub-consolidated basis~~

2.6 ~~An institution to which this Part applies that is required to comply with Part Two (Own Funds and Eligible Liabilities) and Part Three (Capital Requirements) of *CRR* on a sub-consolidated basis, shall comply with this Part on the same basis.~~[Deleted]

~~[Note: This rule sets out an equivalent provision to Article 11(6) of *CRR* that applies to this Part]~~

~~Organisational Structure and Control Mechanisms~~

2.7 ~~A *CRR consolidation entity* and an institution shall set up a proper organisational structure and appropriate *internal control* mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.~~[Deleted]

~~[Note: Rule 2.7 sets out an equivalent provision to the second sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.8 ~~A *CRR consolidation entity* and an institution shall ensure that a subsidiary not subject to this Part implements arrangements, processes, and mechanisms to ensure proper consolidation for the purposes of this Part.~~[Deleted]

~~[Note: Rule 2.8 sets out an equivalent provision to the third sentence of paragraph 1 of Article 11 of *CRR* that applies to this Part]~~

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

SECTION 1 GENERAL REQUIREMENTS

Article 191A USE OF CREDIT RISK MITIGATION TECHNIQUES UNDER THE STANDARDISED APPROACH AND THE IRB APPROACH

…

4. Notwithstanding any other provision in this Part specifying the applicability of any of Articles 192 to 239, any such article shall apply to an institution using the *IMM*, the *LGD Modelling Collateral Method* or the *LGD Adjustment Method*, or to an institution taking into account funded credit protection covering an exposure arising from a derivative instrument listed in ~~Annex II of *CRR*,~~Annex 1 of Chapter 3 of the Counterparty Credit Risk (CRR) Part, or to an institution applying the methods set out in Sections 3 to 5 of Chapter 3 of Counterparty Credit Risk (CRR) to a long settlement transaction in accordance with Counterparty Credit Risk (CRR) Part Article 271(2) ~~of *CRR*~~, in each case solely to the extent provisions elsewhere in this *PRA* Rulebook or *CRR* cross-refer to such article. Absent such cross-reference, such articles shall not apply to institutions using any such method or institutions taking into account such funded credit protection covering any such exposure.

…

Article 194 PRINCIPLES GOVERNING THE ELIGIBILITY OF CREDIT RISK MITIGATION TECHNIQUES

…

3. An institution may only recognise funded credit protection in the calculation of the effect of credit risk mitigation where the assets relied upon for protection:

   (a) are included in the list of eligible assets set out in Articles 197 to 200 or are eligible collateral pursuant to ~~Article 299 of *CRR* or Counterparty Credit Risk (CRR) Part Article 299A,~~Counterparty Credit Risk (CRR) Part Articles 299 or 299A, as applicable; and

…

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:

   …

   (c) debt securities issued by:

      (i) institutions; or

      (ii) financial institutions exposures to which may be treated as exposures to institutions under ~~Article 119(5) of *CRR*,~~ Credit Risk: Standardised Approach (CRR) Part Article 119(5),

      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*;

      …

   (h) securitisation positions that are not resecuritisation positions and which are subject to a 100% risk weight or lower in accordance with ~~Article 261 to Article 264 of *CRR*.~~Securitisation (CRR) Part Articles 261 to 264.

…

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 ~~Article 119(5) of *CRR*~~ Credit Risk: Standardised Approach (CRR) Part Article 119(5) where such debt securities do not have a credit assessment by an ECAI where:

…

9. This Article shall be without prejudice to ~~Article 299 of *CRR* and Counterparty Credit Risk (CRR) Part Article 299A.~~Counterparty Credit Risk (CRR) Part Articles 299 and 299A.

…

Article 198 ADDITIONAL ELIGIBILITY OF COLLATERAL UNDER THE FINANCIAL COLLATERAL COMPREHENSIVE METHOD, THE FOUNDATION COLLATERAL METHOD AND THE SFT VAR METHOD

1. In addition to the collateral referred to in Article 197, an institution using the *Financial Collateral Comprehensive Method*, the *Foundation Collateral Method* or the *SFT VaR Method*, may, without prejudice to ~~Article 299 of *CRR* and Counterparty Credit Risk (CRR) Part Article 299A,~~Counterparty Credit Risk (CRR) Part Articles 299 and 299A, also use the following items as eligible collateral:

…

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*:

   …

   (c) instruments issued by another institution (or by a financial institution exposures to which may be treated as exposures to institutions under ~~Article 119(5) of *CRR*),~~Credit Risk: Standardised Approach (CRR) Part Article 119(5)), which instruments will be repurchased by that institution or financial institution on request.

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

SUB-SECTION 2 UNFUNDED 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 ~~Article 119(5) of *CRR*);~~ Credit Risk: Standardised Approach (CRR) Part Article 119(5));

   …

…

Article 220 USING THE FINANCIAL COLLATERAL COMPREHENSIVE METHOD FOR MASTER NETTING AGREEMENTS

…

2. For the purpose of calculating E^{*}, the institution shall:

   …

   (b) …

…

These calculations pursuant to points (i) and (ii) shall exclude groups of securities and commodities where:

…

(2) the securities and commodities either:

(A) are not included in the lists of eligible collateral set out in Articles 197 and 198 and are not eligible collateral pursuant to ~~Article 299 of *CRR* or Counterparty Credit Risk (CRR) Part Article 299A;~~Counterparty Credit Risk (CRR) Part Articles 299 or 299A; or

…

3. The institution shall calculate E^* in accordance with the following formula:

…

m = the index that denotes all groups of securities, types of commodities, or cash positions under the *master netting agreement*. This index shall exclude groups of securities and types of commodities where:

…

(b) the securities or commodities either:

(i) are not included in the lists of eligible collateral set out in Articles 197 and 198 and are not eligible collateral pursuant to ~~Article 299 of *CRR* or Counterparty Credit Risk (CRR) Part Article 299A;~~Counterparty Credit Risk (CRR) Part Articles 299 or 299A; or

…

…

N = the total number of distinct groups of the same securities and distinct types of the same commodities under the *master netting agreement*; for the purposes of this calculation, those groups and types E_m for which $\left|\mathrm{E}_\mathrm{m}\right|$ is less than $\frac{1}{10} \cdot \max_\mathrm{m}\left(\left|\mathrm{E}_\mathrm{m}\right|\right)$ shall not be counted. This index shall exclude groups of securities and types of commodities where:

…

(b) the securities or commodities either:

(i) are not included in the lists of eligible collateral set out in Articles 197 and 198 and are not eligible collateral pursuant to ~~Article 299 of *CRR* or Counterparty Credit Risk (CRR) Part Article 299A;~~Counterparty Credit Risk (CRR) Part Articles 299 or 299A; or

…

Article 221 USING THE SFT VAR METHOD

…

1B. The transactions referred to in paragraphs 1A(a) and 3 are securities financing transactions and *capital market-driven transactions*, but excluding derivative transactions, that are:

…

(c) in the case of margin lending transactions, transactions covered under a *master netting agreement* that meets the requirements set out in ~~Articles 295 to 298 of *CRR*~~ Section 7 of Chapter 3 of the Counterparty Credit Risk (CRR) Part provided that the *SFT VaR Method* is used for all transactions covered by the agreement.

…

4. An institution shall comply with the following qualitative standards:

…

(j) the institution's approach meets the requirements set out in paragraphs 8 and 9 of ~~Article 292 and Article 294 of *CRR*~~;Counterparty Credit Risk (CRR) Part Articles 292 and 294;

…

6. An institution with an *SFT VaR Method Permission* shall calculate E^* in accordance with the following formula:

$$E^* = \max\left\{0\,, \left(\sum_i E_i - \sum_i C_i\right) + \text{potential change in value}\right\}$$

where:

E_i = the exposure value for each separate exposure i under the *master netting agreement* (or the exposure if there is no *master netting agreement*) that would apply in the absence of the credit protection. This calculation shall exclude securities lent, sold with an agreement to repurchase, or transacted in a manner similar to either securities lending or a repurchase agreement where:

…

(b) the securities either:

(i) are not included in the lists of eligible collateral set out in Articles 197 and 198 and are not eligible collateral pursuant to ~~Article 299 of *CRR* or~~ Counterparty Credit Risk (CRR) Part Articles 299 or 299A; or

…

C_i = the value of the securities borrowed, purchased, or received or the cash borrowed or received in respect of each such exposure i. This calculation shall exclude securities borrowed, purchased, or received where:

…

(b) the securities either:

(i) are not included in the lists of eligible collateral set out in Articles 197 and 198 and are not eligible collateral pursuant to ~~Article 299 of *CRR* or~~ Counterparty Credit Risk (CRR) Part Articles 299 or 299A; or

(ii) do not meet the requirements laid down in paragraphs 2 to 4 of Article 207.

When calculating risk-weighted exposure amounts under this paragraph, an institution shall use the previous *business day's* model output.

7. The calculation of the potential change in value referred to in paragraph 6 shall be subject to all the following standards:

…

(f) it shall not reflect types of securities where:

…

(ii) the securities either:

(A) are not included in the lists of eligible collateral set out in Articles 197 and 198 and are not eligible collateral pursuant to ~~Article 299 of *CRR* or Counterparty Credit Risk (CRR) Part Article 299A;~~Counterparty Credit Risk (CRR) Part Articles 299 or 299A; or

(B) do not meet the requirements laid down in paragraphs 2 to 4 of Article 207.

Where the institution has a securities financing transaction or similar transaction or netting set which meets the criteria set out in ~~Article 285(2), (3) and (4) of *CRR*~~Counterparty Credit Risk (CRR) Article 285(2), (3) and (4), the minimum liquidation period shall be brought in line with the *margin period of risk* that would apply under those paragraphs, in combination with ~~Article 285(5) of *CRR*~~Counterparty Credit Risk (CRR) Article 285(5).

…

Article 223 FINANCIAL COLLATERAL COMPREHENSIVE METHOD

…

1. In order to take account of price volatility, an institution shall apply volatility adjustments to the market value of collateral, as set out in Articles 224, 226, and 227, when valuing financial collateral.

Where collateral is denominated in a currency that differs from the currency in which the underlying exposure is denominated, the institution shall add an adjustment reflecting currency volatility to the volatility adjustment appropriate to the collateral as set out in Articles 224, 226, and 227.

In the case of OTC derivatives transactions covered by netting agreements ~~recognised by the *PRA* under~~ that meet the requirements set out in ~~Articles 295 to 298 of *CRR*~~Section 7 of Chapter 3 of the Counterparty Credit Risk (CRR) Part, the institution shall apply a volatility adjustment reflecting currency volatility when there is a mismatch between the collateral currency and the settlement currency. Where multiple currencies are involved in the transactions covered by the netting agreement, the institution shall apply a single volatility adjustment.

…

Article 224 SUPERVISORY VOLATILITY ADJUSTMENT UNDER THE FINANCIAL COLLATERAL COMPREHENSIVE METHOD

…

2. The calculation of volatility adjustments in accordance with paragraph 1 shall be subject to the following conditions:

…

Where an institution has a transaction or netting set which meets the criteria set out in ~~Article 285(2), (3) and (4) of *CRR*~~Counterparty Credit Risk (CRR) Article 285(2), (3) and (4), the liquidation period shall be brought in line with the *margin period of risk* that would apply under those paragraphs. Where this results in a liquidation period for which volatility adjustments are not set out in paragraph 1, the institution shall scale up or down, as applicable, the volatility adjustment for such liquidation period using the formula in paragraph 2 of Article 226.

6. For unrated debt securities issued by institutions (or financial institutions exposures to which may be treated as exposures to institutions under ~~Article 119(5) of *CRR*~~)Credit Risk: Standardised Approach (CRR) Part Article 119(5)) 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

…

3. The following entities are core market participants:

…

(ba) financial institutions exposures to which may be treated as exposures to institutions under ~~Article 119(5) of *CRR*;~~Credit Risk: Standardised Approach (CRR) Part Article 119(5);

…

…

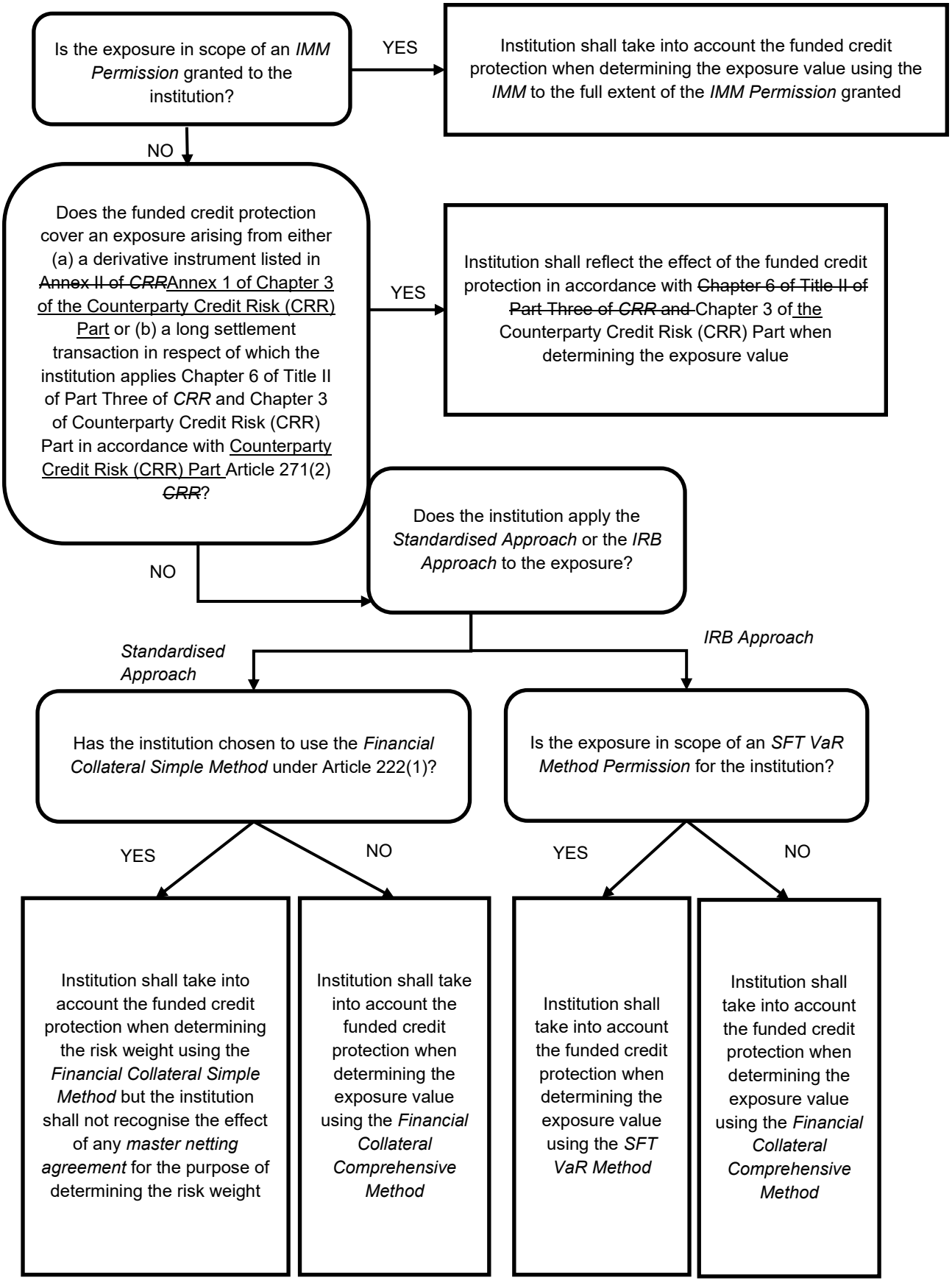
Article 234 CALCULATING RISK-WEIGHTED EXPOSURE AMOUNTS AND EXPECTED LOSS AMOUNTS IN THE EVENT OF PARTIAL PROTECTION AND TRANCHING

1. Where an institution transfers a part of the risk of a loan in one or more tranches, the institution shall comply with the requirements set out in ~~Chapter 5 of Title II of Part Three of *CRR*.~~the Securitisation (CRR) Part. An institution shall consider materiality thresholds on payments below which no payment shall be made in the event of loss to be equivalent to retained first loss positions and to give rise to a tranched transfer of risk.

…

…

Appendix 1 PART ONE: FUNDED CREDIT PROTECTION COVERING AN EXPOSURE THAT GIVES RISE TO COUNTERPARTY CREDIT RISK



Annex K

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

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

…

2 LEVEL OF APPLICATION

~~**Application of requirements on an individual basis**~~

2.1 ~~An institution shall~~A *firm* must comply with this Part on an ~~individual basis~~*individual basis*.

~~[Note: Rule 2.1 sets out an equivalent provision to Article 6(1) of *CRR* that applies to this Part]~~

2.2 ~~Where an institution has been given permission under Article 9(1) of *CRR* it shall incorporate relevant subsidiaries in the calculation undertaken to comply with rule 2.1.~~A *CRR consolidation entity* must comply with this Part on a *consolidated basis*.

~~[Note: Rule 2.2 applies Article 9(1) of *CRR* to this Part where a permission under that Article has been given]~~

~~**Application of requirements on a consolidated basis**~~

2.3 ~~A *CRR consolidation entity* shall comply with this Part on the basis of its consolidated situation.~~A *firm* or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

~~[Note: Rule 2.3 sets out an equivalent provision to the first sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.4 ~~For the purposes of applying this Part on a consolidated basis, the terms 'institution' and 'UK parent institution' shall include a *CRR consolidation entity* (if it would not otherwise have been included).~~[Deleted]

~~[Note: Rule 2.4 sets out an equivalent provision to the first sub-paragraph of Article 11(2) of *CRR* that applies to this Part]~~

2.5 ~~The expression 'consolidated situation' applies for the purposes of this Part as it does for the purposes of Parts Two and Three of *CRR*.~~[Deleted]

~~[Note: The term 'consolidated situation' is defined in Article 4(1)(47) of *CRR*]~~

~~**Application of requirements on a sub-consolidated basis**~~

2.6 ~~An institution that is required to comply with Parts Two and Three of *CRR* on a sub-consolidated basis, shall comply with this Part on the same basis.~~[Deleted]

~~[Note: This rule sets out an equivalent provision to Article 11(6) of *CRR* that applies to this Part]~~

3 ORGANISATIONAL STRUCTURE AND CONTROL MECHANISMS [DELETED]

3.1 ~~A *CRR consolidation entity* and an institution shall set up a proper organisational structure and appropriate *internal control* mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.~~[Deleted]

~~[Note: Rule 3.1 sets out an equivalent provision to the second sentence of Article 11(1) of *CRR* that applies to this Part]~~

3.2 ~~A *CRR consolidation entity* and an institution shall ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.~~[Deleted]

~~[Note: Rule 3.2 sets out an equivalent provision to the third sentence of Article 11(1) of *CRR* that applies to this Part]~~

4 STANDARDISED APPROACH

SECTION 1 GENERAL PRINCIPLES

…

Article 111 EXPOSURE VALUE

…

2. The exposure value of a derivative instrument listed in ~~Annex II of *CRR*~~Annex 1 of Chapter 3 of the Counterparty Credit Risk (CRR) Part shall be determined in accordance with ~~Chapter 6 of Title II of Part Three of *CRR* and Sections 3 to 5 of Chapter 3 of Counterparty Credit Risk (CRR) Part~~the Counterparty Credit Risk (CRR) Part.

2A. An institution that takes into account credit risk mitigation techniques in calculating the exposure value of securities financing transactions and long settlement transactions shall calculate such exposure values consistently with Credit Risk Mitigation (CRR) Part Article 191A in accordance with either ~~Chapter 6 of Title II of Part Three of *CRR* and~~ Chapter 3 of ~~Counterparty Credit Risk (CRR) Part~~the Counterparty Credit Risk (CRR) Part~~,~~ or Chapter 3 of Credit Risk Mitigation (CRR) Part; provided that where the institution takes into account a master netting agreement in relation to a set of securities financing transactions, it shall calculate the exposure value for all transactions covered by that master netting agreement as a single exposure value at netting set level.

…

Article 112 EXPOSURE CLASSES

…

2. An 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**
(1)	Items representing securitisation positions (point (m) of paragraph 1).	Exposures to securitisation positions for which a risk-weight treatment is set out in ~~Chapter 5 of Title II of Part Three of *CRR*.~~the Securitisation (CRR) Part.

…	…	…
(10)	Exposures to institutions (point (f) of paragraph 1).	Exposures for which a risk-weight treatment is set out in Articles 119 to 121~~ or Article 119(5) of *CRR*~~.
…	…	…

Article 113 CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS

…

4. Risk-weighted exposure amounts for securitised exposures shall be calculated in accordance with ~~Chapter 5 of Title II of Part Three of *CRR*.~~the Securitisation (CRR) Part.

…

Article 114 EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS

…

2. Exposures to central governments and central banks for which a credit assessment by a nominated ECAI is available shall be assigned a risk weight in accordance with the credit quality step in Table 1 which corresponds to the relevant credit assessment of the ECAI as mapped in Article 136A~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~.

Table 1

Credit quality step	1	2	3	4	5	6
Risk weight	0%	20%	50%	100%	100%	150%

…

Article 115 EXPOSURES TO REGIONAL GOVERNMENTS OR LOCAL AUTHORITIES

1. Unless they are treated as exposures to central governments under paragraph 2, 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:

   (a) where a credit assessment by a nominated ECAI is not available for the exposure to the regional government or local authority:

      (i) the exposure shall be assigned a risk weight in accordance with the credit quality step in Table 1A which corresponds to a credit assessment for which exposures to the central government of the jurisdiction in which the regional government or local authority is based as mapped in Article 136A~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~, where a credit assessment by a nominated ECAI is available for that central government; or

   …

   (b) in respect of exposures for which a credit assessment by a nominated ECAI is available, the exposure shall be assigned a risk weight in accordance with the credit quality step in

Table 1B which corresponds to the relevant credit assessment of the ECAI as mapped in Article 136A~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~:

Table 1B

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

…

Article 116 EXPOSURES TO PUBLIC SECTOR ENTITIES

1. Subject to paragraphs 3 and 3A, in respect of exposures to *UK* public sector entities for which a credit assessment by a nominated ECAI is not available:

   (a) the exposure shall be assigned a risk weight in accordance with the credit quality step in Table 2 which corresponds to a credit assessment for the central government of the *UK* as mapped in Article 136A~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~, where a credit assessment by a nominated ECAI is available for the central government of the *UK*; or

…

2. Subject to paragraphs 3 and 3A, exposures to *UK* public sector entities for which a credit assessment by a nominated ECAI is available shall be assigned a risk weight in accordance with the credit quality step in the following Table 2A which corresponds to the relevant credit assessment of the ECAI as mapped in Article 136A~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~:

   Table 2A

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

…

Article 117 EXPOSURES TO MULTILATERAL DEVELOPMENT BANKS

1. Exposures to *multilateral development banks* that are not referred to in paragraph 2 shall be assigned risk weights in accordance with the following provisions:

   (a) exposures to a *multilateral development bank* for which a credit assessment by a nominated ECAI is available shall be assigned a risk weight in accordance with the credit quality step in Table 2B which corresponds to the relevant credit assessment of the ECAI as mapped in Article 136A~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~:

   Table 2B

Credit	1	2	3	4	5	6

quality step						
Risk weight	20%	30%	50%	100%	100%	150%

…

Article 119 EXPOSURES TO INSTITUTIONS

…

5. ~~[Note: Provision not in *PRA* Rulebook]~~Exposures to financial institutions that are subject to the requirements laid down in Part 9C rules shall be treated as exposures to institutions.

6. ~~[Note: Provision not in *PRA* Rulebook]~~[Note: Provision left blank]

[Note: This rule corresponds to Articles 119(1), (5) and (6) of *CRR* as ~~it~~ they applied immediately before revocation by the *Treasury*]

…

Article 120 EXPOSURES TO RATED INSTITUTIONS

1. Subject to paragraph 2A, 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~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~.

   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~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~.

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~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~.

   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~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~.

Table 4A

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

…

Article 122 EXPOSURES TO CORPORATES

…

2. Exposures to corporates for which a credit assessment by a nominated ECAI is available shall be assigned a risk weight in accordance with the credit quality step in Table 6 which corresponds to the relevant credit assessment of the ECAI as mapped in Article 136A~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~.

Table 6

Credit quality step	1	2	3	4	5	6
Risk weight	20%	50%	75%	100%	150%	150%

3. Exposures to corporates 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 6A which corresponds to the relevant credit assessment of the ECAI as mapped in Article 136A~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~.

Table 6A

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

…

Article 129 EXPOSURES IN THE FORM OF ELIGIBLE COVERED BONDS

1. Subject to paragraph 6, *eligible covered bonds* are CRR covered bonds which meet the requirements in paragraphs 3 and 7 and are collateralised by any of the following eligible assets:

…

(b) exposures to or guaranteed by:

…

(v) *third country* public sector entities that are risk-weighted in accordance with Article 116(1) or (2) and that qualify for the credit quality step 1 as mapped in Article 136A~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~;

(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* and that qualify for the credit quality step 1 as mapped in Article 136A~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~; 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~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~, provided that they do not exceed 20% of the nominal amount of outstanding covered bonds of the issuing institutions;

(c) exposures to institutions that have a credit assessment which corresponds with a credit quality step of 1 or 2 as mapped in Article 136A~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~, provided that the total exposures of this kind shall not exceed 15% of the nominal amount of outstanding covered bonds of the issuing institution;

…

4. *Eligible covered bonds* for which a credit assessment by a nominated ECAI is available shall be assigned a risk weight in accordance with Table 7 which corresponds to the credit assessment of the ECAI as mapped in Article 136A~~Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016~~.

Table 7

Credit quality step	1	2	3	4	5	6
Risk weight	10%	20%	20%	50%	50%	100%

…

Article 130 ITEMS REPRESENTING SECURITISATION POSITIONS

~~[Note: Provision not in *PRA* Rulebook]~~[Note: Provision left blank]

…

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, 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

(ii) the total exposure values for all of its exposures in the form of units or shares in *relevant CIUs* exceed GBP 500 million;

in each case calculated on an ~~individual~~*individual basis* or ~~consolidated basis~~*consolidated basis*.

…

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

…

2. Where the conditions set out in Article 132(3) are met, an institution that does not have sufficient information about the individual underlying exposures of a CIU to use the look-through approach may calculate the risk-weighted exposure amount of those exposures in accordance with the limits set in the CIU's mandate and relevant law.

An institution shall carry out the calculations referred to in the first sub-paragraph under the assumption that the CIU first incurs exposures to the maximum extent allowed under its mandate or relevant law in the exposures attracting the highest own funds requirement and then continues incurring exposures in descending order until the maximum total exposure limit is reached, and that the CIU applies leverage to the maximum extent allowed under its mandate or relevant law, where applicable.

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*, ~~Chapter 5 of Title II of Part Three of *CRR*~~,the Securitisation (CRR) Part, and in Sections 3, 4 or 5 of Chapter 3 of Counterparty Credit Risk (CRR) Part, as applicable.

…

Article 136A THE CORRESPONDENCE OF THE RATING CATEGORIES OF EACH ECAI WITH THE CREDIT QUALITY STEPS SET OUT IN ~~SECTION 2 OF CHAPTER 2 (STANDARDISED APPROACH) OF TITLE II OF PART THREE OF THE CRR~~THIS PART

1 The correspondence of the rating categories of each ECAI with the credit quality steps set out in ~~Section 2 of Chapter 2 (Standardised Approach) of Title II of Part Three of the *CRR*~~this Part shall be that set out in the following table:

…

2 Where a rating scale is not mapped to credit quality steps in paragraph 1, for the purposes of assigning a risk weight to an exposure to an institution, the correspondence of the rating

categories within that rating scale to the credit quality steps shall be the same as that of a different rating scale which is mapped in paragraph 1, if the following conditions are met:

(a) the rating scales are produced by the same ECAI;

(b) the rating methodologies and key rating assumptions that the ECAI uses to assign items to the rating categories within the unmapped rating scale do not incorporate assumptions of implicit government support; and

(c) the rating methodologies and key rating assumptions that the ECAI uses to assign items to the rating categories in the relevant mapped and unmapped rating scales are identical except for the consideration given to assumptions of implicit government support.

…

SECTION 3 USE OF THE ECAI CREDIT ASSESSMENTS FOR THE DETERMINATION OF RISK WEIGHTS

Article 138 GENERAL REQUIREMENTS

…

3. Where an institution has nominated an ECAI under paragraph 1, that ECAI shall not be treated as a nominated ECAI for the purposes of paragraph 1 of Article 270D of the Securitisation (CRR) Part unless the institution has also nominated that ECAI in accordance with that Article.

4. The requirements in this Article and Articles 139 to 141 do not apply when the institution is using a credit assessment of a *securitisation* position by an ECAI for the purpose of calculating its risk-weighted exposure amounts in accordance with the Securitisation (CRR) Part, and instead the institution shall comply with the requirements in Article 270D of that Part.

Annex L

Amendments to the Own Funds (CRR) Part

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

…

2 LEVEL OF APPLICATION

2.1 ~~Title II of Part One (Level of application) of *CRR* applies to Chapter 3 and 4 of this Part as that Title applies to Part Three (Capital Requirements) of *CRR*.~~An institution must comply with this Part on an *individual basis*, except that an institution that is a parent undertaking or a subsidiary or included in the scope of consolidation pursuant to Article 18 of the Groups Part is not required to comply with Articles 89, 90 and 91 of this Part on an *individual basis*.

2.2 A *CRR consolidation entity* must comply with this Part on a *consolidated basis*.

2.3 An institution or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

…

3 OWN FUNDS (PART TWO CRR)

…

Article 39 TAX OVERPAYMENTS, TAX LOSS CARRY BACKS AND DEFERRED TAX ASSETS THAT DO NOT RELY ON FUTURE PROFITABILITY

…

2. Deferred tax assets that do not rely on future profitability shall be limited to deferred tax assets which were created before 23 November 2016 and which arise from temporary differences, where all the following conditions are met:

   …

   (b) the institution is able under the applicable national tax law of the *United Kingdom*, or any part of it, or of a *third country* to offset a tax credit referred to in point (a) against any tax liability of the institution or any other undertaking included in the same consolidation as the institution for tax purposes under that law or any other undertaking subject to the supervision on a ~~consolidated basis~~*consolidated basis* in accordance with the Groups Part~~Chapter 2 of Title II of Part One *CRR*~~;

…

Article 81 MINORITY INTERESTS THAT QUALIFY FOR INCLUSION IN CONSOLIDATED COMMON EQUITY TIER 1 CAPITAL

1. Minority interests shall comprise the sum of Common Equity Tier 1 items of a subsidiary where the following conditions are met:

   (a) the subsidiary is one of the following:

      (i) an institution;

(ii) a *CRR firm*;

(iia) an intermediate financial holding company or intermediate mixed financial holding company that is subject to *a sub-consolidation requirement*~~the requirements of *CRR* on a sub-consolidated basis~~;

(iib) an intermediate investment holding company that is subject to the requirements of rules made under Part 9C *FSMA* on a ~~consolidated basis~~*consolidated basis*;

(iic) an *FCA investment firm*;

(b) the subsidiary is included fully in the consolidation pursuant to the Groups Part~~Chapter 2 of Title II of Part One of *CRR*~~;

(c) the Common Equity Tier 1 items, referred to in the introductory part of this paragraph, are owned by ~~persons~~ *persons* other than the undertakings included in the consolidation pursuant to the Groups Part~~Chapter 2 of Title II of Part One of *CRR*~~.

…

Article 82 QUALIFYING ADDITIONAL TIER 1, TIER 1, TIER 2 CAPITAL AND QUALIFYING OWN FUNDS

Qualifying Additional Tier 1, Tier 1, Tier 2 capital and qualifying own funds shall comprise the minority interest, Additional Tier 1 or Tier 2 instruments, as applicable, plus the related retained earnings and share premium accounts, of a subsidiary where the following conditions are met:

(a) the subsidiary is either of the following:

(i) an institution;

(ii) a *CRR firm*;

(iia) an intermediate financial holding company or intermediate mixed financial holding company that is subject to a *sub-consolidation requirement*~~the requirements of *CRR* on a sub-consolidated basis~~;

(iib) an intermediate investment holding company that is subject to the requirements of rules made under Part 9C *FSMA* on a consolidated basis;

(iic) an *FCA investment firm*;

(b) the subsidiary is included fully in the scope of consolidation pursuant to the Groups Part ~~Chapter 2 of Title II of Part One of *CRR*~~;

(c) those instruments are owned by persons other than the undertakings included in the consolidation pursuant to ~~Chapter 2 of Title II of Part One of *CRR*~~the Groups Part.

[Note 1: This rule corresponds to Article 82 of *CRR* as it applied immediately before its revocation except that there is no corresponding rule for Article 82(a)(iii)]

[Note 2: Article 83 of *CRR* has been revoked and not replaced in these rules]

Article 84 MINORITY INTERESTS INCLUDED IN CONSOLIDATED COMMON EQUITY TIER 1 CAPITAL

1. Institutions shall determine the amount of minority interests of a subsidiary that is included in consolidated Common Equity Tier 1 capital by subtracting from the minority interests of that undertaking the result of multiplying the amount referred to in point (a) by the percentage referred to in point (b):

(a) the Common Equity Tier 1 capital of the subsidiary minus the lower of the following:

…

(ii) the amount of consolidated Common Equity Tier 1 capital that relates to that subsidiary that is required on a ~~consolidated basis~~*consolidated basis* to meet the sum of the requirement laid down in point (a) of Article 92(1) of *CRR*, the requirements referred to in Articles 458 and 459 of *CRR*, the specific own funds requirements referred to in regulation 34 of the Capital Requirements Regulations, the combined buffer defined in the Capital Buffers Part, and the requirements referred to in any additional local supervisory regulations in *third countries* insofar as those requirements are to be met by Common Equity Tier 1 capital;

...

2. The calculation referred to in paragraph 1 shall be undertaken on a ~~sub-consolidated basis~~*sub-consolidated basis* for each subsidiary referred to in Article 81(1).

An institution may choose not to undertake this calculation for a subsidiary referred to in Article 81(1). Where an institution takes such a decision, the minority interest of that subsidiary may not be included in consolidated Common Equity Tier 1 capital.

3. ~~Where the *PRA* derogates from the application of prudential requirements on an individual basis, as laid down in Article 7 of *CRR*, minority interests within the subsidiaries to which the waiver is applied shall not be recognised in own funds at the sub-consolidated or at the consolidated level, as applicable.~~[Deleted]

…

Article 85 QUALIFYING TIER 1 INSTRUMENTS INCLUDED IN CONSOLIDATED TIER 1 CAPITAL

---

1. Institutions shall determine the amount of qualifying *Tier 1 capital* of a subsidiary that is included in consolidated own funds by subtracting from the qualifying *Tier 1 capital* of that undertaking the result of multiplying the amount referred to in point (a) by the percentage referred to in point (b):

(a) the *Tier 1 capital* of the subsidiary minus the lower of the following:

…

(ii) the amount of consolidated *Tier 1 capital* that relates to the subsidiary that is required on a ~~consolidated basis~~*consolidated basis* to meet the sum of the requirement laid down in point (b) of Article 92(1) of *CRR*, the requirements referred to in Articles 458 and 459 of *CRR*, the specific own funds requirements referred to in regulation 34 of the Capital Requirements Regulations 2013, the combined buffer defined in the Capital Buffers Part, and the requirements referred to in any additional local supervisory regulations in *third countries* insofar as those requirements are to be met by *Tier 1 Capital*;

(b) the qualifying *Tier 1 capital* of the subsidiary expressed as a percentage of all Tier 1 instruments of that undertaking plus the related share premium accounts, retained earnings and other reserves.

2. The calculation referred to in paragraph 1 shall be undertaken on a ~~sub-consolidated basis~~*sub-consolidated basis* for each subsidiary referred to in Article 81(1).

An institution may choose not to undertake this calculation for a subsidiary referred to in Article 81(1). Where an institution takes such a decision, the qualifying *Tier 1 capital* of that subsidiary may not be included in consolidated *Tier 1 capital*.

3. ~~Where the *PRA* derogates from the application of prudential requirements on an individual basis, as laid down in Article 7 of *CRR*, Tier 1 instruments within the subsidiaries to which the waiver is applied shall not be recognised as own funds at the sub-consolidated or at the consolidated level, as applicable.~~[Deleted]

…

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

[Note 2: Related provisions in Article 34a of Chapter 4 of the Own Funds (CRR) Part]

Article 87 QUALIFYING OWN FUNDS INCLUDED IN CONSOLIDATED OWN FUNDS

1. Institutions shall determine the amount of qualifying own funds of a subsidiary that is included in consolidated own funds by subtracting from the qualifying own funds of that undertaking the result of multiplying the amount referred to in point (a) by the percentage referred to in point (b):

   (a) the own funds of the subsidiary minus the lower of the following:

   …

   (ii) the amount of own funds that relates to the subsidiary that is required on a ~~consolidated basis~~*consolidated basis* to meet the sum of the requirement laid down in point (c) of Article 92(1) of *CRR*, the requirements referred to in Articles 458 and 459 of *CRR*, the specific own funds requirements referred to in regulation 34 of the Capital Requirements Regulations 2013, the combined buffer defined in the Capital Buffers Part, and any additional local supervisory own funds requirement in *third countries*;

   (b) the qualifying own funds of the undertaking, expressed as a percentage of all own funds instruments of the subsidiary that are included in Common Equity Tier 1, Additional Tier 1 and Tier 2 items and the related share premium accounts, the retained earnings and other reserves.

2. The calculation referred to in paragraph 1 shall be undertaken on a ~~sub-consolidated basis~~*sub-consolidated basis* for each subsidiary referred to in Article 81(1). An institution may choose not to undertake this calculation for a subsidiary referred to in Article 81(1). Where an institution takes such a decision, the qualifying own funds of that subsidiary may not be included in consolidated own funds.

3. ~~Where the *PRA* derogates from the application of prudential requirements on an individual basis, as laid down in Article 7 of CRR, own funds instruments within the subsidiaries to which the waiver is applied shall not be recognised as own funds at the sub-consolidated or at the consolidated level, as applicable.~~[Deleted]

…

[Note 1: This rule corresponds to Article 87 of *CRR* as it applied immediately before its revocation]

[Note 2**:** Related provisions in Article 34a of the Own Funds (CRR) Part]

…

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

…

CHAPTER V MINORITY INTEREST AND ADDITIONAL TIER 1 AND TIER 2 INSTRUMENTS ISSUED BY SUBSIDIARIES

Article 34a MINORITY INTERESTS INCLUDED IN CONSOLIDATED COMMON EQUITY TIER 1 CAPITAL

…

3. …

(c) the amount of consolidated Common Equity Tier 1 capital required, according to point (ii) of Article 84(1)(a) of the *CRR*, shall be the contribution of the subsidiary on a *consolidated basis*~~the basis of its consolidated situation~~ to the Common Equity Tier 1 own funds requirements of the institution for which the eligible minority interests are calculated on a ~~consolidated~~ basis *consolidated basis*. For the purpose of calculating the contribution, all intra-group transactions between *undertakings* included in the prudential scope of consolidation of the institution shall be eliminated.

…

Annex M

Amendments to the Capital Buffers Part

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

…

5 APPLICATION ON AN INDIVIDUAL, SUB-CONSOLIDATED AND CONSOLIDATED BASIS

Application on an individual basis

5.1 This Part applies to a *firm* on an ~~individual basis~~*individual basis* whether or not it also applies to the *firm* on a *consolidated basis* or *sub-consolidated basis*.

5.1A ~~If this Part applies to a *firm* on an individual basis, the *firm* must comply with the rules in this Part to the same extent and in the same manner as it is required to comply with the *firm's* obligations laid down in Parts Two and Three of the *CRR*.~~[Deleted]

Application on a consolidated basis

5.2 A *firm* which is a *UK parent institution* must comply with this Part on a *consolidated basis* ~~the basis of its *consolidated situation*~~.

5.3 A *PRA approved parent holding company*, a *PRA designated parent holding company*, a *PRA designated intermediate holding company* or a *PRA designated institution* ~~responsible for meeting CRR requirements on a *consolidated basis*~~ must comply with this Part on a *consolidated basis*.

5.4 [Deleted~~.~~]

Sub-consolidation

5.5 [Deleted~~.~~]

5.5A An *Article 109 undertaking* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

Extent and manner of prudential consolidation

5.6 ~~If this Part applies to an *Article 109 undertaking* on a *consolidated basis* or on a *sub-consolidated basis*, the *Article 109 undertaking* must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in Parts Two and Three of the *CRR* on a *consolidated basis* or *sub-consolidated basis*.~~[Deleted]

~~[Note: Art 129(1) (part) and 130(1) (part) of the *CRD*]~~

Annex N

Amendments to the Credit Valuation Adjustment Risk 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:

...

~~*margin period of risk*~~

~~has the meaning in Counterparty Credit Risk (CRR) Part 1.3.~~

...

~~*netting set*~~

~~has the meaning in Article 272(4) of *CRR*.~~

…

2 LEVEL OF APPLICATION

2.1 A *firm* must comply with this Part on an ~~individual basis~~*individual basis*.

2.2 ~~Where a *firm* has been given permission under Article 9(1) of *CRR* it shall incorporate relevant subsidiaries in the calculation undertaken to comply with 2.1.~~ A *CRR consolidation entity* must comply with this Part on a *consolidated basis*.

2.3 ~~A *CRR consolidation entity* must comply with this Part on the basis of its consolidated situation.~~ A *firm* or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

2.4 ~~For the purposes of 2.3, references to a *firm* in this Part (other than in 1.1 and 2.1) mean a *CRR consolidation entity*.~~[Deleted]

2.5 ~~The expression 'consolidated situation' applies for the purposes of this Part as it does for the purposes of Parts Two and Three of *CRR*.~~[Deleted]

~~[Note: The term 'consolidated situation' is defined in Article 4(1)(47) of *CRR*]~~

2.6 ~~A *firm* which is required to comply with Parts Two and Three of *CRR* on a sub-consolidated basis must comply with this Part on the same basis.~~[Deleted]

~~**Organisational Structure and Control Mechanisms**~~

2.7 ~~A *CRR consolidation entity* and a *firm* shall set up a proper organisational structure and appropriate *internal control* mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.~~[Deleted]

2.8 ~~A *CRR consolidation entity* and a *firm* shall ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.~~[Deleted]

…

4.3 For the purposes of 4.2, a *firm* must calculate $\mathrm{SCVA_C}$ in accordance with the following formula:

$$\mathrm{SCVA_C} = \frac{1}{\alpha} \cdot \mathrm{RW_C} \cdot \sum_{\mathrm{NS}} \mathrm{M_{NS}} \cdot \mathrm{EAD_{NS}} \cdot \mathrm{DF_{NS}}$$

where:

…

$\mathrm{M_{NS}}$ is the effective maturity for the *netting set*, calculated:

(1) for a *firm* using the methods set out in ~~Section 6 of Chapter 6 of Title II of Part Three of *CRR*~~Section 6 of Chapter 3 of the Counterparty Credit Risk (CRR) Part:

(a) in accordance with point (g) of paragraph 2 of Credit Risk: Internal Ratings Based Approach (CRR) Part Article 162 for *netting sets* with a maturity of greater than one year, except that $\mathrm{M_{NS}}$ is not capped at five years but instead at the longest contractual remaining maturity in the *netting set*; or

(b) paragraph 2 of Credit Risk: Internal Ratings Based Approach (CRR) Part Article 162 for *netting sets* with a maturity of less than one year;

(2) for a *firm* not using the methods set out in ~~Section 6 of Chapter 6 of Title II of Part Three of *CRR*~~Section 6 of Chapter 3 of the Counterparty Credit Risk (CRR) Part using the average notional weighted maturity in accordance with paragraph 2 of Credit Risk: Internal Ratings Based Approach (CRR) Part Article 162, except $\mathrm{M_{NS}}$ is not capped at five years but instead at the longest contractual remaining maturity in the *netting set*;

$\mathrm{EAD_{NS}}$ is the exposure at default of the *netting set*, calculated in the same manner in which the *firm* calculates exposure at default for determining own funds requirements for counterparty credit risk, in accordance with either Sections 3 to 5 of Counterparty Credit Risk (CRR) Part or ~~Section 6 of Chapter 6 of Title II of Part Three of *CRR*~~Section 6 of Chapter 3 of the Counterparty Credit Risk (CRR) Part;

$\mathrm{DF_{NS}}$, the supervisory discount factor for the *netting set*, is:

(1) 1 if a *firm* has been granted permission from the *PRA* under ~~Article 283 of *CRR*~~ Counterparty Credit Risk (CRR) Part Article 283 to use the Internal Model Method to calculate the exposure at default as part of its own funds requirements calculation for counterparty credit risk; or

…

…

5.9 For the purposes of point (c) of 5.6(2):

…

(2) a *firm* may recognise collateral as risk mitigation if:

(a) the collateral management requirements specified in ~~Article 287 of *CRR*~~Counterparty Credit Risk (CRR) Part Article 287 are satisfied;

…

Annex O

Amendments to the Definition of Capital Part

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

1 APPLICATION AND DEFINITIONS

…

1.1A

(1) A *CRR firm* must comply with this Part on an ~~individual basis~~*individual basis* ~~and as applicable on a *sub-consolidated basis*~~.

(2) A *CRR consolidation entity* must comply with this Part (other than Chapter 2) on a *consolidated basis* ~~and for this purpose, references to a *firm* in this Part (other than in 1.1 and 1.1A) mean a *CRR consolidation entity*~~.

(3) A *firm* or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

1.2 In this Part the following definitions shall apply:

Side agreement

means any document containing an agreement or other arrangement, including a proposed agreement or other arrangement, related to the capital instrument (whether or not explicitly referred to in the instrument) which could affect the assessment of compliance of the instrument with ~~Part Two of *CRR*~~Chapter 3 of the Own Funds (CRR) Part.

…

2 HOLDINGS OF OWN FUNDS INSTRUMENTS ISSUED BY FINANCIAL SECTOR ENTITIES INCLUDED IN THE SCOPE OF CONSOLIDATED SUPERVISION

2.1 For the purposes of calculating *own funds* on an ~~individual basis~~*individual basis* and a *sub-consolidated basis*, *firms* subject to supervision on a *consolidated basis* must deduct holdings of *own funds instruments* issued by *financial sector entities* included in the scope of consolidated supervision in accordance with Chapter 3 of the Own Funds (CRR) Part~~Part Two of the *CRR*~~, except where the exception in 2.3 or 2.7 applies.

…

7A PRE-ISSUANCE NOTIFICATION (PIN) REGIME FOR COMMON EQUITY TIER 1 INSTRUMENT

7A.1 Where a *firm*, or another member of its *group* that is not a *firm* but is included in the supervision on a *consolidated basis* of the *firm*, intends to:

(1) issue a capital instrument that it considers will qualify under Chapter 3 of the Own Funds (CRR) Part~~Part Two of *CRR*~~ as a *Common Equity Tier 1 instrument*; or

…

the *firm* shall, at least one *month* before the intended date of issuance or intended date of amendment or variation, as applicable, notify the *PRA* of that intention, except that where there are exceptional circumstances which make it impracticable to give such a period of notice, the *firm* must give as much notice as is reasonably practicable in those circumstances.

7A.2 When notifying *PRA* under 7A.1 the *firm* must:

…

(3) provide a properly reasoned draft independent legal opinion from an appropriately qualified individual confirming that the capital instrument qualifies as a *Common Equity Tier 1 instrument* under ~~Part Two of *CRR*~~Chapter 3 of the Own Funds (CRR) Part; and

…

…

7B PRE-ISSUANCE NOTIFICATION (PIN) REGIME FOR ADDITIONAL TIER 1 INSTRUMENT

7B.1 Where a *firm*, or another member of its *group* that is not a *firm* but is included in the supervision on a *consolidated basis* of the *firm*, intends to:

(1) issue a capital instrument that it considers will qualify under Chapter 3 of the Own Funds (CRR) Part~~Part Two of *CRR*~~ as an *Additional Tier 1 instrument*; or

...

…

7B.2 When notifying the *PRA* under 7B.1 the *firm* must:

…

(3) provide a properly reasoned draft independent legal opinion from an appropriately qualified individual confirming that the capital instrument qualifies as an Additional Tier 1 instrument under ~~Part Two of *CRR*~~Chapter 3 of the Own Funds (CRR) Part; and

…

7C POST ISSUANCE NOTIFICATION (PIN) REGIME FOR TIER 2 INSTRUMENT

…

7C.2 When giving notice under 7C.1 the *firm* must:

...

(3) provide a properly reasoned independent legal opinion from an appropriately qualified individual confirming that the capital instrument qualifies as a Tier 2 instrument under ~~Part Two of *CRR*~~Chapter 3 of the Own Funds (CRR) Part.

…

7D FURTHER NOTIFICATIONS ETC.

…

7D.3 …

(3) Where in compliance with this chapter a *CRR consolidation entity* provides the *PRA* with a notification or other information a *firm* shall not be required to provide the same notification or information on an ~~individual basis~~*individual basis*.

Annex P

Amendments to the Designation Part

This Part is deleted.

Part

DESIGNATION [DELETED]

This Part has been deleted in its entirety.

Annex Q

Amendments to the Disclosure (CRR) Part

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

…

2 LEVEL OF APPLICATION

Application of requirements on an individual basis

2.1 An institution that is not a parent undertaking or a subsidiary or included in the consolidation pursuant to Article 18 of the Groups Part must ~~*CRR* shall~~ comply with this Part on an ~~individual basis~~*individual basis*.

[Note: rule 2.1 sets out an equivalent provision to Article 6(1) and the first subparagraph of Article 6(3) of the *CRR* that apply to this Part]

2.2 The institutions referred to in Article 6(1a) of the *CRR* and institutions that are material subsidiaries of non-UK G-SIIs and are not resolution entities or subsidiaries of a UK parent institution shall comply with Article 437a and point (h) of Article 447 on an ~~individual basis~~*individual basis*.

[Note: rule 2.2 sets out an equivalent provision to the second subparagraph of Article 6(3) of the *CRR* that applies to this Part]

2.3 Large subsidiaries of UK parent institutions, UK parent financial holding companies or UK parent mixed financial holding companies and large subsidiaries of parent undertakings established in a third country shall disclose the information specified in Articles 437, 438, 440, 442, 450, 451, 451a and 453 on an ~~individual basis~~*individual basis* or on a ~~sub-consolidated basis~~*sub-consolidated basis*.

[Note: rule 2.3 corresponds to the second subparagraph of Article 13(1) of the *CRR* as it applied immediately before revocation by the *Treasury* and sets out an equivalent provision to the second subparagraph of Article 13(3) of the *CRR* that applies to this Part]

Application of requirements on a consolidated basis

2.4 A UK parent institution ~~shall~~must comply with this Part on *a consolidated basis*~~the basis of its consolidated situation~~.

[Note: rule 2.4 corresponds to the first subparagraph of Article 13(1) of the *CRR* as it applied immediately before revocation by the *Treasury*]

2.5 Rule 2.4 shall not apply to a *CRR consolidation entity* or a resolution entity where it is included in an equivalent disclosure on a ~~consolidated basis~~*consolidated basis* provided by a parent undertaking established in a third country.

[Note: rule 2.5 sets out an equivalent provision to the first subparagraph of Article 13(3) of the *CRR* that applies to this Part]

2.6 An institution identified as a resolution entity that is a G-SII or that is part of a G-SII shall comply with Article 437a and point (h) of Article 447 on the basis of the ~~consolidated situation~~*consolidated situation* of its resolution group.

[Note: rule 2.6 corresponds to Article 13(2) of the *CRR* as it applied immediately before revocation by the *Treasury*]

2.7 ~~For the purposes of applying this Part on a consolidated basis, the terms "institution" and "UK parent institution" shall include a *CRR consolidation entity* (if it would not otherwise have been included).~~[Deleted]

~~[Note: rule 2.7 sets out an equivalent provision to Article 11(2) of the *CRR* that applies to this Part]~~

2.8 ~~The expression "consolidated situation" applies for the purposes of this Part as it does for the purposes of Parts Two and Three of the *CRR*.~~[Deleted]

~~[Note: the term "consolidated situation" is defined in Article 4(1)(47) of the *CRR*.]~~

Application of requirements on a sub-consolidated basis

2.9 An institution or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement~~that is required to comply with Parts Two and Three of the *CRR* on a sub-consolidated basis shall comply with this Part on the same basis~~.

~~[Note: rule 2.9 sets out an equivalent provision to Article 11(6) of the *CRR* that applies to this Part]~~

…

4 DISCLOSURE (PART EIGHT CRR)

…

Article 438 DISCLOSURE OF OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

Institutions shall disclose the following information regarding their compliance with Article 92 and rules 3.1(1)(a) and 3.4 of the Internal Capital Adequacy Assessment Part of the *PRA* Rulebook:

…

(f) the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or *insurance holding company* that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an ~~individual~~*individual basis*, ~~sub-consolidated~~ *sub-consolidated basis* and ~~consolidated basis~~*consolidated basis*;

…

Article 439 DISCLOSURE OF EXPOSURES TO COUNTERPARTY CREDIT RISK

1. Institutions shall disclose the following information regarding their exposure to counterparty credit risk as referred to in ~~Chapter 6 of Title II of Part Three:~~the Counterparty Credit Risk (CRR) Part:

…

Annex R

Amendments to the Financial Conglomerates Part

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

…

ANNEX 2 – CAPITAL ADEQUACY CALCULATIONS FOR FINANCIAL CONGLOMERATES

…

4 Table

A mixed financial holding company	4.1	A *mixed financial holding company* must be treated in the same way as:	
		(a)	a *financial holding company*, if ~~Part One, Title II, Chapter 2 of the *CRR* and~~ the Groups Part ~~are~~is applied;
		(b)	an *insurance holding company*, if the rules in Solvency II Firms: Group Supervision are applied; or
		(c)	an *investment holding company* (if the rules in *MIFIDPRU* are applied).

…

8 Table: Application of sectoral consolidation rules

Banking sector	8	~~Part One, Title II, Chapter 2 of the *CRR* and~~ the Groups Part.
Insurance sector		Group Supervision
CRR investment services sector		in relation to a *designated investment firm* which is a member of a *financial conglomerate* for which the *PRA* is the *coordinator*, ~~Part One, Title II, Chapter 2 of the *CRR* and~~ the *PRA* Rulebook.
MIFIDPRU investment services sector		in relation to a *MIFIDPRU investment firm* which is a member of a *financial conglomerate* for which the *PRA* is the *coordinator*, *MIFIDPRU*.

…

Annex S

Amendments to the General Organisational Requirements Part

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

…

7 GROUP ARRANGEMENTS

...

7.1A ~~If this Part applies to an *Article 109 undertaking* on a *consolidated basis* or on a *sub-consolidated basis*, the *Article 109 undertaking* must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in Parts Two to Eight of the *CRR* on a *consolidated basis* or *sub-consolidated basis*.~~[Deleted]

7.2 Compliance with the obligations referred to in 7.1 must enable the *consolidation group* or *sub-consolidation group* to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

[Note: Art 109(2) of the *CRD*]

Annex T

Amendments to the Group Risk Systems Part

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

1 APPLICATION AND DEFINITIONS

1.1 This Part applies to a *CRR firm* that is a member of a *group* save that 2.3 applies to an *Article 109 undertaking*.

…

2 GROUP SYSTEMS AND CONTROLS

…

2.3 An *Article 109 undertaking* must comply with 2.1(2) in relation to any ~~*UK consolidation group* or non-*UK* sub-group~~*consolidation group* of which it is a member, as well as in relation to its *group*.

…

2.3A An *Article 109 undertaking* to which this Part is applied in a *sub-consolidation requirement* must comply with 2.1(2) and 2.4 on a *sub-consolidated basis*, as set out in that requirement.

…

Annex U

Amendments to the Internal Capital Adequacy Assessment Part

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

…

13 DOCUMENTATION OF RISK ASSESSMENTS

13.1 A *firm* must make a written record of the assessments required under this Part. These assessments must include assessments carried out on a *consolidated basis* and on an ~~individual basis~~*individual basis*. In particular it must make a written record of:

(a) the major sources of risk identified in accordance with the overall Pillar 2 rule in 3.1**;**

(b) how it intends to deal with those risks; and

(c) details of the stress tests and scenario analyses carried out, including any assumptions made in relation to scenario design, and the resulting financial resources estimated to be required in accordance with the general stress test and scenario analysis rule in 12.1.

…

14 APPLICATION OF THIS PART ON AN INDIVIDUAL BASIS, A CONSOLIDATED BASIS AND A SUB-CONSOLIDATED BASIS

The ICAAP rules

14.1 ~~A *firm* that is neither a *subsidiary* of a *parent undertaking* incorporated in or formed under the law of any part of the *UK* nor a *parent undertaking* must comply with the *ICAAP rules* on an individual basis.~~[Deleted]

14.2 A *firm* that is not a member of a *consolidation group* must comply with the *ICAAP rules* on an ~~individual basis~~*individual basis*.

[Note: Art 108(1) of the *CRD*]

14.2A ~~If the *ICAAP rules* apply to a *firm* on an individual basis, the *firm* must comply with the *ICAAP rules* to the same extent and in the same manner as it is required to comply with the obligations laid down in Parts Two to Four and Part Seven of the *CRR*.~~[Deleted]

14.3 A *firm* which is a *UK parent institution* must comply with the *ICAAP rules* on a *consolidated basis*.

…

14.4A A *PRA approved parent holding company* or a *PRA designated parent holding company* must comply with the *ICAAP rules* on ~~the basis of its *consolidated situation*~~a *consolidated basis* and a *PRA designated intermediate holding company* or a *PRA designated institution* responsible for meeting ~~*CRR*~~ requirements on a *consolidated basis* must comply with the *ICAAP rules* on the basis of the *consolidated situation* of its *UK parent financial holding company* or *UK parent mixed financial holding company*.

…

14.6 ~~If the *ICAAP rules* apply to an *Article 109 undertaking* on a *consolidated basis* or on a *sub-consolidated basis* that person must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in the *CRR* on a *consolidated basis* or *sub-consolidated basis*.~~An *Article 109 undertaking* to which this Part is applied in a *sub-consolidation requirement* must comply with the *ICAAP rules*, the *risk control rules*, Internal

Capital Adequacy Assessment 2.1 and Chapter 15 on a *sub-consolidated basis*, as set out in that requirement.

…

14.10 ~~A~~An *Article 109 undertaking* must also carry out the allocation in 14.8 in a way that:

(a) takes into account the nature, level and distribution of the risks between all entities within the *consolidated group* or *sub-consolidation group*; and

(b) ensures the amount allocated to each *Article 109 undertaking* adequately reflects the risks to which that *Article 109 undertaking* is exposed on an ~~individual basis~~*individual basis*.

The risk control rules

14.11 The *risk control rules* apply to a *firm* on an ~~individual basis~~*individual basis* whether or not they also apply to the ~~firm~~*firm* on a *consolidated basis* or *sub-consolidated basis*.

[Note: Art 109(1) (part) of the *CRD*]

Level of application of the overall financial adequacy rule

14.12 Where a *firm*~~,~~ ~~a *PRA approved parent holding company*, a *PRA designated parent holding company*, a *PRA designated intermediate holding company* or a *PRA designated institution*~~ is responsible for meeting ~~*CRR* requirements~~*PRA* rules on a *consolidated basis*, it must ensure that the risk management processes and internal control mechanisms at the level of the *consolidation group* of which it is a member meet the standards set out in the *risk control rules* on a *consolidated basis*.

14.12A Where a *firm*, a *PRA approved intermediate holding company*, a *PRA designated intermediate holding company*, a *PRA designated parent holding company* or a *PRA designated institution* ~~is responsible for meeting *CRR* requirements on a *sub-consolidated basis*~~, is subject to a *sub-consolidation requirement* it must ensure that the risk management processes and internal control mechanisms at the level of the *sub-consolidation group* of which it is a member meet the standards set out in the *risk control rules* on a *sub-consolidated basis*.

…

14.14 The overall financial adequacy rule in 2.1 applies to a *firm* on an ~~individual basis~~*individual basis* whether or not it also applies to the *firm* on a *consolidated basis* or *sub-consolidated basis*.

…

15 REVERSE STRESS TESTING

…

15.3 Where the *firm* is a member of a ~~*UK consolidation group*~~*consolidation group* it must conduct the reverse stress test on an ~~individual basis~~*individual basis* as well as on a *consolidated basis* in relation to the ~~*UK consolidation group*~~*consolidation group*.

…

Annex V

Amendments to the Internal Liquidity Adequacy Assessment Part

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

…

14 APPLICATION OF THIS PART ON AN INDIVIDUAL OR DOMESTIC LIQUIDITY SUB-GROUP BASIS AND A CONSOLIDATED BASIS

14.1 (1) This Part applies to a *firm* on an ~~individual basis~~*individual basis* (excluding the effect of any *individual consolidation permission*) unless (2) applies.

(2) A *firm* must comply with this Part at the level of its *domestic liquidity sub-group* where the *PRA* has granted the ~~firm~~*firm* permission under 2.2 of the Liquidity (CRR) Part of the *PRA* Rulebook.

[Note: This rule corresponds to Article 8(5) of the *CRR* as it applied immediately before revocation by the *Treasury*]

(3) (1) and (2) apply to a *firm* whether or not this Part applies to the *firm* on a *consolidated basis*.

14.1A ~~If this Part applies to a *firm* on an individual basis, the *firm* must comply with the rules in this Part to the same extent and in the same manner as it is required to comply with the *firm's* obligations laid down in Part Six of the *CRR*.~~[Deleted]

14.2 Where a *firm*, a *PRA approved parent holding company*, a *PRA designated parent holding company*, a *PRA designated intermediate holding company* or a *PRA designated institution* is a member of a *consolidation group*, that *person* must ensure that the arrangements, processes and mechanisms at the level of the *consolidation group* of which it is a member comply with the obligations set out in 3 – 13 on a *consolidated basis*.

14.2A Where a *firm*, a *PRA approved intermediate holding company*, a *PRA designated intermediate holding company*, a *PRA designated parent holding company* or a *PRA designated institution* is a member of a *sub-consolidation group*, that ~~person~~*person* must ensure that the arrangements, processes and mechanisms at the level of the *sub-consolidation group* of which it is a member comply with the obligations set out in 3 – 13 on a *sub-consolidated basis*.

14.3 Compliance with 14.2 and 14.2A must enable the *consolidation group* or *sub-consolidation group* (as the case may be) to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

[Note: Art 109(2) (part) of the *CRD*]

14.4 A *firm* which is a *UK parent institution* must comply with this Part ~~on the basis of its consolidated situation~~on a *consolidated basis*.

…

14.6A A *PRA approved parent holding company* or a *PRA designated parent holding company* must comply with this Part on the basis of its *consolidated situation* and a *PRA designated intermediate holding company* responsible for compliance with ~~the *CRR*~~*PRA* rules on a *consolidated basis* must comply with this Part on the basis of the *consolidated situation* of the *UK parent financial holding company* or *UK parent mixed financial holding company*.

14.7 [Deleted~~.~~]

14.8 ~~If this Part applies to an *Article 109 undertaking* on a *consolidated basis* or on a *sub-consolidated basis*, the *Article 109 undertaking* must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in Part Six of the *CRR* on a *consolidated basis* or *sub-consolidated basis*.~~An *Article 109 undertaking* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

…

Annex W

Amendments to the Large Exposures (CRR) Part

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

…

2 LEVEL OF APPLICATION

~~**Application of requirements on an individual basis**~~

2.1 A *firm* must comply with this Part on an ~~individual basis~~*individual basis*.

~~*[Note: Rule 2.1 sets out an equivalent provision to Article 6(1) of CRR that applies to this Part]*~~

2.2 ~~Where a *firm* has been given permission under Article 9(1) of *CRR* it must incorporate relevant subsidiaries in the calculation undertaken to comply with rule 2.1.~~[Deleted]

~~[Note: Rule 2.2 applies Article 9(1) of *CRR* to this Part where a permission under that Article has been given]~~

…

~~**Application of requirements on a consolidated basis**~~

2.4 A *CRR consolidation entity* must comply with this Part on a *consolidated basis*~~the basis of its consolidated situation~~.

~~[Note: Rule 2.4 sets out an equivalent provision to the first sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.5 ~~For the purposes of applying this Part on a *consolidated basis*, the terms "firm", "institution" and "UK parent institution" include a *CRR consolidation entity* (if it would not otherwise have been included).~~[Deleted]

~~[Note: Rule 2.5 sets out an equivalent provision to the first sub-paragraph of Article 11(2) of *CRR* that applies to this Part]~~

2.6 ~~The expression 'consolidated situation' applies for the purposes of this Part as it does for the purposes of Parts Two and Three of *CRR*.~~[Deleted]

~~[Note: The term 'consolidation situation' is defined in Article 4(1)(47) of *CRR*]~~

~~**Application of requirements on a sub-consolidated basis**~~

2.7 ~~A *firm* that is required to comply with Parts Two and Three of *CRR* on a sub-consolidated basis, must comply with this Part on the same basis.~~A *firm* or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

~~[Note: This rule sets out Article 11(6) of *CRR* that it applies to this Part]~~

3 ORGANISATIONAL STRUCTURE AND CONTROL MECHANISMS

3.1 ~~A *CRR consolidation entity* and *firm* must set up a proper organisational structure and appropriate *internal control* mechanisms in order to ensure that the data required for consolidation for the purposes of this Part is duly processed and forwarded.~~[Deleted]

~~[Note: Rule 3.1 sets out an equivalent provision to the second sentence of Article 11(1) of *CRR* that applies to this Part]~~

3.2 ~~A *CRR consolidation entity* and *firm* must ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.~~[Deleted]

~~[Note: Rule 3.2 sets out an equivalent provision to the third sentence of Article 11(1) of the *CRR* that applies to this Part]~~

…

4 LARGE EXPOSURES (PART FOUR CRR)

…

Article 396 COMPLIANCE WITH LARGE EXPOSURES REQUIREMENTS

…

2. ~~Where compliance by a *firm* on an individual or sub-consolidated basis with the obligations imposed in this Part is waived under Article 7(1), or the provisions of Article 9 are applied in the case of parent institutions,~~A *UK parent institution* with an *individual consolidation permission* must take measures ~~must be taken~~ to ensure the satisfactory allocation of risks within the group.

[Note: This rule corresponds to Article 396 of *CRR* as it applied immediately before revocation by the *Treasury*~~.~~]

…

Annex X

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

1.1 Unless otherwise stated, this Part applies to:

(1) every *CRR firm* that:

(a1) has *retail deposits* equal to or greater than £75 billion, as determined in accordance with 1.1B, on an ~~individual basis~~*individual basis*; or

(a2) that has *foreign assets* equal to or greater £10 billion, as determined in accordance with 1.1A, on an ~~individual basis~~*individual basis*;

…

…

(1A) every *CRR consolidation entity* that:

(a) has *retail deposits* equal to or greater than £75 billion as determined in accordance with 1.1B; or

(b) has *foreign assets* equal to or greater than £10 billion, as determined in accordance with 1.1A,

in each case, on a *consolidated basis* ~~on the basis of its *consolidated situation*~~; and

(2) a *ring-fenced body* that is subject to a *sub-consolidation requirement* ~~required to comply with Parts Two and Three of the *CRR* on a *sub-consolidated basis*~~ and that:

(a) has *retail deposits* equal to or greater than £75 billion as determined in accordance with 1.1B; or

(b) has *foreign assets* equal to or greater than £10 billion, as determined in accordance with 1.1A,

in each case~~,~~ on a *sub-consolidated basis* specified in such requirement~~an *RFB sub-consolidated basis*~~.

…

2 BASIS OF APPLICATION

2.1 A *firm* that is in scope of this Part by virtue of 1.1(1) must comply with this Part on an ~~individual basis~~*individual basis*, unless it is:

(a) a *CRR consolidation entity* subject to 2.2; or

(b) a *ring-fenced body* subject to 2.4 which is the ultimate *parent undertaking* within its *sub-consolidation group*.

2.1A ~~Where a *firm* has been given permission under Article 9(1) of the *CRR* it shall incorporate relevant *subsidiaries* in the calculation undertaken to comply with rule 2.1.~~[Deleted]

2.1B …

2.2 A *CRR consolidation entity* which is in scope of this Part by virtue of 1.1(1A) must comply with this Part on a *consolidated basis*~~the basis of its *consolidated situation*~~.

2.2A ~~The expression "consolidated situation" applies for the purposes of this Part as it does for the purposes of Parts Two and Three of the *CRR*.~~[Deleted]

~~[Note: the term "consolidation situation" is defined in Article 4(1)(47) of the *CRR*]~~

2.2B ~~For the purposes of 2.2, references to a *firm* in this Part (other than in 1.1) include a *CRR consolidation entity*.~~[Deleted]

2.3 [Deleted]

2.4 A *ring-fenced body* which is in scope of this Part by virtue of 1.1(2), must comply with this Part on the same *sub-consolidated basis* ~~as it is required to comply with Parts Two and Three of the *CRR*~~.

…

Annex Y

Amendments to the Leverage Ratio (CRR) Part

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

…

3 LEVERAGE RATIO (PART SEVEN CRR)

…

Article 429a EXPOSURES EXCLUDED FROM THE TOTAL EXPOSURE MEASURE

…

1. By way of derogation from Article 429(4) of this Chapter, an institution may exclude any of the following exposures from its *total exposure measure*:

   (a) the amounts deducted from Common Equity Tier 1 items in accordance with point (d) of Article 36(1) of Chapter 3 of the Own Funds ~~and Eligible Liabilities~~ (CRR) Part;

...

Annex Z

Amendments to the Liquidity (CRR) Part

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

…

2 LEVEL OF APPLICATION

Application of requirements on an individual basis

2.1 An institution ~~shall~~must comply with the *Liquidity Parts* on an ~~individual basis~~*individual basis* (excluding the effect of any *individual consolidation permission*).

~~[Note: This rule sets out Article 6(4) of the *CRR* as it applies to the *Liquidity Parts*]~~

Domestic liquidity sub-groups

2.2 An institution may apply to the *PRA* for a permission that:

(a) disapplies the requirement in 2.1 in full or in part; and

(b) provides for the requirements in the *Liquidity Parts* to apply:

(i) on a ~~consolidated basis~~*consolidated basis* or a ~~sub-consolidated basis~~*sub-consolidated basis* in relation to the institution and all or some of its subsidiary institutions; or

(ii) to the institution and one or more other institutions that are subsidiaries of the same *qualifying parent undertaking* as the institution,

as a single liquidity sub-group, with such modifications as may be specified in the permission.

[Note: This rule corresponds to Article 8(1) of the *CRR* as it applied immediately before revocation by the *Treasury* and sets out an equivalent provision to the second paragraph of Article 11(4) of the *CRR* as it applies to the *Liquidity Parts*]

[Note: This is a permission under section 144G of *FSMA* to which Part 8 of the *Capital Requirements Regulations* applies]

....

Application of requirements on a consolidated basis

2.4 A *CRR consolidation entity* ~~shall~~must comply with the *Liquidity Parts* on a *consolidated basis*~~the basis of its consolidated situation~~.

~~[Note: This rule sets out Article 11(4), first paragraph of the *CRR* as it applies to the *Liquidity Parts*]~~

2.5 ~~For the purposes of applying the *Liquidity Parts* on a consolidated basis, the terms "institution", "credit institution" and "UK parent institution" shall include a *CRR consolidation entity* (if it would not otherwise have been included).~~[Deleted]

~~[Note: This rule sets out Article 11(2) of the *CRR* as it applies to the *Liquidity Parts*]~~

2.6 ~~The expression "consolidated situation" applies for the purposes of this Part as it does for the purposes of Parts Two and Three of the *CRR*, except that paragraphs (3) to (6) and (9) of Article 18 do not apply.~~In this Part the term '*consolidated situation*' shall be applied as if the reference to Article 18 of the Groups Part omitted paragraphs (3) to (6).

~~[Note: The term "consolidation situation" is defined in Article 4(1)(47) of the *CRR* as it applied immediately before revocation by the *Treasury*.]~~

Application of requirements on a sub-consolidated basis

2.7 An institution or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement~~that is required to comply with Parts Two and Three of the *CRR* on a sub-consolidated basis, shall comply with the *Liquidity Parts* on the same basis~~.

~~[Note: This rule sets out Article 11(6) of the *CRR* as it applies to the *Liquidity Parts*]~~

3 ORGANISATIONAL STRUCTURE AND CONTROL MECHANISMS [DELETED]

3.1 ~~A *CRR consolidation entity* and an institution shall set up a proper organisational structure and appropriate internal control mechanisms in order to ensure that the data required for consolidation for the purposes of the *Liquidity Parts* are duly processed and forwarded.~~[Deleted]

~~[Note: This rule sets out the second sentence of Article 11(1) of the *CRR* as it applies to the *Liquidity Parts*]~~

3.2 ~~A *CRR consolidation entity* and an institution shall ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of the *Liquidity Parts*.~~[Deleted]

~~[Note: This rule sets out the third sentence of Article 11(1) of the *CRR* as it applies to the *Liquidity Parts*]~~

4 LIQUIDITY (PART SIX CRR)

…

Article 414 COMPLIANCE WITH LIQUIDITY REQUIREMENTS

…

3. An institution with *total assets*:

(a) equal to or greater than GBP 5 billion on an ~~individual basis~~*individual basis* (excluding the effect of any *individual consolidation permission*) or ~~consolidated basis~~*consolidated basis* must be capable at all times of reporting to the *competent authority* at a daily frequency by *the end of the business day* all of the following templates:
   (i) (unless it is an *SDDT* or an *SDDT consolidation entity*) Annex XVIII Template C 70 as specified in the Reporting (CRR) Part of the *PRA* Rulebook;
   (ii) Annex XXIV Templates C 72, C 73, C 74, C 75 and C 76 as specified in the Reporting (CRR) Part of the *PRA* Rulebook; and
   (iii) *data item* PRA 110 as specified in the Regulatory Reporting Part;

(b) of less than GBP 5 billion on an ~~individual basis~~*individual basis* (excluding the effect of any *individual consolidation permission*) or ~~consolidated basis~~*consolidated basis* must be capable at all times of reporting to the *competent authority data item* PRA 110 as specified in the Regulatory Reporting Part at a *weekly* frequency by *the end of the business day*.

…

Article 428A APPLICATION ON A CONSOLIDATED BASIS

Where the net stable funding ratio set out in this Title IV (The Net Stable Funding Ratio) applies on a ~~consolidated basis~~*consolidated basis* in accordance with rule 2.4 of this Part, the following provisions shall apply:

…

…

5 APPLICATION OF THE NET STABLE FUNDING REQUIREMENT TO SMALL DOMESTIC DEPOSIT TAKERS AND SDDT CONSOLIDATION ENTITIES

…

5.2 An *SDDT* must comply with this chapter on an ~~individual basis~~*individual basis* (excluding the effect of any *individual consolidation permission*).

5.3 An *SDDT consolidation entity* must comply with this chapter on a *consolidated basis* ~~the basis of its consolidated situation and for that purpose the term *firm* shall be read as including an *SDDT consolidation entity* (if it would not otherwise be included)~~.

…

Annex AA

Amendments to the Liquidity Coverage Ratio (CRR) Part

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

1 APPLICATION AND DEFINITIONS

1.1 Chapters 1 to 2~~3~~ of the Liquidity (CRR) Part ~~of the *PRA* Rulebook~~ apply in relation to this Part.

…

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

…

Article 2 SCOPE AND APPLICATION

…

3. Where a *CRR consolidation entity* is required to comply with Chapter 2 of the Liquidity Coverage Ratio (CRR) Part on a *consolidated basis*~~of the *PRA* Rulebook on the basis of its consolidated situation~~ all the following provisions shall apply:

   …

   (d) investment firms within the group shall be subject to Article 4 of this Chapter 2 of the Liquidity Coverage Ratio (CRR) Part ~~of the *PRA* Rulebook~~ on a ~~consolidated basis~~*consolidated basis* and to Article 412 of *CRR* in relation to the definition of liquid assets, liquidity outflows and inflows for both individual and consolidated purposes. Other than as specified in this point, investment firms shall remain subject to the detailed liquidity coverage ratio requirement for investment firms as laid down in the Liquidity Coverage Requirement - UK Designated Investment Firms Part ~~of the *PRA* Rulebook~~;

   …

…

Article 15 CIUS

1. Shares or units in CIUs shall qualify as liquid assets of the same level as the liquid assets underlying the relevant *undertaking* up to an absolute amount of GBP 440 million (or equivalent amount in domestic currency) for each credit institution on an ~~individual basis~~*individual basis* (excluding the effect of any *individual consolidation permission*), provided that:

   (a) the requirements in Article 132(3) of *CRR* are complied with;
   (b) the CIU invests only in liquid assets and derivatives, in the latter case only to the extent necessary to mitigate interest rate, currency or credit risk in the portfolio.

…

Annex AB

Amendments to the Liquidity Coverage Requirement - UK Designated Investment Firms Part

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

…

4 APPLICATION OF THIS PART ON AN INDIVIDUAL BASIS AND A CONSOLIDATED BASIS

4.1 This Part applies to a *firm* on an ~~individual basis~~*individual basis* (excluding the effect of any *individual consolidation permission*) whether or not it also applies to the *firm* on a *consolidated basis*.

4.1A ~~If this Part applies to a *firm* on an individual basis, the *firm* must comply with the rules in this Part to the same extent and in the same manner as it is required to comply with the *firm's* obligations laid down in Part Six of the *CRR*.~~[Deleted]

4.2 A *CRR consolidation entity* must comply with this Part on a *consolidated basis* ~~on the basis of its *consolidated situation*~~.

4.3 [deleted]

4.4 ~~If this Part applies to a *firm* or a *CRR consolidation entity* on a *consolidated basis* or on a *sub-consolidated basis*, it must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in Part Six of the *CRR* on a *consolidated basis* or *sub-consolidated basis*.~~A *firm* or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

…

Annex AC

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

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

…

2 LEVEL OF APPLICATION

~~**Application of requirements on an individual basis**~~

2.1 An institution ~~shall~~must comply with this Part on an ~~individual basis~~*individual basis*.

~~[Note: Rule 2.1 sets out an equivalent provision to Article 6(1) of *CRR* that applies to this Part]~~

2.2 ~~Where an institution has been given permission under Article 9(1) of *CRR* it shall incorporate relevant subsidiaries in the calculation undertaken to comply with rule 2.1.~~A *CRR consolidation entity* must comply with this Part on *a consolidated basis*.

~~[Note: Rule 2.2 applies Article 9(1) of *CRR* to this Part where a permission under that Article has been given]~~

~~**Application of requirements on a consolidated basis**~~

2.3 ~~A *CRR consolidation entity* shall comply with this Part on the basis of its consolidated situation.~~An institution or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

~~[Note: Rule 2.3 sets out an equivalent provision to the first sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.4 ~~For the purposes of applying this Part on a consolidated basis, the terms 'institution' and 'UK parent institution' shall include a *CRR consolidation entity* (if it would not otherwise have been included).~~[Deleted]

~~[Note: Rule 2.4 sets out an equivalent provision to the first sub-paragraph of Article 11(2) of *CRR* that applies to this Part]~~

2.5 ~~The expression 'consolidated situation' applies for the purposes of this Part as it does for the purposes of Parts Two and Three of *CRR*.~~[Deleted]

~~[Note: The term 'consolidated situation' is defined in Article 4(1)(47) of *CRR*]~~

~~**Application of requirements on a sub-consolidated basis**~~

2.6 ~~An institution that is required to comply with Parts Two and Three of *CRR* on a sub-consolidated basis, shall comply with this Part on the same basis.~~[Deleted]

~~[Note: This rule sets out Article 11(6) of *CRR* that it applies to this Part]~~

3 ORGANISATIONAL STRUCTURE AND CONTROL MECHANISMS [DELETED]

3.1 ~~A *CRR consolidation entity* and an institution shall set up a proper organisational structure and appropriate internal control mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.~~[Deleted]

~~[Note: Rule 3.1 sets out an equivalent provision to the second sentence of Article 11(1) of *CRR* that applies to this Part]~~

3.2 ~~A *CRR consolidation entity* and an institution shall ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.~~[Deleted]

~~[Note: Rule 3.2 sets out an equivalent provision to the third sentence of Article 11(1) of *CRR* that applies to this Part]~~

…

Annex AD

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

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

…

2 LEVEL OF APPLICATION

~~**Application of requirements on an individual basis**~~

2.1 An institution ~~shall~~must comply with this Part on an ~~individual basis~~*individual basis*.

~~[Note: Rule 2.1 sets out an equivalent provision to Article 6(1) of *CRR* that applies to this Part]~~

2.2 ~~Where an institution has been given permission under Article 9(1) of *CRR* it shall incorporate relevant subsidiaries in the calculation undertaken to comply with rule 2.1.~~A *CRR consolidation entity* must comply with this Part on a *consolidated basis*.

~~[Note: Rule 2.2 applies Article 9(1) of *CRR* to this Part where a permission under that Article has been given]~~

~~**Application of requirements on a consolidated basis**~~

2.3 ~~A *CRR consolidation entity* shall comply with this Part on the basis of its consolidated situation.~~An institution or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

~~[Note: Rule 2.3 sets out an equivalent provision to the first sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.4 ~~For the purposes of applying this Part on a consolidated basis, the terms 'institution' and 'UK parent institution' shall include a *CRR consolidation entity* (if it would not otherwise have been included).~~[Deleted]

~~[Note: Rule 2.4 sets out an equivalent provision to the first sub-paragraph of Article 11(2) of *CRR* that applies to this Part]~~

2.5 ~~The expression 'consolidated situation' applies for the purposes of this Part as it does for the purposes of Parts Two and Three of *CRR*.~~[Deleted]

~~[Note: The term 'consolidated situation' is defined in Article 4(1)(47) of *CRR*]~~

~~**Application of requirements on a sub-consolidated basis**~~

2.6 ~~An institution that is required to comply with Parts Two and Three of *CRR* on a sub-consolidated basis, shall comply with this Part on the same basis.~~[Deleted]

~~[Note: This rule sets out Article 11(6) of *CRR* that it applies to this Part]~~

3 ORGANISATIONAL STRUCTURE AND CONTROL MECHANISMS [DELETED]

3.1 ~~A *CRR consolidation entity* and an institution shall set up a proper organisational structure and appropriate internal control mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.~~[Deleted]

~~[Note: Rule 2.7 sets out an equivalent provision to the second sentence of Article 11(1) of *CRR* that applies to this Part]~~

3.2 ~~A *CRR consolidation entity* and an institution shall ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.~~[Deleted]

~~[Note: Rule 2.8 sets out an equivalent provision to the third sentence of Article 11(1) of *CRR* that applies to this Part]~~

4 GENERAL PROVISIONS (PART THREE, TITLE IV, CHAPTER 1 CRR)

…

Article 325a1 TREATMENT OF NON-TRADING BOOK POSITIONS SUBJECT TO FOREIGN EXCHANGE RISK OR COMMODITY RISK

…

4. Where an institution computes the own funds requirements for market risk on a ~~consolidated basis~~*consolidated basis*, the institution shall identify the currency of denomination of an item as the reporting currency of the institution which recognises that item in its individual financial statement, where all of the following conditions are met:

…

Article 325b PERMISSION FOR CONSOLIDATED REQUIREMENTS

1. Subject to paragraph 2, and only for the purpose of calculating net positions and own funds requirements for market risk on a ~~consolidated basis~~*consolidated basis*, institutions may use positions in one institution or *undertaking* to offset positions in another institution or *undertaking*.

…

3. Where there are *undertakings* located in *third countries*, all the following conditions shall be met in addition to those set out in paragraph 2:

   (a) such *undertakings* have been authorised in a *third country* and either satisfy the definition of a credit institution or are *third country investment firms*;

   (b) on an ~~individual basis~~*individual basis*, such *undertakings* comply with own funds requirements equivalent to those laid down in *CRR* and *CRR rules*; and

   (c) no regulations exist in the *third countries* in question which might significantly affect the transfer of funds within the group.

4. Where the *PRA* has granted the permission in paragraph 2, an institution shall calculate the own funds requirements for market risk on a ~~consolidated basis~~*consolidated basis* for all institutions and *undertakings* which have been granted such permission as the sum of:

   (a) the own funds requirements for market risk for all the positions that have been allocated to a dedicated general interest rate internal hedge portfolio in accordance with paragraph 9 of Trading Book (CRR) Part Article 106; and

   (b) the own funds requirements for market risk for all the positions that have not been allocated to a dedicated general interest rate internal hedge portfolio in accordance with paragraph 9 of Trading Book (CRR) Part Article 106.

5. Where the *PRA* has not granted the permission in paragraph 2 for all institutions or *undertakings* in a group, an institution shall calculate the own funds requirements for market risk for that group as the sum of:

   (a) the own funds requirements calculated in accordance with paragraph 4; and

   (b) the sum of own funds requirements for each institution or *undertaking* that has not been granted the permission in paragraph 2, each calculated on an ~~individual basis~~*individual basis* and in accordance with points (a) and (b) of paragraph 4.

[Note: This rule corresponds to Article 325b of *CRR* as it applied immediately before revocation by the *Treasury*]

Annex AE

Amendments to the Market Risk: Internal Model Approach (CRR) Part

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

…

2 LEVEL OF APPLICATION

~~**Application of requirements on an individual basis**~~

2.1 An institution ~~shall~~must comply with this Part on an ~~individual basis~~*individual basis*.

~~[Note: Rule 2.1 sets out an equivalent provision to Article 6(1) of *CRR* that applies to this Part]~~

2.2 ~~Where an institution has been given permission under Article 9(1) of *CRR* it shall incorporate relevant subsidiaries in the calculation undertaken to comply with rule 2.1.~~A *CRR consolidation entity* must comply with this Part on *a consolidated basis*.

~~[Note: Rule 2.2 applies Article 9(1) of *CRR* to this Part where a permission under that Article has been given]~~

~~**Application of requirements on a consolidated basis**~~

2.3 ~~A *CRR consolidation entity* shall comply with this Part on the basis of its consolidated situation.~~An institution or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

~~[Note: Rule 2.3 sets out an equivalent provision to the first sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.4 ~~For the purposes of applying this Part on a consolidated basis, the terms 'institution' and 'UK parent institution' shall include a *CRR consolidation entity* (if it would not otherwise have been included).~~[Deleted]

~~[Note: Rule 2.4 sets out an equivalent provision to the first sub-paragraph of Article 11(2) of *CRR* that applies to this Part]~~

2.5 ~~The expression 'consolidated situation' applies for the purposes of this Part as it does for the purposes of Parts Two and Three of *CRR*.~~[Deleted]

~~[Note: The term 'consolidated situation' is defined in Article 4(1)(47) of *CRR*]~~

~~**Application of requirements on a sub-consolidated basis**~~

2.6 ~~An institution that is required to comply with Parts Two and Three of *CRR* on a sub-consolidated basis, shall comply with this Part on the same basis.~~[Deleted]

~~[Note: Rule 2.6 sets out an equivalent provision to Article 11(6) of *CRR* that applies to this Part]~~

3 ORGANISATIONAL STRUCTURE AND CONTROL MECHANISMS ~~[DELETED]~~

3.1 ~~A *CRR consolidation entity* and an institution shall set up a proper organisational structure and appropriate internal control mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.~~[Deleted]

~~[Note: Rule 3.1 sets out an equivalent provision to the second sentence of Article 11(1) of *CRR* that applies to this Part]~~

3.2 ~~A *CRR consolidation entity* and an institution shall ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.~~[Deleted]

~~[Note: Rule 3.2 sets out an equivalent provision to the third sentence of Article 11(1) of *CRR* that applies to this Part]~~

…

Annex AF

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

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

…

2 LEVEL OF APPLICATION

~~**Application of requirements on an individual basis**~~

2.1 An institution ~~shall~~must comply with this Part on an ~~individual basis~~*individual basis*.

~~[Note: Rule 2.1 sets out an equivalent provision to Article 6(1) of *CRR* that applies to this Part]~~

2.2 ~~Where an institution has been given permission under Article 9(1) of *CRR* it shall incorporate relevant subsidiaries in the calculation undertaken to comply with rule 2.1.~~A *CRR consolidation entity* must comply with this Part on *a consolidated basis*.

~~[Note: Rule 2.2 applies Article 9(1) of *CRR* to this Part where a permission under that Article has been given]~~

~~**Application of requirements on a consolidated basis**~~

2.3 ~~A *CRR consolidation entity* shall comply with this Part on the basis of its consolidated situation.~~An institution or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

~~[Note: Rule 2.3 sets out an equivalent provision to the first sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.4 ~~For the purposes of applying this Part on a consolidated basis, the terms 'institution' and 'UK parent institution' shall include a *CRR consolidation entity* (if it would not otherwise have been included).~~[Deleted]

~~[Note: Rule 2.4 sets out an equivalent provision to the first sub-paragraph of Article 11(2) of *CRR* that applies to this Part]~~

2.5 ~~The expression 'consolidated situation' applies for the purposes of this Part as it does for the purposes of Parts Two and Three of *CRR*.~~[Deleted]

~~[Note: The term 'consolidated situation' is defined in Article 4(1)(47) of *CRR*]~~

~~**Application of requirements on a sub-consolidated basis**~~

2.6 ~~An institution that is required to comply with Parts Two and Three of *CRR* on a sub-consolidated basis, shall comply with this Part on the same basis.~~[Deleted]

~~[Note: This rule sets out Article 11(6) of *CRR* that it applies to this Part]~~

3 ORGANISATIONAL STRUCTURE AND CONTROL MECHANISMS [DELETED]

3.1 ~~A *CRR consolidation entity* and an institution shall set up a proper organisational structure and appropriate internal control mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.~~[Deleted]

~~[Note: Rule 3.1 sets out an equivalent provision to the second sentence of Article 11(1) of *CRR* that applies to this Part]~~

3.2 ~~A *CRR consolidation entity* and an institution shall ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.~~[Deleted]

~~[Note: Rule 3.2 sets out an equivalent provision to the third sentence of Article 11(1) of *CRR* that applies to this Part]~~

…

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

…

Article 337 OWN FUNDS REQUIREMENT FOR SECURITISATION INSTRUMENTS

1. For instruments in the trading book that are securitisation positions, an institution shall weight the net positions as calculated in accordance with paragraph 1 of Article 327 with 8% of the risk weight the institution would apply to the position in its non-trading book according to Securitisation (CRR) Part Articles 247 to 270A~~Section 3 of Chapter 5 of Title II of Part 3 of *CRR*~~.

2. [Note: Provision left blank]

3. For securitisation positions that are subject to an additional risk weight in accordance with Securitisation (CRR) Part Article 247(6)~~ of *CRR*~~, an institution shall apply 8% of the total risk weight.

4. An institution shall sum its weighted positions resulting from the application of paragraphs 1, 2 and 3 regardless of whether they are long or short, in order to calculate its own funds requirement against specific risk.

5. Where an originator institution of a traditional securitisation does not meet any of the conditions ~~for significant risk transfer~~ set out in paragraph 1 of Article 244~~ of *CRR*~~ of the Securitisation (CRR) Part, the originator institution shall include the exposures underlying the securitisation in its calculation of own funds requirement as if those exposures had not been securitised.

   Where an originator institution of a synthetic securitisation does not meet any of the conditions~~ for significant risk transfer~~ set out in paragraph 1 of Article 245~~ of *CRR*~~of the Securitisation (CRR) Part, the originator institution shall include the exposures underlying the securitisation in its calculation of own funds requirements as if those exposures had not been securitised and shall ignore the effect of the synthetic securitisation for credit protection purposes.

[Note: Paragraphs 1, 3, 4 and 5 of this rule correspond to Article 337(1), (3), (4) and (5) of *CRR* as it applied immediately before revocation by the *Treasury*]

…

5 OWN FUNDS REQUIREMENTS FOR FOREIGN-EXCHANGE RISK (PART THREE, TITLE IV, CHAPTER THREE CRR)

…

Article 352a DETERMINATION OF OWN FUNDS REQUIREMENTS FOR NON-DELTA RISK OF OPTIONS AND WARRANTS

…

2. When calculating own funds requirements on a ~~consolidated basis~~*consolidated basis* an institution may combine the use of different approaches. On an ~~individual basis~~*individual basis*, an institution may only combine the scenario approach and the delta plus approach subject to the conditions established in paragraphs 6 to 11.

…

Annex AG

Amendments to the Operational Risk Part

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

…

2 LEVEL OF APPLICATION

2.1 A *firm* must comply with this Part on an ~~individual basis~~*individual basis*.

2.2 ~~Where a *firm* has been given permission under Article 9(1) of *CRR* it shall incorporate relevant subsidiaries in the calculation undertaken to comply with 2.1.~~A *CRR consolidation entity* must comply with this Part on a *consolidated basis*.

2.3 ~~A *CRR consolidation entity* must comply with this Part on the basis of its consolidated situation.~~An institution or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

2.4 ~~For the purposes of 2.3, references to a *firm* in this Part (other than in 1.1 and 2.1) mean a *CRR consolidation entity*.~~[Deleted]

2.5 ~~The expression 'consolidated situation' applies for the purposes of this Part as it does for the purposes of Parts Two and Three of *CRR*.~~[Deleted]

~~[Note: the term 'consolidated situation' is defined in Article 4(1)(47) of *CRR*]~~

2.6 ~~A *firm* which is required to comply with Parts Two and Three of *CRR* on a sub-consolidated basis must comply with this Part on the same basis.~~[Deleted]

3 ORGANISATIONAL STRUCTURE AND CONTROL MECHANISMS [DELETED]

3.1 ~~A *CRR consolidation entity* and a *firm* shall set up a proper organisational structure and appropriate *internal control* mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.~~[Deleted]

3.2 ~~A *CRR consolidation entity* and a *firm* shall ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.~~[Deleted]

…

Annex AH

Amendments to the Record Keeping Part

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

1 APPLICATION AND DEFINITIONS

…

1.1B (1) A *firm* must comply with this Part on an ~~individual basis~~*individual basis*.

(2) A *CRR consolidation entity* must arrange for orderly records to be kept relating to the *consolidated situation* of the *group*~~, and for this purpose, references to a *firm* in this Part (other than in 1.1 and 1.1B) mean a *CRR consolidation entity*~~.

(3) A *firm* or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

…

Annex AI

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:

Article 1(1)(b) entity

means a *financial institution* that is established in the *UK* when the *financial institution* is a *subsidiary* of a *credit institution* or *investment firm*, or of an *Article 1(1)(c) entity* or an *Article 1(1)(d) entity*, and is covered by the supervision of the *parent undertaking* on a *consolidated basis* (but excluding the effect of Articles 18 to 24 of the Groups Part) ~~in accordance with Articles 6 to 17 of *CRR*~~.

…

Annex AJ

Amendments to the Regulatory Reporting Part

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

1 APPLICATION AND DEFINITIONS

…

1.1A Where this Part requires a *data item* to be submitted on a *consolidated basis* or *sub-consolidated basis* the *firm* or *CRR consolidation entity* must comply on that basis ~~and for this purpose, references to a *firm* in this Part, other than in 1.1(1) and 24, mean a *CRR consolidation entity*~~.

1.2 In this Part, the following definitions shall apply:

…

~~*individual consolidation permission*~~

~~means a *CRR permission* under Article 9 of the *CRR*.~~

…

7 REGULATED ACTIVITY GROUP 1

…

7.1

…

(35) …

(a) It must complete it on an ~~individual basis~~*individual basis* (excluding the effect of any *individual consolidation permission*). ~~Therefore even if it has an *individual consolidation permission* it must complete the item on an unconsolidated basis by reference to the *firm* alone.~~

…

(e) If it is a *UK bank* or *building society* controlled by a *UK parent financial holding company* or by a *UK parent mixed financial holding company* it must complete the item on the basis of the *consolidated situation* of that holding company ~~if the *PRA* is responsible for supervision of the *firm* on a *consolidated basis* in accordance with Part 6 of the *Capital Requirements Regulations*~~.

…

…

7.2 …

(13)

…

(b) If the reporting frequency would otherwise be monthly, the item is to be reported:

(i) every *business day* if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, equal to or greater than £5 billion on an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ or *UK consolidation group* basis; and

(ii) weekly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, of less than £5 billion on both an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ and *UK consolidation group* basis,

if (and for as long as) there is a specific liquidity stress or market liquidity stress in relation to the *firm*, *branch* or group in question.

…

(14) The reporting frequency is as follows:

(a) weekly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, equal or greater than EUR 30 billion on either an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ or *UK consolidation group* basis. This requirement stops applying if the *total assets* of the *firm* on both an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ and *UK consolidation group* basis reduce to less than EUR 30 billion for at least four consecutive weekly reporting periods, in which case the *firm* is required to start reporting this *data item* monthly after the end of last consecutive reporting period; and

(b) monthly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, of less than EUR 30 billion on both an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ and *UK consolidation group* basis. This requirement stops applying if during any monthly reporting period the *total assets* of the *firm*, on either an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ or *UK consolidation group* basis, become equal to or greater than EUR 30 billion, in which case the *firm* is required to start reporting this *data item* weekly after the end of that reporting period.

…

9 REGULATED ACTIVITY GROUP 3

…

9.2 …

(19) A firm must complete this item separately on each of the following bases that are applicable.

(a) It must complete it on an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~. ~~Therefore even if it has an *individual consolidation permission* it must complete the item on an unconsolidated basis by reference to the *firm* alone.~~

…

(f) If it is a *UK designated investment firm* controlled by a *UK parent financial holding company* or by a *UK parent mixed financial holding company* the *firm* must complete the item on the basis of the *consolidated situation* of that holding company if: (1) there is no *subsidiary* of the holding company which is a *credit institution* to which (e) applies; and (2) the *PRA* is responsible for the supervision of the *firm* on a *consolidated basis*.

If the *data item* is required to be completed by the *firm* on a *consolidated basis* (pursuant to (d), (e) or (f) above) or on a *sub-consolidated basis* (pursuant to (c) above), the *firm* must carry out the consolidation or sub-consolidation to the same extent and in the same manner as it is required to comply with the Liquidity (CRR) Part and Liquidity Coverage Ratio (CRR) Part~~obligations laid down in Part Six of the *CRR*~~ on a *consolidated basis* or *sub-consolidated basis*.

…

9.3 …

(7) If the report is on an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ the reporting is quarterly. If the report is on a *consolidated basis*, the reporting frequency is half yearly.

…

(10) …

(b) If the reporting frequency would otherwise be monthly, the item is to be reported:

(i) every *business day* if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, equal to or greater than £5 billion on an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ or *UK consolidation group* basis; and

(ii) weekly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, of less than £5 billion on both an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ and *UK consolidation group* basis,

…

…

(11) The reporting frequency is as follows:

(a) weekly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, equal or greater than EUR 30 billion on either *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ or *UK consolidation group* basis. This requirement stops applying if the *total assets* of the *firm* on both an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ and *UK consolidation group* basis reduce to less than EUR 30 billion for at least four consecutive weekly reporting periods, in which case the *firm* is required to start reporting this *data item* monthly after the end of last consecutive reporting period; and

(b) monthly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, of less than EUR 30 billion on both an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ and *UK consolidation group* basis. This requirement stops applying if during any monthly reporting period the *total assets* of the *firm*, on either an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ or *UK consolidation group* basis, become equal to or greater than EUR 30 billion, in which case the *firm* is required to start reporting this *data item* weekly after the end of that reporting period.

…

20 CAPITAL+ REPORTS

…

20.6 A firm satisfies Capital+ condition 1:

…

(3) if the *firm* is not part of a *consolidation group*, where it has *retail deposits* equal to or greater than £50 billion and *total assets* equal to or greater than £320 billion on an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~; or

…

20.7 A *firm* satisfies *Capital+ condition 2* if it:

(1) satisfies *Capital+ condition 1* in accordance with 20.6(1) or 20.6(2); and

(2) has *total assets* equal to or greater than £50 billion on an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~.

20.8 A *firm* satisfies *Capital+ condition 3*:

…

(3) if the *firm* is not part of a *consolidation group*, where it has *retail deposits* greater than £50 billion and *total assets* greater than £5 billion but less than £320 billion on an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~; or

…

20.9 A *firm* satisfies *Capital+ condition 4* if it:

(1) satisfies *Capital+ condition 3* in accordance with 20.8(1) or 20.8(2); and

(2) has *total assets* equal to or greater than £50 billion on an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~.

…

20.11 A *firm* satisfies *Capital+ condition 6* if it has *total assets* greater than £5 billion on an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~ and:

(1) if it is not part of a *consolidation group*, where it does not satisfy *Capital+ condition 1* or *Capital+ condition 3*; or

(2) if it is part of a *consolidation group*, where it does not satisfy *Capital+ condition 2* or *Capital+ condition 4*.

…

20.22 Where a *firm* is required to submit a *data item* in accordance with this rule, that *data item* should be completed:

(1) if the *firm* is not part of a *consolidation group* and the *firm* satisfies *Capital+ condition 1* on the basis of 20.6(3) or *Capital+ condition 3* on the basis of 20.8(3), on an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~;

…

20.22A If a *firm* meets a *Capital+ condition* on the basis of 20.6(4), 20.8(4) or 20.10A, it must submit the *data item* on a *sub-consolidated basis* in addition to meeting any requirement to submit a *data item* on an *individual basis* (excluding the effect of any *individual consolidation*

permission)~~individual basis~~ or on the basis of its, its holding company's or its *UK parent institution's consolidated situation*.

20.23 Where a *firm* is required to submit a *data item* in accordance with this rule, as set out in the *Capital+ reporting table*, that *data item* should be completed on an *individual basis* (excluding the effect of any *individual consolidation permission*)~~individual basis~~.

…

24 STEP-IN RISK REPORTING

24.1 This Chapter applies only to:

(1) a *firm* that is a *CRR firm* but not an *SDDT*; and

(2) a *CRR consolidation entity* that is not an *SDDT consolidation entity*.

24.2 A *firm* that is required to comply with the Step-in Risk Part on an ~~individual basis~~*individual basis* or *sub-consolidated basis* must comply with this Chapter on the same basis.

24.3 A *CRR consolidation entity* must comply with this Chapter on a *consolidated basis*.~~the basis of its *consolidated situation* and, for this purpose, references to a *firm* in this Chapter (other than in 24.1(1) and 24.2) mean a *CRR consolidation entity*.~~

…

Annex AK

Amendments to the Remuneration Part

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

1 APPLICATION AND DEFINITIONS

…

1.2A In this Part, reference to a '*CRR consolidation entity*' shall include a *PRA approved intermediate holding company* and a *PRA designated intermediate holding company*.

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

…

consolidation group entity

means an *institution* or *financial institution* which is:

(1) ~~an *undertaking responsible for consolidation*~~a *CRR consolidation entity*;
(2) a subsidiary of ~~the *undertaking responsible for consolidation*~~a *CRR consolidation entity*; or
(3) where the *consolidation group* contains a *PRA designated institution*, a *subsidiary* of the *UK parent financial holding company* or *UK parent mixed financial holding company* by which the *PRA designated institution* is *controlled*.

…

small CRR firm

means a *CRR firm* that satisfies Condition 1 and, where the *firm* is part of a *group* containing any other *firm* subject to this Part on an ~~individual basis~~*individual basis*, Condition 2, where:

(1) Condition 1 is that the *firm* either:
  (a) has *average total assets* not exceeding £4 billion; or
  (b) satisfies the conditions in 2A.1 and has *average total assets* exceeding £4 billion but not exceeding £20 billion;

and

(2) Condition 2 is that where the *firm* is a member of a *group*, the criteria in (a) or (b) are satisfied in respect of any other *firm* in the *group* which is subject to this Part on an ~~individual basis~~*individual basis*:

  (a)

    (i) the *average total assets* of each *CRR firm* in the *group* do not exceed £4 billion on an ~~individual basis~~*individual basis*;
    (ii) the *average total assets* relating to the activities of the *branch* operation in the *UK* of each *third country CRR firm* in the *group* do not exceed £4 billion on an ~~individual basis~~*individual basis*; and
    (iii) where any *CRR firm* or *third country CRR firm* in the *group* is a member of a *consolidation group*, the *consolidation group* has *average total assets* not exceeding £4 billion on a *consolidated basis*; or

(b)

(i) the *average total assets* of each *CRR firm* in the *group* do not exceed £20 billion on an ~~individual basis~~*individual basis*;
(ii) the *average total assets* relating to the activities of the branch operation in the *UK* of each *third country CRR firm* in the *group* do not exceed £20 billion on an ~~individual basis~~*individual basis*;
(iii) where any *CRR firm* or *third country CRR firm* in the *group* is a member of a *consolidation group*, the *consolidation group* has *average total assets* not exceeding £20 billion on a *consolidated basis*;
(iv) for each *CRR firm* in the *group* each of the conditions in 2A.1 are satisfied on an ~~individual basis~~*individual basis*;
(v) for each *third country CRR firm* in the *group* each of the conditions in 2B.1 are satisfied on an ~~individual basis~~*individual basis*; and
(vi) where any *CRR firm* or *third country CRR firm* in the *group* is a member of a *consolidation group*, each of the conditions (1), (2) and (3) in 2A.1 are satisfied in respect of the *consolidation group* on a *consolidated basis*,

provided that, if a *firm* has not yet been required to report its *total assets*, the calculations in respect of *average total assets* in Conditions 1 and 2 shall instead be done on the basis of the *firm's* reasonable forecast of its *total assets* as at the first occasion on which it will be required to report them.

small third country CRR firm

means a *third country CRR firm* that satisfies Condition 1 and, where the *firm* is part of a *group* containing any other *firm* subject to this Part on an ~~individual basis~~*individual basis*, Condition 2, where

(1) Condition 1 is that the *firm* either:
(a) has *average total assets* that relate to the activities of the branch operation of the *firm* in the *UK* not exceeding £4 billion; or~~;~~
(b) satisfies the conditions in 2B.1 and has *average total assets* that relate to the activities of the *branch* operation of the *firm* in the *UK* exceeding £4 billion but not exceeding £20 billion;

and

(2) Condition 2 is that where the *firm* is a member of a *group*, the criteria in (a) or (b) are satisfied in respect of any other *firm* in the *group* which is subject to this Part on an ~~individual basis~~*individual basis*:

(a)

(i) the *average total assets* of each *CRR firm* in the *group* do not exceed £4 billion on an ~~individual basis~~*individual basis*;
(ii) the *average total assets* relating to the activities of the branch operation in the *UK* of each *third country CRR firm* in the *group* do not exceed £4 billion on an ~~individual basis~~*individual basis*; and
(iii) where any *CRR firm* or *third country CRR firm* in the *group* is a member of a *consolidation group*, the *consolidation group* has *average total assets* not exceeding £4 billion on a *consolidated basis*; or

(b)

(i) the *average total assets* of each *CRR firm* in the *group* do not exceed £20 billion on an ~~individual basis~~*individual basis*;

(ii) the *average total assets* relating to the activities of the *branch* operation in the *UK* of each *third country CRR firm* in the *group* do not exceed £20 billion on an ~~individual basis~~*individual basis*;
(iii) where any *CRR firm* or *third country CRR firm* in the *group* is a member of a *consolidation group*, the *consolidation group* has *average total assets* not exceeding £20 billion on a *consolidated basis*;
(iv) for each *CRR firm* in the *group* each of the conditions in 2A.1 are satisfied on an ~~individual basis~~*individual basis*;
(v) for each *third country CRR firm* in the *group* each of the conditions in 2B.1 are satisfied on an ~~individual basis~~*individual basis*; and
(vi) where any *CRR firm* or *third country CRR firm* in the *group* is a member of a *consolidation group*, each of the conditions (1), (2) and (3) in 2A.1 are satisfied in respect of the consolidation group on a *consolidated basis*,

provided that, if a *firm* has not yet been required to report its *total assets*, the calculations in respect of *average total assets* in Conditions 1 and 2 shall instead be done on the basis of the *firm's* reasonable forecast of its *total assets* as at the first occasion on which it will be required to report them.

…

~~*undertaking responsible for consolidation*~~

~~means a *PRA approved parent holding company*, a *PRA designated parent holding company*, a *PRA approved intermediate holding company*, a *PRA designated intermediate holding company*, or a *PRA designated institution*.~~

…

4 GROUPS

4.1 [Deleted~~.~~]

4.2 A *firm* that is a member of a *group* must:

(1A) comply with this Part on an ~~individual basis~~*individual basis*;

…

…

4.5 A *CRR firm* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

…

17 REMUNERATION BENCHMARKING REPORTING REQUIREMENT

17.1 This Chapter applies to a *firm* to which this Part applies, which had *total assets* equal to or greater than £50 billion on an unconsolidated basis on the *accounting reference date* immediately prior to the *firm's* last complete financial year.

…

17.5 A *firm* that is not, and does not have in its *consolidation group*, a *CRR consolidation entity*~~an *undertaking responsible for consolidation*~~ must complete that report on an unconsolidated basis in respect of *remuneration* awarded to *employees* of the *firm* in the last completed financial year.

17.6 A *CRR consolidation entity*~~An *undertaking responsible for consolidation*~~ must complete that report on a ~~consolidated basis~~*consolidated basis* in respect of *remuneration* awarded to all *employees* of all *consolidation group entities* in its *consolidation group* in the last completed financial year.

…

18 HIGH EARNERS REPORTING REQUIREMENT

…

18.4 A *firm* that is not, and does not have in its *consolidation group*, a *CRR consolidation entity*~~an *undertaking responsible for consolidation*~~ must complete that report on an unconsolidated basis in respect of *remuneration* awarded in the last completed financial year to all *high earners* of the *firm* who mainly undertook their professional activities within the *UK*.

18.5 A *CRR consolidation entity*~~An *undertaking responsible for consolidation*~~ must complete that report on a *consolidated basis* in respect of *remuneration* awarded in the last completed financial year to all *high earners* of the *consolidation group entities* who mainly undertook their professional activities within the *UK* at:

(1) the *CRR consolidation entity*~~the *PRA approved parent holding company*, *PRA designated parent holding company*, *PRA approved intermediate holding company*, a *PRA designated intermediate holding company* or a *PRA designated institution*~~ of the *consolidation group*;

(2) each *consolidation group entity* that has its registered office (or if it has no registered office, its head office) in the *UK*; and

(3) each *branch* of any other *consolidation group entity* that is established or operating in the *UK*.

…

Annex AL

Amendments to the Reporting (CRR) Part

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

…

2 LEVEL OF APPLICATION

Application of requirements on an individual basis

2.1 Subject to rules 2.2 and 2.2A, an institution ~~shall~~must comply with this Part on an ~~individual basis~~*individual basis*.

~~[Note: Rule 2.1 sets out an equivalent provision to Article 6(1) of the *CRR* that applies to this Part]~~

2.2 An institution ~~shall~~must comply with Article 430(1)(d) to the same extent and on the same basis that it is required to comply with the Liquidity (CRR) and Liquidity Coverage Ratio (CRR) Parts ~~of the *PRA* Rulebook~~.

~~[Note: Rule 2.2 sets out an equivalent provision to Article 6(4) of the *CRR* that applies to this Part]~~

…

2.3 ~~Where an institution has been given permission under Article 9(1) of the *CRR* it shall incorporate relevant subsidiaries in the calculation and reporting undertaken to comply with rule 2.1.~~[Deleted]

~~[Note: Rule 2.3 applies Article 9(1) of the *CRR* to this Part where a permission under that Article has been given]~~

Application of requirements on a consolidated basis

2.4 A *CRR consolidation entity* ~~shall~~must comply with this Part on a *consolidated basis*~~the basis of its consolidated situation~~ except that it ~~shall~~must comply with Article 430(1)(d) to the same extent and on the same basis that it is required to comply with the Liquidity (CRR) and Liquidity Coverage Ratio (CRR) Parts ~~of the *PRA* Rulebook~~.

~~[Note: Rule 2.4 sets out an equivalent provision to the first sentence of Article 11(1) and Article 11(4) of the *CRR* that apply to this Part]~~

2.5 ~~For the purposes of applying this Part on a consolidated basis, the terms "institution" and '*UK parent institution*' shall include a *CRR consolidation entity* (if it would not otherwise have been included).~~[Deleted]

~~[Note: Rule 2.5 sets out an equivalent provision to the first sub-paragraph of Article 11(2) of the *CRR* that applies to this Part]~~

2.6 ~~The expression "consolidated situation" applies for the purposes of this Part as it does for the purposes of Parts Two and Three of the *CRR*.~~[Deleted]

~~[Note: the term 'consolidation situation' is defined in Article 4(1)(47) of the *CRR*]~~

Application of requirements on a sub-consolidated basis

2.7 ~~An institution that is required to comply with Parts Two and Three of the *CRR* on a sub-consolidated basis, shall comply with this Part on the same basis.~~An institution or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

~~[Note: Rule 2.7 sets out an equivalent provision to Article 11(6) of the *CRR* that applies to this Part]~~

…

3 ORGANISATIONAL STRUCTURE AND CONTROL MECHANISMS [DELETED]

3.1 ~~A *CRR consolidation entity* and an institution shall set up a proper organisational structure and appropriate internal control mechanisms in order to ensure that the data required for consolidation are duly processed and forwarded.~~[Deleted]

~~[Note: Rule 3.1 sets out an equivalent provision to the second sentence of Article 11(1) of the *CRR* that applies to this Part]~~

3.2 ~~A *CRR consolidation entity* and an institution shall ensure that subsidiaries not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation.~~[Deleted]

~~[Note: Rule 3.2 sets out an equivalent provision to the third sentence of Article 11(1) of the *CRR* that applies to this Part]~~

…

5 REPORTING REQUIREMENTS

…

Article 5 INDIVIDUAL BASIS – QUARTERLY REPORTING

1. In order to report information on own funds and on own funds requirements in accordance with point (a) of Article 430(1) of the Reporting (CRR) Part on an ~~individual basis~~*individual basis*, institutions shall submit information as set out in the following paragraphs with a quarterly frequency. Institutions shall submit information in accordance with paragraphs 2 to 16 of this Article.

…

Article 6 INDIVIDUAL BASIS – SEMI-ANNUAL REPORTING

1. In order to report information on own funds and on own funds requirements in accordance with point (a) of Article 430(1) of the Reporting (CRR) Part of the *PRA* Rulebook on an ~~individual basis~~*individual basis*, institutions shall submit information as set out in the following paragraphs with a semi-annual frequency.

   Institutions shall submit information in accordance with paragraphs 2 and 3, point (a) of paragraph 4, and paragraph 5.

   Large institutions shall also submit information in accordance with points (b) to (f) of paragraph 4.

2. Information on all securitisation exposures shall be reported as specified in templates C 14.00 and C 14.01 of Annex I, in accordance with the instructions in point 3.8 of Part II of Annex II;

   Institutions shall be exempted from submitting those securitisation details where they are part of a group and are subject to own funds requirements in the *United Kingdom* on a ~~consolidated basis~~*consolidated basis*.

…

Article 6A INDIVIDUAL BASIS – ANNUAL REPORTING

1. In order to report information on own funds and on own funds requirements in accordance with point (a) of Article 430(1) of the Reporting (CRR) Part on an ~~individual basis~~*individual basis*, institutions shall submit information as set out in the following paragraphs with an annual frequency. Institutions shall submit information in accordance with paragraph 2 of this Article.

...

Article 7 REPORTING ON A CONSOLIDATED BASIS

In order to report information on own funds and own funds requirements in accordance with point (a) of Article 430(1) of the Reporting (CRR) Part on a ~~consolidated basis~~*consolidated basis*, institutions shall submit:

(a) the information specified in Articles 5, 6 and 6A on a ~~consolidated basis~~*consolidated basis* with the frequency specified therein;

…

…

Article 11 REPORTING ON A CONSOLIDATED BASIS FOR INSTITUTIONS APPLYING REGULATION (EC) NO 1606/2002

1. In order to report financial information on a ~~consolidated basis~~*consolidated basis* in accordance with Article 430(3) or (4) of the *CRR*, institutions shall submit the information specified in Annex III on a ~~consolidated basis~~*consolidated basis*, in accordance with the instructions in Annex V.

…

Article 13 FORMAT AND FREQUENCY OF SPECIFIC REPORTING OBLIGATIONS ON LOSSES STEMMING FROM LENDING COLLATERALISED BY IMMOVABLE PROPERTY IN ACCORDANCE WITH ARTICLE 430A(1) OF THE CRR

1. Institutions shall submit the information specified in Annex VI, in accordance with the instructions in Annex VII, on a ~~consolidated basis~~*consolidated basis* with an annual frequency.
2. Institutions shall submit the information specified in Annex VI, in accordance with the instructions in Annex VII, on an ~~individual basis~~*individual basis* with an annual frequency.

…

Article 14 FORMAT AND FREQUENCY OF REPORTING ON LARGE EXPOSURES ON AN INDIVIDUAL AND A CONSOLIDATED BASIS

1. In order to report information on large exposures to clients and groups of connected clients in accordance with Article 394 of the *CRR* on an ~~individual~~*individual basis* and a ~~consolidated basis~~*consolidated basis*, institutions shall submit the information specified in Annex VIII, in accordance with the instructions in Annex IX, with a quarterly frequency.
2. In order to report information on the 20 largest exposures to clients or groups of connected clients in accordance with Article 394(1) of the *CRR* on a ~~consolidated basis~~*consolidated basis*, institutions subject to Chapter 3 of Title II of Part Three of the *CRR* shall submit the information specified in Annex VIII, in accordance with the instructions in Annex IX, with a quarterly frequency.

3. In order to report information on exposures of a value greater than or equal to GBP 260 million but less than 10% of the institution's Tier 1 capital in accordance with Article 394(1) of the *CRR* on a ~~consolidated basis~~*consolidated basis*, institutions shall submit the information specified in Annex VIII, in accordance with the instructions in Annex IX, with a quarterly frequency.

4. In order to report information on the 10 largest exposures to institutions on a ~~consolidated basis~~*consolidated basis*, and on the 10 largest exposures to shadow banking entities that carry out banking activities outside the regulated framework on a ~~consolidated basis~~*consolidated basis*, in accordance with Article 394(2) of the *CRR*, institutions shall submit the information specified in Annex VIII, in accordance with the instructions in Annex IX, with a quarterly frequency.

…

Article 16 REPORTING ON LIQUIDITY COVERAGE REQUIREMENT

1. In order to report information on the liquidity coverage requirement in accordance with point (d) of Article 430(1) of the Reporting (CRR) Part of the *PRA* Rulebook on an ~~individual~~*individual basis* (excluding the effect of any *individual consolidation permission*) and a ~~consolidated basis~~*consolidated basis*, institutions shall submit the information specified in Annex XXIV, in accordance with the instructions in Annex XXV, with a monthly frequency.

…

Article 17 REPORTING ON STABLE FUNDING

In order to report information on stable funding in accordance with point (d) of Article 430(1) of the Reporting (CRR) Part of the *PRA* Rulebook on an ~~individual~~*individual basis* (excluding the effect of any *individual consolidation permission*) and a ~~consolidated basis~~*consolidated basis*, institutions shall submit the information specified in Annex XII, in accordance with the instructions in Annex XIII, with a quarterly frequency as follows:

…

Article 18 FORMAT AND FREQUENCY OF REPORTING ON ADDITIONAL LIQUIDITY MONITORING METRICS ON AN INDIVIDUAL AND A CONSOLIDATED BASIS

1. In order to report information on additional liquidity monitoring metrics in accordance with point (d) of Article 430(1) of the Reporting (CRR) Part of the *PRA* Rulebook on an ~~individual~~*individual basis* (excluding the effect of any *individual consolidation permission*) and a ~~consolidated basis~~*consolidated basis*, institutions shall submit all of the following information with a monthly frequency:

…

Article 19 FORMAT AND FREQUENCY OF REPORTING ON ASSET ENCUMBRANCE ON AN INDIVIDUAL AND A CONSOLIDATED BASIS

1. In order to report information on asset encumbrance in accordance with point (g) of Article 430(1) of the Reporting (CRR) Part of the *PRA* Rulebook on an ~~individual~~*individual basis* (excluding the effect of any *individual consolidation permission*) and a ~~consolidated basis~~*consolidated basis*, institutions shall submit the information specified in Annex XVI to this Chapter 5 of this Reporting (CRR) Part of the *PRA* Rulebook, in accordance with the instructions set out in Annex XVII to this Chapter 5 of this Reporting (CRR) Part of the *PRA* Rulebook.

…

Article 20 FORMAT AND FREQUENCY OF SUPPLEMENTARY REPORTING FOR THE PURPOSES OF IDENTIFYING G-SIIS AND ASSIGNING G-SII BUFFER RATES

1. In order to report supplementary information for the purposes of identifying G-SIIs and assigning *G-SII buffer* rates, *UK parent institutions*, *UK parent financial holding companies* and *UK parent mixed financial holding companies* shall submit the information specified in Annex XXVI, in accordance with the instructions in Annex XXVII, on a ~~consolidated basis~~*consolidated basis* with a quarterly frequency.

…

Annex AM

Amendments to the Reporting Pillar 2 Part

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

1 APPLICATION AND DEFINITIONS

…

1.2 ~~A *firm* that is neither a *subsidiary* of a *parent undertaking* incorporated in or formed under the law of any part of the *UK* nor a *parent undertaking* must comply with this Part on an individual basis.~~[Deleted]

1.3 A *firm* that is not a member of a *consolidation group* must comply with this Part on an ~~individual basis~~*individual basis*.

…

1.5A A *CRR consolidation entity* must comply with this Part on a *consolidated basis*~~, and for that purpose, references to a *firm* in this Part (other than in 1.1 and 1.5A) mean a *CRR consolidation entity*~~.

1.5B An *Article 109 undertaking* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

…

Annex AN

Amendments to the Required Level of 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:

…

stand-alone institution in the UK

means an institution that is:

(1) not an *international subsidiary*; and

(2) not subject to prudential consolidation pursuant to ~~Chapter 2 of Title II of Part One of *CRR*~~Chapter 2 of Chapter 5 of the Groups Part and that has no *UK parent undertaking* subject to such prudential consolidation.

2 LEVEL OF APPLICATION

Application of requirements on an individual basis

2.1 An institution ~~shall~~must comply with this Part on an ~~individual basis~~*individual basis*.

~~[Note: Rule 2.1 sets out an equivalent provision to Article 6(1) of *CRR* that applies to this Part]~~

2.2 ~~Where an institution has been given permission under Article 9(1) of *CRR* it shall incorporate relevant subsidiaries in the calculation undertaken to comply with rule 2.1.~~[Deleted]

~~[Note: Rule 2.2 applies Article 9(1) of *CRR* to this Part where a permission under that Article has been given]~~

Application of requirements on a consolidated basis

2.3 A *CRR consolidation entity* ~~shall~~must comply with this Part on ~~the basis of its consolidated situation~~a *consolidated basis*.

~~[Note: Rule 2.3 sets out an equivalent provision to the first sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.4 ~~For the purposes of applying this Part on a consolidated basis, the terms 'institution' and 'UK parent institution' shall include a *CRR consolidation entity* (if it would not otherwise have been included).~~An institution or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

~~[Note: Rule 2.4 sets out an equivalent provision to the first sub-paragraph of Article 11(2) of *CRR* that applies to this Part]~~

2.5 ~~The expression 'consolidated situation' applies for the purposes of this Part as it does for the purposes of Parts Two and Three of *CRR*.~~[Deleted]

~~[Note: The term 'consolidated situation' is defined in Article 4(1)(47) of *CRR*]~~

~~**Application of requirements on a sub-consolidated basis**~~

2.6 ~~An institution that is required to comply with Parts Two and Three of *CRR* on a sub-consolidated basis shall comply with this Part on the same basis.~~[Deleted]

~~[Note: Rule 2.6 sets out an equivalent provision to Article 11(6) of *CRR* that applies to this Part]~~

3 ORGANISATIONAL STRUCTURE AND CONTROL MECHANISMS [DELETED]

3.1 ~~A *CRR consolidation entity* and an institution shall set up a proper organisational structure and appropriate *internal control* mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.~~[Deleted]

~~[Note: Rule 3.1 sets out an equivalent provision to the second sentence of Article 11(1) of *CRR* that applies to this Part]~~

3.2 ~~A *CRR consolidation entity* and an institution shall set up a proper organisational structure and appropriate *internal control* mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.~~[Deleted]

~~[Note: Rule 3.2 sets out an equivalent provision to the third sentence of Article 11(1) of *CRR* that applies to this Part]~~

4 REQUIRED LEVEL OF OWN FUNDS

Article 92 OWN FUNDS REQUIREMENTS

1. ~~Subject to Article 93 of *CRR*, a~~An institution shall at all times satisfy the following own funds requirements:

…

2A. Subject to paragraph 5, the total risk exposure amount shall be calculated as follows:

(a) for the purposes of complying with the obligations of this Part:

…

(iii) on a *consolidated basis*~~the basis of its consolidated situation~~, a *CRR consolidation entity* that is not an *international subsidiary*,

shall calculate the total risk exposure amount as follows:

…

IRB Adjustments

…

(b) for the purposes of complying with the obligations of this Part on a ~~sub-consolidated basis~~*sub-consolidated basis*, the total risk exposure amount of an institution other than a *ring-fenced body* shall be the un-floored total risk exposure amount calculated in accordance with paragraph 3;

(c) for the purposes of complying with the obligations of this Part on an ~~individual basis~~*individual basis*, the total risk exposure amount of a *ring-fenced body* that is a member of a *sub-consolidation group* and an institution which is not a *stand-alone institution in the UK* shall be the un-floored total risk exposure amount calculated in accordance with paragraph 3;

…

3. The un-floored total risk exposure amount shall be calculated as the sum of points (a) to (f) of this paragraph after having taken into account paragraph 4:

   (a) the risk-weighted exposure amounts for credit risk and dilution risk, calculated in accordance with Title II of Part Three of *CRR*, the *credit risk rules*, the Counterparty Credit Risk (CRR) Part and ~~Articles 379 and 380 of *CRR*~~Settlement Risk (CRR) Part Article 379 in respect of all the business activities of an institution, excluding risk-weighted exposure amounts arising from the trading book business of the institution;

   …

   (ca) the own funds requirements for settlement risk calculated in accordance with ~~Articles 378 and 380 of *CRR*;~~Settlement Risk (CRR) Part Articles 378 and 380;

   …

   (f) …

      (i) contracts listed in ~~Annex II of *CRR*~~ Annex 1 of Chapter 3 of the Counterparty Credit Risk (CRR) Part and credit derivatives;

      …

3A. The standardised total risk exposure amount shall be calculated as the sum of points (a) to (f) of paragraph 3:

   ..

   (b) calculated without using any of the following approaches or as if permission to use the following approaches has not been granted:

      …

      (iii) the Securitisation Internal Ratings Based Approach set out in ~~Articles 258 to 260 of *CRR*~~Securitisation (CRR) Part Articles 258 to 260A and the Internal Assessment Approach set out in ~~Article 265 of *CRR*;~~Securitisation (CRR) Part Article 265;

      (iv) the Internal Model Method ~~approach~~ set out in Section 6 of ~~Chapter 6 of Title II of Part Three of *CRR*.~~ Chapter 3 of the Counterparty Credit Risk (CRR) Part.

…

Annex AO

Amendments to the Resolution Assessment Part

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

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to a *firm* that is a *UK bank* or *building society* that, on the *firm's* last *accounting reference date*, had *retail deposits* equal to or greater than £50 billion on:

(1) an ~~individual basis~~*individual basis*;
(2) if the *firm* is a *UK parent institution*, a *consolidated basis*~~the basis of its consolidated situation~~; or
(3) if the *firm* is controlled by a *UK parent financial holding company* or by a *UK parent mixed financial holding company* and the *PRA* is responsible for supervision of that holding company on a *consolidated basis*, on that basis~~the basis of the *consolidated situation* of that holding company~~.

…

Annex AP

Amendments to the Ring-fenced Bodies Part

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

…

2 APPLICATION OF RULES WITHIN A SUB-CONSOLIDATION GROUP

…

2.5 Without prejudice to 2.2, a *ring-fenced body* that is ~~required under Article 11(5) of the *CRR* to comply with obligations on a *sub-consolidated basis*~~subject to a *sub-consolidation requirement* must ensure that:

(1) responsibility for the matters in 2.6 is allocated to:

(a) a single *ring-fenced body* in its *sub-consolidation group*; or

(b) the *ring-fenced holding company* but only if a *person* employed by it or an *officer* of it performs a *PRA senior management function* in relation to a *ring-fenced body* in the *sub-consolidation group*; and

(2) the allocation is documented and notified to the *PRA*.

…

10 INTRAGROUP CREDIT VALUATION ADJUSTMENT RISK

…

10.2 A *ring-fenced body* that is ~~required under Article 11(5) of the *CRR* to comply with obligations on a *sub-consolidated basis*~~subject to a *sub-consolidation requirement* must comply with 10.1 on the same basis~~on that *sub-consolidated basis*~~.

…

11 DISTRIBUTIONS

…

11.3 The information in 11.2(3) and (4) must also be provided on a *sub-consolidated basis* in respect of any *ring-fenced body* that is ~~required under Article 11(5) of the *CRR* to comply with obligations on a *sub-consolidated basis*~~subject to a *sub-consolidation requirement*.

…

18 APPLICATION OF CERTAIN PRA RULES TO RING-FENCED BODIES ON A SUB-CONSOLIDATION BASIS

18.1 A *ring-fenced body* that is subject to a *sub-consolidation requirement*~~required under Article 11(5) of the *CRR* to comply with obligations on a *sub-consolidated basis*~~ must comply with the *sub-consolidation rules*~~following provisions of the *PRA* Rulebook~~ on the same basis as set out in the *sub-consolidation requirement*~~that *sub-consolidated basis*~~.~~:~~

(1) ~~the *ICAAP rules* in the Internal Capital Adequacy Assessment Part;~~[deleted]

(2) ~~the *risk control rules* in the Internal Capital Adequacy Assessment Part;~~[deleted]

(3) ~~the overall financial adequacy *rule* in Internal Capital Adequacy Assessment 2.1;~~[deleted]

(4) ~~Internal Capital Adequacy Assessment 15;~~[deleted]

(5) ~~the Capital Buffers Part;~~[deleted]

(6) ~~the Internal Liquidity Adequacy Assessment Part;~~[deleted]

(7) ~~2.1 (read with 2.2), 2.6, 2A.2, 5 and 6 of the General Organisational Requirements Part;~~[deleted]

(8) ~~3.2 of the Skills, Knowledge and Expertise Part;~~[deleted]

(9) ~~2.3, 2.7 and 3 of the Risk Control Part;~~[deleted]

(10) ~~2.1(2) (read with 2.2) and 2.4 of the Group Risk Systems Part;~~[deleted]

(11) ~~the Remuneration Part;~~[deleted]

(12) ~~2.1 of the Public Disclosure Part;~~[deleted]

(13) ~~the Benchmarking of Internal Approaches Part; and~~[deleted]

(14) ~~the Reporting Pillar 2 Part.~~[deleted]

18.2 A *ring-fenced body* that is subject to a *sub-consolidation requirement* ~~required under Article 11(5) of the *CRR* to comply with obligations on a *sub-consolidated basis*~~ must comply with the obligations under the Capital Requirements (Country-by-Country Reporting) Regulations 2013 (SI 2013/3118) on that *sub-consolidated basis*. For the avoidance of doubt, the treatment provided for in Regulations 4 and 5 of those regulations is available (with the necessary changes) to the *ring-fenced body* in its seeking to comply with this *rule* on a *sub-consolidated basis*.

[Note: Art. 71, 73-76, 78-96, 98, 123, 129, 130, 140-142 of the CRD~~.~~]

…

Annex AQ

Amendments to the Risk Control Part

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

…

4 GROUP ARRANGEMENTS

...

4.1A ~~Where this Part applies on a *consolidated basis* or on a *sub-consolidated basis*, an *Article 109 undertaking* must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in Parts Two to Eight of the *CRR* on a *consolidated basis* or *sub-consolidated basis*.~~[Deleted]

4.2 Compliance with the obligations referred to in 4.1 must enable the *consolidation group* or *sub-consolidation group* to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

[Note: Art 109(2) of the *CRD*]

Annex AR

Amendments to the Skills, Knowledge and Expertise Part

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

…

6 GROUP ARRANGEMENTS

...

6.1A ~~Where this Part applies on a *consolidated basis* or on a *sub-consolidated basis*, an *Article 109 undertaking* must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in Parts Two to Eight of the *CRR* on a *consolidated basis* or sub-consolidated basis.~~[Deleted]

6.2 Compliance with the obligations referred to in 6.1 must enable the *consolidation group* or *sub-consolidation group* to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

[Note: Art 109(2) of the *CRD*]

Annex AS

Amendments to the Step-In Risk Part

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

…

2 LEVEL OF APPLICATION

2.1 A *firm* must comply with this Part on an ~~individual basis~~*individual basis*.

2.2 2.1 does not apply where the *firm* is a member of a *consolidation group*.

2.3 A *CRR consolidation entity* must comply with this Part on ~~the basis of its *consolidated situation*~~a *consolidated basis*.

2.4 ~~For the purposes of 2.3 and 2.6, references to a *firm* in this Part (other than in 1.1, 2.1, 2.2 and 2.5) means a *CRR consolidation entity*.~~[Deleted]

2.5 ~~A *firm* that is required to comply with Parts Two and Three of the *CRR* on a *sub-consolidated basis* shall comply with this Part on the same basis.~~A *firm* or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

…

Annex AT

Amendments to the Trading Book (CRR) Part

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

…

2 LEVEL OF APPLICATION

~~**Application of requirements on an individual basis**~~

…

2.1A An institution ~~shall~~must comply with this Part on an ~~individual basis~~*individual basis*.

~~[Note: Rule 2.1A sets out an equivalent provision to Article 6(1) of *CRR* that applies to this Part]~~

2.2 ~~Where an institution has been given permission under Article 9(1) of *CRR* it shall incorporate relevant subsidiaries in the calculation undertaken to comply with rule 2.1A.~~A *CRR consolidation entity* must comply with this Part on a *consolidated basis*.

~~[Note: Rule 2.2 applies Article 9(1) of *CRR* to this Part where a permission under that Article has been given]~~

~~**Application of requirements on a consolidated basis**~~

2.3 ~~A *CRR consolidation entity* shall comply with this Part on the basis of its consolidated situation.~~An institution or *CRR consolidation entity* to which this Part is applied in a *sub-consolidation requirement* must comply with this Part on a *sub-consolidated basis*, as set out in that requirement.

~~[Note: Rule 2.3 sets out an equivalent provision to the first sentence of Article 11(1) of *CRR* that applies to this Part]~~

2.4 ~~For the purposes of applying this Part on a consolidated basis, the terms 'institution' and 'UK parent institution' shall include a *CRR consolidation entity* (if it would not otherwise have been included).~~[Deleted]

~~[Note: Rule 2.4 sets out an equivalent provision to the first sub-paragraph of Article 11(2) of *CRR* that applies to this Part]~~

2.5 ~~The expression 'consolidated situation' applies for the purposes of this Part as it does for the purposes of Parts Two and Three of *CRR*.~~[Deleted]

~~[Note: The term 'consolidated situation' is defined in Article 4(1)(47) of *CRR*]~~

~~**Application of requirements on a sub-consolidated basis**~~

2.6 ~~An institution that is required to comply with Parts Two and Three of *CRR* on a sub-consolidated basis, shall comply with this Part on the same basis.~~[Deleted]

~~[Note: This rule sets out Article 11(6) of *CRR* that applies to this Part]~~

2A ORGANISATIONAL STRUCTURE AND CONTROL MECHANISMS [DELETED]

2A.1 ~~A *CRR consolidation entity* and an institution shall set up a proper organisational structure and appropriate *internal control* mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.~~[Deleted]

~~[Note: Rule 2A.1 sets out an equivalent provision to the second sentence of Article 11(1) of *CRR* that applies to this Part]~~

2A.2 ~~A *CRR consolidation entity* and an institution shall ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.~~[Deleted]

~~[Note: Rule 2A.2 sets out an equivalent provision to the third sentence of Article 11(1) of *CRR* that applies to this Part]~~

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

~~[Note: Articles 92 to 93 remain in the *CRR*]~~

…

4 RULES SUPPLEMENTING ARTICLE 105 ON STANDARDS FOR PRUDENTIAL VALUATION (PREVIOUSLY REGULATION (EU) NO 2016/101)

…

CHAPTER II SIMPLIFIED APPROACH FOR THE DETERMINATION OF AVAS

Article 4 CONDITIONS FOR USE OF THE SIMPLIFIED APPROACH

…

3. The threshold referred to in paragraph 1 shall apply on an ~~individual~~*individual basis* and ~~consolidated basis~~*consolidated basis*. Where the threshold is breached on a ~~consolidated basis~~*consolidated basis*, the core approach shall be applied to all entities included in the consolidation.

…

EXTERNALLY DEFINED TERM

Term	Definition source
~~consolidated situation~~	~~Article 4(1)(47) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012~~